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

PRESENTATIONS

The Fifteenth
International Congress

SENDAI

November 7-9, 1984



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PROGRAM

WEDNESDAY, NOVEMBER 7, 1984

8:30 a.m. REGISTRATION — Sendai Plaza Hotel, 3rd Floor

9:00 a.m. OPENING CEREMONIES
Opening Address — Shigeo Takeuchi
Report on 1983 Activities — Karl F. Jorda
Installation of PIPA Officers for 1984
Keynote Address — Toshiya Hiraoka, President of PIPA
Guest Speakers:
Honorary Chairman — Isamu Sakamoto, Advisor (Former Chairman) of Japan Patent Association (Senior Advisor of Sumitomo Electric Industries, Ltd.)
Honorable Gerald J. Mossinghoff, U.S. Commissioner of Patents & Trademarks
Honorable Manabu Shiga, Director General, Japanese Patent Office
Honorable William V. Rapp, Counselor for Commercial Affairs, Embassy of the United States of America
Memorial Address for the late Mr. C. Cornell Remsen, Jr. — Masaaki Suzuki

10:20 a.m. COFFEE BREAK

10:40 a.m. Presentation - Recent U.S. Patents and Trademarks Office, Legislative and International Developments - Honorable Gerald J. Mossinghoff

11:20 a.m. **REPORT OF COMMITTEE NO.1**
Alfred E. Hirsch, Jr. and Shigemitsu Nakajima, Chairmen

11:25 a.m. Multiple Claim System in Japan and Utilization Status Thereof
Akira Atsumi

11:50 a.m. The Duty of Candor to the United States Patent and Trademark Office in Patent Application Matters
Donald W. Banner

12:15 p.m. LUNCHEON (3rd Floor)

1:30 p.m. Current Situation of Legal Protection of Computer Program in Japan
Shinsuke Ozawa

1:55 p.m. Cancellation of Trademark Registration Based on Illegal Use of Registered Trademark
Isao Ando

2:20 p.m. Your Application's Utility — Incredible
Leroy G. Sinn

2:45 p.m. Patent Opposition System in Japan
Michihiro Kameishi

Paper Presentation — Rudolph J. Anderson, Jr. ; "Remarks on Patent Term Restoration"

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CONCORD, N.H.

3:10 p.m. COFFEE BREAK

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3:30 p.m. Panel Discussions ; "The Role of the Patent Department in a Corporation"

William S. Thompson	Hirohisa Suzuki	—	Panelist
Jeffrey J. Hawley	Itaru Nakamura	—	Panelist
Frederick W. Padden	Koshiro Matsuoka	—	Panelist
5:30 p.m. Alfred E. Hirsch, Jr.	Michio Nishi	—	Moderator

6:30 p.m. GRAND RECEPTION (3rd Floor)
Welcome Address — Akio Takahashi, President of Japan Patent Association (General Manager, Patent Department, Hitachi, Ltd.)

9:00 p.m. PIPA Award — Shoji Matsui

THURSDAY, NOVEMBER 8, 1984

9:00 a.m. **REPORT OF COMMITTEE NO.2**
William T. McLain and Juro Ichimura, Chairmen

9:05 a.m. Development of the Asia NICs
Akira Taguchi

9:30 a.m. The Patent Misuse Doctrine in the United States of America
Donald W. Banner

9:55 a.m. Problems of Trademark Tie — In Patent License
Itsuro Takeda

10:20 a.m. COFFEE BREAK

10:40 a.m. What in the World is Know — How Licensing?
Richard B. Megley

11:05 a.m. Licensing of Japanese Patent Applications
Itsuo Seki

11:30 a.m. **REPORT OF COMMITTEE NO.4**
William T. McLain and Shin Ando, Chairmen

11:35 a.m. Update on the U.S. International Trade Commission and Section 337 Actions Brought Before It
Thomas Langer

12:00 noon **REPORT OF COMMITTEE NO.3**
Paul D. Carmichael and Zenjiro Nakamura, Chairmen

12:05 p.m. The Problems on Enactment of Chinese Patent Law
Keita Nakano

12:45 p.m. BUS TOUR to MATSUSHIMA (Box Lunch)

5:30 p.m.) 8:00 p.m. DINNER at HOTEL SHIOGAMA GRAND PALACE

FRIDAY, NOVEMBER 9, 1984

9:00 a.m. **REPORT OF COMMITTEE NO.3** (continued)
The Duty of Disclosure and the Problems It Presents to Applicants in Other Countries
Paul D. Carmichael

9:25 a.m. Recent Movements of the Industrial Property System in Southeast Asian Countries
Shinya Tokuda

9:50 a.m. World-wide Status of Software Protection
Victor Siber

10:15 a.m. Legal Protection for New Varieties of Plants
Kiyoshi Yamashita

10:40 a.m. COFFEE BREAK

11:00 a.m. **REPORT OF COMMITTEE NO.4**
Restrictions on Exercising Patent Right of Which Practical Application is Regarded Dubious
Shin Ando

11:25 a.m. On Identity of Two Inventions Which Share the Same Specific Embodiment
Masao Shimokoshi

12:20 p.m.) 1:50 p.m. LUNCHEON AND CLOSING CEREMONIES (3rd Floor)
Guest Address — Honorable Nobuaki Saida, Engineer General, Japanese Patent Office
Closing Address — Karl F. Jorda

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OPENING ADDRESSES

by Mr. Shigeo Takeuchi, Secretary Treasurer,
PIPA Japanese Group

Honorable guest, distinguished participants, ladies and gentlemen I would like to declare open the 15th PIPA Congress. My name is Takeuchi, Secretary Treasurer of Japanese Group.

Sendai has a long history especially in the feudal age which continued up to some 100 years ago. As you are well aware, four warships of United States visited Japan in 1853. This triggered off collapse of Japanese feudal system and changing for a modern society. Sendai was capital of Date clan which was one of the most powerful feudal lords or daimyos in the feudal time of Japan and which ruled over this region. Sendai has long tradition as the castle town of Date clan, now it is capital of Miyagi prefecture blessed with fresh air and greens which have changed to autumnal colors already. I believe, it is more beautiful than Tokyo. I hope that all the participants leave daily routines behind and carry out fruitful meeting with flexible mind.

I would like to introduce honorary chairman in this Congress. As you are aware he assumed honorary chairman in the 11th Congress which was held in 1980, he is senior adviser of Sumitomo Electric Co., Ltd. and adviser of Japan Patent Association, Mr. Isamu Sakamoto. Would you please stand up. Next I have the honor of introducing our guest speakers who kindly accepted to attend 15th Sendai Congress, first, Mr. Gerald J. Mossinghoff who is Commissioner of U.S. Patent and Trademark Office. We have Counselor for Commercial Affairs from Embassy of the United States of America, Mr. William V. Rapp. We have General Director of Japanese Patent Office Mr. Manabu Shiga. I would also like to

introduce senior members who have nurtured PIPA into this grand organization that is PIPA award medalists, we have three of them. I would like to introduce in the order of receipt of the medal Mr. Shozo Saotome, Mr. D.W. Banner, and Mr. E.W. Adams, Jr. Welcome to the 15th PIPA Congress. We would like to count on your continued assistance.

Thank you very much for your attention.

Report on 1983/84 Activities

By Karl F. Jorda
President, American Group
November 7, 1984

Minasama ohaio gozaimasu.

Distinguished guests, fellow members of the Pacific Industrial Property Association.

As is traditional at PIPA Congresses my task this morning is to review and recite the activities and accomplishments during the 1983/84 Association Year. But before I do so may I say, also on behalf of my American colleagues, that it is a great privilege and pleasure to participate in this 15th International PIPA Congress in this beautiful "capital of the trees" - Sendai.

We are all delighted to have the opportunity to visit this new and novel location for a PIPA Congress in northern Japan and to get together again with our friends of the Japanese Group for fruitful interchange and interaction, as is always the case at our Congresses.

Now as regards recent PIPA activities and accomplishments, the first event to cover by way of a brief flash back is the 14th Congress which was held in Washington in October of last year. It was very well attended thanks to a record attendance on the part of the Japanese Group which included a special large JPA Study Group. We appreciated the advance planning. Many profound and scholarly papers were delivered on problematic aspects of patent and trademark law and practice, primarily in Japan and the U.S. but also in other countries and areas of interest and concern to us and as a new feature panel discussions on interesting topics were succesfully added to the program format. As a new member of a still small but growing and very prestigious group of PIPA medalists, Mr. Ed Adams was inducted for outstanding contributions to international relations in the field of industrial property. Several high officials of the Japanese, European and U.S. Patent Offices, including their heads, Mr. Wakasugi, Mr. Van Bentham and Mr. Mossinghoff, honored and graced our Congress by their participation and their presentations.

Since the Washington Congress, PIPA has had a very active year. To stay in touch with the membership and to stay on top of affairs, an annual meeting was held on each side and each

side also held several Board of Governor Meetings and work on a new PIPA Directory, revision of its Constitution and By-laws and an update of the Conciliation panel was undertaken.

On an international level and as regards the Diplomatic Conference for the Revision of the Paris Convention held in Geneva last Spring, PIPA had four members, two Japanese and two American, in attendance as observers and in touch with their respective government delegations.

The Japanese Group also actually submitted a position paper carefully prepared by PIPA on the proposed new patent law of the People's Republic of China to a Chinese delegation visiting Tokyo last Fall.

Lastly, one other PIPA event should be highlighted especially since it was an historic event. And that is the four-day International Conference held at the Japanese Patent Office last February. This was mostly of direct benefit to the U.S. Group but it came about through the invaluable assistance and mediation of the Japanese Group. And for this we are eternally grateful. It was attended by 23 U.S. corporate Patent Counsel and we gained an appreciation of the intricacies

of the Japanese Patent System, Administration and Practice. We had interesting give-and-take discussions and our concerns with Japanese Patent Practice were addressed. Viewed from the perspective of "internationalization" and "harmonization" of patent systems, this International Conference has transcendent significance. And now we are tremendously pleased to have the opportunity for a brief follow-up meeting at the JPO next Monday afternoon. We look forward to this next date with the JPO with the greatest of appreciation and anticipation.

This brings us back to this Congress in Sendai. It is manifest that our Japanese friends have spared no effort in planning and preparing the program. I know that this 15th Congress will continue the reputation and tradition of high standards of professionalism and scholarship in the presentations. Consequently, it will be a very successful Congress indeed.

Goseicho arigato gozaimashita!

KEYNOTE ADDRESS

by Toshiya Hiraoka
President of PIPA

Ohayo gozaimasu. Distinguished guests, ladies and gentlemen, it is a great honor for me to deliver the address at this 15th PIPA Congress.

First of all, as the president of this Congress, please let me welcome all of you to Sendai, the capital of green forest.

The world today faces various problems. The gap between the North and South is a typical example. Developing nations in the South are far behind the northern nations in the race for technical development. The developed nations, to the contrary, are obliged to settle the issue of the unbalanced trade which deters the South's development. Apparently these problems require international negotiations and co-operation for a just settlement. Upon such a settlement, a new international economic framework can be expected.

The patent system is not an exception. Changes in international relations inevitably require the adjustment of the patent system. With the rapid development of science and technology, the industrial property right in some facets has lost its clear identification. This is the reason why so many discussions have been devoted to this issue in order to figure out a desirable protection.

In such time of transition, this gathering of friends from both side of the Pacific is truly significant. Let us air our concern regarding the development of industrial property system, and through our discussions, I hope we can clear various problems confronting us and fulfill the expectations brought to this International Congress.

In reviewing the field of industrial property, we must refer to the revision of the Paris Convention. The Forth Diplomatic Conference of the Paris Convention was held in Geneva from February to March of this year. Several PIPA members attended this Conference, playing important roles there, as representatives of their respective government. At that Conference, there were discussions about things such as the contents of instituting non-voluntary licensing when there is a failure to work, a subject of intense interest to us. However, mutual consent could not be arrived at due to the severe opposition among the countries present. At the conference held in Geneva in September 1984, it was agreed upon to hold a preparatory conference made up of spokesmen from various countries concerned, in December of this year. There is a need for us to tenaciously press for the understanding of each of the related countries, in order to develop adequate industrial property system of the world.

Among the activities taking place in the industrial property system of the world, one that deserves particular mention is the establishment of the patent law in Peoples Republic of China. (Although as yet, there has not been sufficient announcements regarding the practical aspect of

its operation such as the enforcement regulations, and there are still points of detail that remain unclear, they are headed towards legal enactment from April first of next year, and they have already started accepting applications at their representative organ.) By taking action in instituting a patent law system, China has recognized how important a role this will play in the modernization of their country accelerating the development of science and technology. We would like to evaluate the efforts of China to establish a patent system having various original points suitable to their particular social system. We would also like to cooperate in supporting the activities of China in this aspect, which is reciprocal protection of industrial property and smooth implementation of licensing.

In regard to the present state of our industrial property laws, there is no denying that we are encountering new problems. First, there is the protection of computer software, which America is carrying out through the copyright law, whereas Japan is still in the midst of studying whether or not this applies to the copyright law. No matter which is chosen, there is a need to promptly establish a method of protection. In the area of semi-conductor protection also, America has recently settled upon its legislation, and in Japan too, the investigation is proceeding and we hope for the establishment of a new international order in this field.

Reform has also begun in the procedural operations aspect of the industrial property system. The U.S. Patent and Trademark Office has decided on a "paperless 10 year scheme", and they are already proceeding. Japan also, has inaugurated an independent account system from July of this year in order to realize a paperless scheme. The scheme of both countries are designed to speed up the search for prior art, to reduce the period until rights are granted. As patent system becomes increasingly complicated, these schemes will undoubtedly contribute greatly to the field of industry. We of the commercial side probably have a need to recheck our office work methods in accordance to the progress of this paperless project.

As clearly shown by the recent remarkable advances in semi-conductor technology or robot, numerical control machines and others, the so called inter-field business has developed greatly. There is a greater need than ever, to exchange ideas to reach consent on a broader scope.

With the advances in biotechnology or the permeation of the computer system into various fields, the problems of protecting this technology such as programs etc., must be treated with care.

We, the users of patent system frequently feel that measures should be taken, so the legal protection will not lag behind the progress in technology. It is apparent that we live in an era of where progress in technology is taking remarkable leaps ahead. Through the wisdom we can derive from the discussions we carry out here at the PIPA Congress, I hope we can work out a guideline, which will influence the future development of technology and technical interchange between countries.

Thank you very much.

November 7, 1984

Text of Speech

by I. Sakamoto, Honorary Chairman,

for Sendai Congress of PIPA

Distinguished guests, fellow members, ladies and gentlemen.

As Advisor of the Japan Patent Association, I would like to welcome you to this Congress. To begin with, I would like to say that I deem it a great honor to be nominated as Honorary Chairman of the 15th International Congress of the Pacific Industrial Property Association.

Attending the Congress in this hall, we have many experts on industrial property from both the United States and Japan. The presence of Mr. Gerald J. Mossinghoff, Commissioner of the United States Patent and Trademark Office, of Mr. William V. Rapp, Counselor for Commercial Affairs, Embassy of the United States of America, and of Mr. Manabu Shiga, Director-General of the Japan Patent Office, gives an added grace and significance to the Congress. I thank the gentlemen for their attention and attendance to this meeting.

I note, and I am sure all of you agree, that the pace of technology development has recently been getting very rapid, and that the developed technologies and goods produced by these technologies are being brought into use increasingly quickly and widely throughout the world. In these circumstances, the role of industrial property rights has become extremely important.

In this regard, I was very pleased to learn that an agreement was signed last October, between the U.S. Patent and Trademark Office, the European Patent Office and the Japanese Patent Office concerning future cooperation in developing better methods of examining patent applications and of granting patent rights through utilization of up-to-date electronic data processing and telecommunications techniques. If completed, this project would not only expedite patent granting procedures but would also make the examination process more precise. I believe that this would be of significant benefit to the authorities as well as to applicatants.

Turning to another matter, I'm sure you are all aware, there have recently been quite a few problems and disputes between the U.S. and Japan concerning patent rights and related matters.

I think that the majority of these disputes arise from differences in laws and languages, and, more fundamentally, from differences in ways of thinking and methods of expression; in other words, cultural difference and the so-called perception gap.

In this PIPA Congress we are going to introduce to each other our respective patent systems and practices, problems confronting each of us and the efforts taken to overcome these problems.

Besides discussions on patent systems per se, other important and fascinating subjects of common interest to both nations will be discussed in the Congress. I sincerely hope that the Congress will attain fruitful results through these discussions and will promote mutual understanding to help close the perception gap.

Before concluding my welcoming address, I'd like to add my hope that you will enjoy your stay in this historic city of Sendai, a city energetically transforming itself into a modern urban center.

Thank you.

ADDRESS

by Honorable Gerald J. Mossinghoff

U.S. Commissioner of Patents and Trademarks

Thank you very much. I am very pleased and honored to be able to address this 15th International Convention of the Pacific Industrial Property Association. I will be brief because according to the corrected schedule I will make a more detailed presentation later this morning.

In a very real sense, the future progress of the United States and Japan are mutually and totally intertwined. This is true in all areas of human endeavors but particularly in the areas of political and economic affairs. Particularly, Japan is proof of the value of a free society where men can succeed say totally upon their creativity and their drive. Economically, Japan has demonstrated a critical importance of new technology to economic and social progress. Indeed, Japan is a striking model, a perfect model in this part of the world to be followed by the developing countries who also wish to provide a better life for their citizens. It is quite understandable therefore that Japan places such a high regard on the protection of intellectual property, in the United States, in Japan and world-wide. Japanese industries are the largest users of the patent system of the United States except for U.S. industry. On the other side, U.S. industry is the largest user of the Japanese patent system except for Japanese industry.

I was delighted and pleased to work very closely with Director General Shiga at the 4th session of the diplomatic conference for the revision of the Paris Convention. Even though we did not achieve agreement at that Conference, in many ways it was a striking success. Among other things, we showed the leadership determination within what is now

called the Pacific Group, and that's a group of countries informally brought together in the diplomatic conference consisting of Japan, Canada, New Zealand, Australia and the United States. With the Pacific group we were able to achieve total unanimity within the Group B or developed countries group who were against the idea of compulsory exclusive licenses. The reason we were not able to reach agreement was that several developing countries those frankly who have very little stake in a patent system, Algeria, Tanzania, Syria and Vietnam, blocked agreement. Nevertheless, the total agreement of the United States and Japan together with the other group B countries in my view assures that that diplomatic conference will not fail.

I was pleased also to work very closely with Mr. Shiga and his predecessor, Mr. Wakasugi, in our trilateral arrangement to harmonize our efforts at automating our respective patent offices. I think that we took a major step in unify just the past month not only to agree to close cooperation in the area of automation but also an additional very important step to begin to take on tasks and work for the harmonization of the laws and procedures of the three major patent offices of the world, the European, Japanese and U.S. Patent Office. When I addressed the Pacific Industrial Property Association, I believe it was three years ago in New York, I had a lot of plans at that time. The administration, Secretary of Commerce Baldrige was aggressively pursuing modernization of the U.S. Patent Office. We have succeeded in at least laying the ground work as I will point out later this morning in achieving those plans. I think that the absolute success of some of our plans in the United States together with the increased cooperation with the Japanese Patent Office clearly foretells a bright future for those who create and wish to protect their new technology.

Mossinghoff

I have Mr. Chairman, with your permission, would like to leave some mementos with the officers of the Pacific Industrial Property Association of the Japanese section. I didn't bother to carry them over on PANAM to give them to my colleagues from the United States only to have carry them back on PANAM so I would like to present these if I may at this time as a remembrance of my participation in this program. First I would like to present to Mr.Sakamoto, the honorary chairman. To you sir, Mr. Hiraoka, Mr. Nishi, Mr. Murayama, Mr. Takeuchi. Again thank you very much for this opportunity to present my opening remarks and also to make a more detailed presentation after the coffee break.

Thank you.

For Pacific Industrial Property Association
15th Sendai International Congress

By: Mr. Manabu Shiga
Director General
The Japanese Patent Office

Good morning Ladies and Gentlemen.

I am very pleased to offer my congratulations on the 15th International Congress of Pacific Industrial Property Association (PIPA), and I would like to pay my respect to the hard work that has been done by PIPA officials and members of both U.S. and Japan.

I am very delighted to have Commissioner Mossinghoff from United States Patent and Trademark Office (USPTO). I would like to extend my heartfelt welcome to Commissioner on behalf of The Japanese Patent Office.

His presence really adds grace and significance to this Congress. I would like to thank him for his presence together with PIPA members.

Recently, the world is becoming more and more interdependent in political affairs, economic affairs and in all cultural aspects. We can work out the best in such a interdependent context today. Of course such a interdependence supplies best to their ever more internationalized area of industrial property systems. To continue technological innovation is indispensable in sustaining stable growth and development of the world economy. Equally important is to facilitate internationalization of industrial property system which constitutes the very bases for such technical development. Protection and promotion of

the industrial property system is a must in developing the world economy and prosperity. It is indeed significant contribution to this effect that the American and Japanese experts of industrial property systems gather together and exchange opinions to facilitate communication between the two groups so that they can help develop and improve practice of the world industrial property system. I indeed find this forum a very significant. I sincerely hope that the Congress will produce positive and constructive outcome as it has always been so.

Taking this opportunity, I would like to share with you briefly the recent development of Japanese industrial property system in hope that the information will be of some value to you.

First of all, let me discuss the on going computerization projects so called "Paperless Program" now undertaken by the Japanese patent administration. United States Patent and Trademark Office which is headed by Commissioner Mossinghoff, he is now taking a lead in promoting computerization of patent administration. We have learned from model in USPTO. On a ten-year project beginning from 1984 and with an amount about 1300 billion yen, we are now promoting similar project in Japan to eventually computerize the entire patent administration system following computerization of paper work and development of electronic following system for searching purpose. For the project to be completed, 10 units of CPU and about 2,000 units of terminals will be installed over the 10 years from 1984. In a period from 1984 to 1986, that is the first 3 years, will be spent as a experimental period and, during this period, approximately 17 billion yen will be spent to develop various data processing systems, examination search systems as well as consolidated data base system. As the project progresses, time required for patent examination

can be substantially shortened.

And in addition, as completed, such system will make it possible to offer technical patent information of high economic value for the use by interested public. So we are convinced that the system, when completed, will facilitate early obtainment and effective use of industrial property rights and prompt and timely offering of the patent information. The project will achieve such a objective based on the special patent appropriation initiated this year.

Let me now turn to the issue of how we are handling problems relating to patent information. As I had mentioned before, up-dated accurate information on particular arts is extremely useful. In order to offer most useful patent information in a timely manner, JPO keeps very close contact with U.S. and European countries through such as trilateral meeting and other opportunities.

We are also working domestically to improve our local information system. As I said, along with implementation of "Paperless Project" patent information system will be automated to expedite processing and to timely offer the updated information relating to industrial property as well as patents.

It is our continued policy in the area of patent information system to take up our users' constructive recommendation for further improvements of our system. Your participation in the assistance and positive remarks and recommendation in this regards are requested and welcomed.

Contrary to such favourable development observed in the industry, it is true unfortunately that international disputes so called patent conflicts are arising between Japan and the U.S., and Japan and European countries.

There might be many reasons behind this problem but probably it is lastly due to a short and insufficient communication and subsequent mis-understandings on the part of either side regarding private industrial property systems and examination procedures in respective country.

In accordance with trilateral agreement with USPTO and EPO made at Washington D.C. in October 1983, our office is now trying hard to improve our organization in familiarization of ourselves with international requirements as to industrial property and information, collecting and analyzing such information and finally in offering best quality data to both local and foreign.

As Mr. Jarda made mention of, in February this year 23 representatives from 21 American firms were invited to our office and in February next year, representatives from 30 European firms will be invited to our office to be briefed on and familiarized with the Japanese industrial property system and its practice.

Following this PIPA congress, we are going to have meeting with the representatives of American firms as a follow-up of the previous meeting. We would like to contribute to better understanding between respective country so that we can altogether solve the problems relating patents and patent systems. At last, as commissioner Mossinghoff made mention, on October 1st and 2nd this year in Munich Germany we had 2nd trilateral meeting among JPO, USPTO and EPO. I would like briefly report to you what I felt from this meeting. The first trilateral meeting was held in Washington D.C. last year with Commissioner Mossinghoff taking initiative. At that meeting, a wide ranged agreement concerning future cooperation by the three Patent Offices including computerization of patent administration was made. In accordance with the Agreement, the second

trilateral meeting was held. I attended the second trilateral meeting for the first time. My impression then was that there was great interest on the part of the members of the representative of the three patent offices. Further, I was impressed with The Commissioner Mossingoff's leadership in such meetings. We have to continue to cooperate together to develop patent system of the world. I think this Congress as well as meetings of this nature is very significant and will be continued to be important. We have to work together very hard to make our meetings fruitful and constructive. Further as Commissioner Mossinghoff said, the cooperation among the pacific nations at the time of WIPO meeting was also very impressive to me. Japan and the United States can further establish a better communication and stronger and closer relationship so that we can work together to solve problems that may exist in the current industrial property system. As private business is becoming internationalized, we have to continue to have frequent opportunities to exchange views and opinions so that we can facilitate understanding between ourselves. And to this effect, PIPA has been very significant and playing very important roll as a forum to facilitate understanding between patent experts from different countries and I hope that PIPA will continue to have an active business to contribute to the betterment of the relations among different countries. And through PIPA activities I hope that the understanding among Japanese, European and American patent experts will be deepened.

For concluding my remarks, again express my hope that the 15th International Congress will be great success and the PIPA will continue to success.

Thank you.

ADDRESS

by Honorable William V. Rapp

Counselor of the Embassy for Commercial Affairs

Embassy of the United States of America

Tokyo Japan

Thank you very much, Mr. Chairman, gentlemen. It is a great privilege for me to be here, particularly since I am the only one who is not an expert on patents. I may be able to get some enlightenment. Ambassador Mansfield has also asked me to give you his best wishes and hopes this conference will be very productive not only in resolving some of the outstanding issues concerning patent systems but also in the area -- as others have already mentioned -- of U.S.-Japan high technology.

Now it is normal in Japan -- though I noticed some other speakers did not do so -- for someone to apologize for taking your time for inadequate comments. I feel particularly vulnerable since I am not a lawyer by background but an economist. On the other hand, I am an American. In America, the normal procedure is to start off a speech with a little joke. So what I'm going to do is to try and combine these activities to apologize for telling you a Japanese joke.

This is a joke -- a cartoon -- I read in the Nihon Keizai Shimbun about 10 years ago. It pictures a man walking in a park. He decides he would like a cigarette, so he reaches in his pocket and he pulls out a cigarette. He puts it in his mouth, then he reaches around in his pockets and discovers he can't find any matches to light the cigarette with. He continues to walk along and comes to a bench. There's a man, sitting, reading a newspaper. So he stops and he asks the man whether he has a match. The seated man on the bench lowers his newspaper, says no, then raises his

newspaper and goes back to reading. The first man sits down and decides to wait for someone else to come along. Sure enough, another man comes along. He also has a cigarette in his mouth. He also stops and asks the man with the newspaper if he has a light. The man reaches in his pocket, pulls out a lighter, and lights the cigarette. Needless to say, the first man was upset by this. His mouth opens and the cigarette falls out. He turns to the man on the bench and asks, "Why didn't you offer me a light?" And the man replies, in a typical Japanese fashion, "You didn't ask for a light, you asked for a match." The purpose of the story is to illustrate the importance of precise communication in Japan. (Laughter.)

Japanese patent examiners assert that inaccurate Japanese translations of U.S. patent applications make them impossible to understand.

They find the Japanese terminology used inappropriate or inconsistent.

They find in many cases the patent attorney in Japan representing the U.S. applicant does not accurately understand the technological content of the invention.

American patent attorneys assert that Japanese patent examiners provide brief remarks on their administrative actions. They often fail to indicate pertinent passages in the law, or to give detailed reasons for their rejection of claims, or to indicate what claims can be allowed.

Americans find it difficult to overcome rejections on the grounds of "insufficient disclosure", since this may require comparative tests years after the original discovery.

Americans find it difficult to learn in time of adverse patents, obtain copies and translations, then communicate his notice of opposition -- in Japanese -- to the Patent Office.

Rapp

I observe a serious information gap here. Japanese patent examiners are not getting enough information from U.S. attorneys, these attorneys state they are not getting enough information from the Japanese patent examiners.

I congratulate PIPA on your efforts to narrow this information gap. I believe the U.S. Government can continue to play a supportive role. The U.S. believes both Governments must seek greater access to the deliberative processes, for the line neatly dividing "domestic" decisions from "international" decisions has ceased to exist.

I believe the U.S. and Japan need to exchange information on our different patent systems. More than this, we need to move rapidly to harmonize the form and substance of patent applications to expedite administrative review and approvals. This has become a particularly pressing problem for American applicants in Japan, where the time required for administrative processing of patent applications appears to be increasing steadily.

I look forward to continuing our cooperative efforts to make sure American applicants have increased access and enhanced communication opportunities in Japan. In this way, I believe we can narrow even more the information gap.

As an economist, allow me to add in closing a syllogism: Enhanced communication stimulates innovation. Increased international innovation adds to the capital stock, that is, creates wealth. Thus, enhanced communication creates wealth.

Informal remarks made November 7, 1984, in Sendai by Mr. William Rapp. Transcribed from a tape recording on March 12, 1985, by Michael Benefiel.

IN THE MEMORY OF

THE LATE MR. C. CORNELL REMSEN, JR.

Masaaki Suzuki

Distinguished Guests, Ladies and Gentlemen:

Mr. Charles Cornell Remsen, Jr., former President of American Group of P.I.P.A., former Assistant Vice President and General Patent Counsel of International Telephone and Telegraph Corporation, passed away on 14th of June, 1984, of cancer. He was 75.

The first time I met him was in 1973 at the Fourth International Congress of P.I.P.A. held in San Francisco. At that time, he was the 2nd Governor of the American Group and I was the 1st Governor of the Japanese Group. During the meetings held in San Francisco, I was unable to talk with him much, since most of my time was devoted to the proceedings of the Congress, especially the mutual translation of English to Japanese and vice versa.

The second time I met him was at Kyoto in 1974 where the Fifth International Congress was held. At that time, he had become President of the American Group and I was President of the Japanese Group and worked together for the proceedings of the Congress.

Frankly speaking, there were many problems to be solved in the Kyoto Congress. Some of them would effect the future of this Association.

At a preliminary meeting of the joint Board of Governors and Committee chairmen, we discussed the past and the future of the Association. A view was expressed that possibly the period between the annual meetings should be lengthened to perhaps two years or eighteen months. The amount of work necessary to prepare for an annual meeting was assigned to one person as one reason and some people thought that we might run out of topics for discussion if we continued to meet every year.

He concluded in his closing address of the Kyoto Congress that he was not in accord with the proposal to have less frequent meetings. He evaluated the contribution of the Congress as follows:

The program at this Congress clearly shows we are not about to run out of significant topics to discuss. It is the very nature of our profession and changing times that as soon as one matter appears to be settled, new topics of substantial urgency will arise. In our program for this Congress, we discussed subjects which did not even exist, say, three years ago. Each and every paper was of interest. The "batting average" of intellectual content was much higher than that of most meetings which he had attended on patent and trademark matters which, rather frankly, could often be rather dull.

Now, the P.I.P.A. International congresses are held every year, I feel that Mr. Remsen had greatly contributed his time and efforts in order to form an agreement among all the members in both American and Japanese Groups to have the international meetings held every year in the years to come.

Remy, Mr. Remsen had been called as "Remy", was blessed with ten lovely grandchildren, I cannot forget his warm and bountiful character when Remy, along with his wife Elizabeth, would always be looking for fine gifts to give to them while attending the International congresses every year.

On the occasion of Kyoto Congress, Remy gave me a nice tie-pin as a gift which I am wearing today.

His contributions to P.I.P.A. not only brought closer the United States and Japan but also will continuously remain in the progress of the industrial property system as a whole.

His warm face will be an unforgettable memory to many people of this Association.

Thank you.

Welcome Address

by Mr. Akio Takahashi

President of Japan Patent Association

Distinguished guests, ladies and gentlemen, it is great honor for me to be able to address to you at the 15th Sendai Congress of PIPA at this reception.

Japan Patent Association commonly known as JPA is organized and run by patent department staff members of representative corporations in Japan. It has history of some 45 years and is organized by some 500 corporations. Not all JPA members are the members of PIPA; however, all Japanese PIPA members are the members of JPA. The most typical example of the cooperative relations between PIPA and JPA is that the salary of Mr. Takeuchi, who is Secretary Treasurer, is paid by JPA. JPA and Japanese Group of PIPA are most closely related in the activities on international plain. A good example is the establishment of Chinese patent system. In order that Chinese patent system to become functional and effective. It is quite important to have carefully prepared regulations and rules in the Chinese patent system. International Committee of JPA and PIPA are working closely together to communicate with the relevant authorities in China.

On this occasion, on behalf of JPA, I would like to thank PIPA for the various contribution and assistance given to us. First of all I would like to mention that Mr. Kalikow who is very important member of PIPA has offered us the opportunity for mutual cooperation as users of "paperless" or automated patent system which was jointly proposed by United States Patents and Trademarks Office and the Japanese Patent Office. As a part of the procedures for mutual cooperation as users, Mr. Kalikow informed us of detail of the results of discussions and studies on this matter in the United States. Japan Patent Association is now studying the measures that will be taken in the "paperless" in the automation project promoted by Japanese Patent Office. The information we received from PIPA and Mr. Kalikow has been quite useful.

Secondly, I would like to thank PIPA for its active participation in the U.S.-Japan patent seminar organized and given by Japanese Patent Office this February. I understand that there was frank exchange of opinions, and I have heared that such discussion was useful for administrative improvement of Japanese Patent Office. Japan Patent Association and of course I expect that Japanese Patent Office administration be improved, and I would like to thank on behalf of Japanese corporations the efforts and contributions made by U.S. Group members.

Somehow there are tendencies and feature of Japanese people to accept advice given by the third party rather than advice given by internal family members. It is quite regrettable that there are some frictions in industrial and economical aspects between U.S.A. and Japan. I think it is quite important to exchange frankly opinions between two countries and understand mutually the facts and realities between two countries. I understand that, in the field of intellectual proparty, PIPA's contribution and roll which we expect PIPA to play to deepen communication between U.S.A. and Japan is very important and great. For a change of topic, let me tell you something about the place of Sendai where this Congress is being held. Sendai is often called capital of trees and greens. This is because a certain feudal load created a castle town in this area 400 years ago. In such and geographical location which was surrounded by mountains, fields and lakes. It looked as if castle town was created in the midst of trees and forests. All the buildings seemed to be surrounded by trees and greens. However, the town burned down once because of air raids during world war II. There is very little for us to remember the good old days of this castle town. However, Sendai still remains one of the best cities in Japan, because there are universities and academic facilities in Sendai and there are beautiful sceneries in the outscart of Sendai. Incidentally, I was born in Sendai and brought up in this city. It is my home town. It is very happy coincidence that I am here to address to you in the Congress held in Sendai which is my home town. I hope that every participants of this Congress will enjoy your stay here although it is rather a short stay.

Thank you very much.

Award Acceptance Speech

by Mr. Shoji Matsui

Good evening, ladies and gentlemen, it is a great honor and pleasure that a recognition was given to my small achievement so far made for PIPA.

As you know, already 14 full years have passed since PIPA was born. Mr. Shipman Mr. Kalikow on the side of the United States and Mr. Saotome on the side of Japan made strenuous effort, taking a leading roll for formation of PIPA. What I can say is I assisted them a little bit. But, still, I am very pleased that my small effort was accepted to deserve the PIPA Award.

Now, I recall many things about PIPA. It is a matter of the great sorrow that Mr. Shipman of IBM and Mr. Clerk of MONSANT and Mr. Remsen have passed away. On the other hand many American and Japanese members retired or moved to other positions. I myself retired from Takeda June of this year but still serving as a consultant for the special matter.

I especially recall Dr. Pauline Newman, she was only one lady representing PIPA on the United States side and she was appointed as a judge of Court of Appeals for Federal Circuit in Washington D.C. by President Reagan. I met her many times, but my last meeting with her was in Paris in May last year, when the 100-year anniversary of the Paris Convention was held in Paris. At the time, she was very kind enough to introduce me to Mrs. Kastenmyer. At that time I had been concentrating myself to the patent term restoration problem in Japan. It was very impressive that Mr. Kastenmyer was then sub-committee Chairman of Judicial Committee where among others the patent term restoration bill was subjected for deliberation.

In the 98th Congress in the United States this year, quite numbers of bill in the field of intellectual property was enacted and became the law. I can not help admiring the very quick and active way taken in the United States for making many bills into the law.

Speaking about the patent term restoration, I can not forget the name of Mr. Anderson presenting here. When he advocated the patent term restoration, many people said "he is crazy." But, now patent term restoration bill was matured into law and it is regarded as most important and substantial improvement in the patent protection in the history of the U.S. patent system.

And, of course, I know Mr. Commissioner Mossinghoff hold the many testimony at the Congress several times for allowing the bill to pass. I read the records of his testimony with great admiration and interest. I don't know whether the Japanese Patent Office will follow the way the United States has taken. I hope Mr. Mossinghoff will suggest his good idea about what to do to Mr. Director General of Japanese Patent Office.

But, anyhow, I sincerely hope that U.S. and Japanese members of this Association will continue to cooperate each other to the direction where the patent system will be very attractive to the industry to stimulate the investment to research and development work and reasonable protection will be secured or guaranteed under the patent system throughout the world.

Thank you very much.

ADDRESS

by Honorable **Nobuaki Saida**

Engineer General, Japanese Patent Office

Thank you for kind introduction, my name is Saida. This is the first time for me to attend PIPA meeting. I feel honored and pleased to be able to address to you at the closing ceremony of this Congress. I would first of all like to thank the secretariate of PIPA for making this Congress to be possible.

As you are well aware, next year is the centenary, 100 anniversary of Japanese patent system which was first established by the first Director General of the Japanese Patent Office Mr. Korekiyo Takahashi, he learned patent system of other countries and established Japanese system. I have an impression that Japanese patent system has only 20 years of history in substance since its very start of functioning of the system. It is my impression that patent system works as a catalyst to combine technology with business. Patent system will lose its significance without excellent technical development efforts. By the same token, the patent system will lose its significance unless those developed technology are made into products and marketed. Again it was only the past 20 years that Japanese technology has reached an international level and Japanese economy has developed into that level. Needless to say, we owe very much to the PIPA group of this country for the development of this kind. The Japanese Patent Office made various efforts in the past 20 years to improve the Japanese patent system. We have organized some new legal systems like a publication system and a new application system for examination that is examination to be requested.

Saida

We joined PCT as well. We filed all of the past documents into IPC file. And as I mentioned in the Congress in the discussion meeting we are making efforts toward international harmonization of the Japanese patent system including various aspects of patent system in this country. As a part of this effort we organized Tokyo meeting of seminar past February at the Japanese Patent Office inviting representatives of U.S. corporations. This meeting was organized with a purpose of letting our teachers oversee our system and administration, since U.S.A. has 200 years of history in the patent system. If you use Chinese characters of Japanese verse to express teachers, you would find it those who were born before you. We learned great deal from Mr. Jarda, for example, and we had a lot of criticisms, constructive criticisms. And we learned a lot through the meeting and that meeting gave us a lot of stimulus. Although there is no doubt kindness of U.S. teachers, they are also very firm teachers and they asked us to organize follow-up meeting next week on the 12th. We learned also in the February meeting that there exist a lot of misunderstandings between the teachers and students. And these misunderstandings were symbolized by the discussion of patent problems which was discussed in the working group meeting of high technology between the two countries. I have no idea as to the appropriateness of bringing patent matters into the political field.

I worked as an examiner for 30 years and I had a feeling that Japan used to be very lenient to U.S. applications before the Japanese Patent Office partly because that the technical standards of level reached already by the U.S. was regarded to be excellent. Technical gap seems to have narrowed a little bit and that might cause some kind of illusion on the part of Americans that Japanese Patent Office is lenient on Japanese application but very stern and firm to American applications. I believe that the only way or the best way to solve misunderstandings is to have

experts and specialists in the patent field to get together and present to each other specific problems and cases and continue such instructive and informative discussions for many years. I attended your Congress only for half a day that is this morning and even that a half a day attendance gave me a lot of intellectual knowledge. If I attended this Congress for 15 years that is all the meeting in the past, probably my head crammed with knowledge would have become too heavy that I would have felt difficult to even to walk. But I was surprised in the middle of morning session, that I was called as a defendent not as a honorable guest. We made an arrangement with Japan Patent Association last year that if there are some implementing of practical problem with some issued patents in Japan, Japan Patent Association would bring the matter to Japanese Patent Office claims or complaints. And we make it a rule that we discuss such problematic issues in the Japanese Patent Office and correct the matters if there are something to be corrected. We are going to have second round of the session this year. I want to have similar system between U.S.A. and Japan. And I am going to suggest follow-up meeting to be held on the 12th. However, I do not want to make this matter a political issue, I want this to be limited to among experts and specialists in the field so that we can learn from our teachers in the class room and not outside of the class room.

I came here to Sendai last evening. I wanted to come here earlier, but I couldn't make it. It is partly because of the recruitment examinations to be held in Japan. It is customary for this country to start recruiting fresh graduates on November the 1st among us. We have already decided to recruit 29 new members and it took me full one week to prepare for the examination. Incidentally, I think we have just 29 American participants in this room exactly coincide with the member of new recruits. Usually, five years will be required for a new recruit to become something like an examiner, [redacted] we recruit fresh recruits and give

them training every year and those new recruits must keep learning every year and must take new trainings every year. It takes at least 10 years to become a full fledged examiner. I have to apologize to you on this occasion because we have a huge backlog to be examined. With this backlog in view, some of you may express concern that only 29 new recruits may not be enough but we have of course fiscal and budgetary limitations and we want to address to this problem by recruiting capable 29 and training them into capable examiners. I believe the examiners trained in Japanese Patent Office will be capable enough to distinguish match from lighter or light and will be able to understand some of the common features between these two. I am of the opinion that patent system is composed of two element, one is Patent Law and the other is group of examiners. In order to achieve the object of international harmonization we are thinking of revising a law concerning the term of exclusion as I said during the Congress. And of course we are prepared to train and educate our examiners. In 1988, we plan to build a new patent office 27 storied patent office in the exactly the same location as the present patent office is located. We have two computers right now in the patent office but in 10 years time we would like to increase large capacity computers into 8 and medium sized computers into two so that we can carry out instantaneous search of patent information. The saying goes Rome was not built in a day, we are working very hard under objective of modernization and harmonization that it takes time, allow us to work on this matter and give us some time. Naturally, I won't be working in the Japanese Patent Office at the time and the time when this objective will be achieved. Probably, I would be a member of PIPA as one possibility. I am just looking forward to a day in the future probably the time when you are holding 20th Congress or 25th Congress that Engineer General of Japanese Patent Office of that time will report to you that Japanese Patent Office has become the top notch patent office in the world.

Saida

Although this is the first time I am attending your Congress I was deeply impressed by friendly atmosphere which was permeating in this Congress. I felt very happy and pleased to see such friendly gathering I am sure that any possible conflict between two countries will be solved through true friendly gathering. Let me wish you lastly that PIPA organization will further propsper and all the PIPA members will stay healthy and healthy in the future and keep contributing to the progress of the system.

Thank you very much.

Closing Address

By Karl F. Jorda
President, American Group
November 9, 1984

All good things have to come to an end, as we say, and this is also sadly true of this 15th PIPA Congress. This Congress will go down in the annals of PIPA history as a most memorable and successful Congress indeed if not the greatest so far. Time has now come to pass out accolades and plaudits and express thanks and congratulations. It's a great pleasure and privilege for me to do so not only on my behalf but also on behalf of the whole U.S. Group.

First of all, thanks and congratulations are in order to our honored guests and guest speakers, that is, Isamu Sakamoto, our Honorary Chairman, Manabu Shiga, JPO Director General, Akio Takahashi, JPA President, Nobuaki Saida, JPA Engineer General as well as Gerald Mossinghoff, USPTO Commissioner and William Rapp, U.S. Embassy Counselor. Their respective addressses with ringing declarations and perceptive comments were highlights of this Congress. To be included in this category are Shoji Matsui, this year's PIPA Medal recipient and all prior Medalists (Saotome, Banner, Adams) who graced us with their presence.

Secondly, thanks and congratulations are due for the superb arrangements and excellent program to our International President, Hiraoka-san, the other officers of the Japanese Group and, especially, the Organizing Committee consisting of Michio Nishi, their Group Leader, Hideo Doi, Tetsuo Hosoya, Keiji Komaki, Takashi Nakayama, Takateru Nakamura, Mitsumasa Sakamoto and Hisako Watanabe. Our very capable interpreters, Miss Matsuoka and Miss Kosuge, most certainly deserve honorable mention in this connection too.

Next, we owe thanks and congratulations to the Committee Chairmen and all the speakers for lining up and delivering informative and thought-provoking presentations which will rank as great contributions to the literature of industrial property law. I am also proud to say that the whole audience deserves recognition for their intense attention and active participation.

In conclusion, this Congress has again provided particularly valuable professional understanding and knowledge for the participants. This focusing of expertise from two of

the most important industrial countries on major problems in the industrial property field has been and continues to be very helpful to both national and international industrial property rights systems.

Also one of the most important accomplishments of PIPA has been the mutual respect and personal firendship that has developed between the Japanese and American colleagues working in the field of industrial property rights.

No doubt, this Congress has demonstrated again that this excellent rapport between Japanese and American PIPA members is flourishing and will deepen even more in the future.

"PIPA, you have come a long way baby!"

Long live the Pacific Industrial Property Association!

Omedetoo gozaimasu!

Domo arigato gozaimasu!

Sayonara!

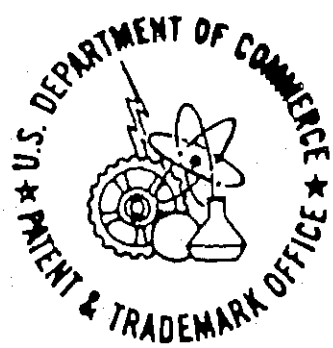
COMMISSIONER'S PRESENTATION

TO THE

15TH INTERNATIONAL CONGRESS OF THE
PACIFIC INDUSTRIAL PROPERTY ASSOCIATION

SENDAI, JAPAN

NOVEMBER 7, 1984



Presentation

Recent U.S. Patent and Trademark Office,

Legislative and International Developments

by

Honorable Gerald J. Mossinghoff

Introduction by Mr. William R. Norris
First Governor, American Group

It is my pleasure and honor today to introduce the first paper presentation of this 15th Congress of PIPA in beautiful Sendai. It is a rare opportunity when we find combined a topic so important to intellectual property and a speaker so preeminently qualified. Of course, I refer to Commissioner of the United States Patent and Trademark Office, Gerald J. Mossinghoff, who has most graciously taken time from a very busy schedule to share with us the latest innovations in the law and rules and administrative reorganization for the harvesting of intellectual property. I like to term "harvesting" in this context for like "harvesting food", the idea of harvesting technical innovations conveys the sense of a very delicate process, sensitive to legal climate, efficiencies of effort in allocation of resources all for the ultimate preservation and protection of an important resource for all of mankind.

Commissioner Mossinghoff's personal achievements bode well for the report we are about to hear. I know the Commissioner prefers a short introduction but I feel compelled to share with you some of his achievements and honors. Gerald J. Mossinghoff has served as the Commissioner of Patents and Trademarks since July 1981. He also serves as Assistant Secretary of Commerce, he is an Adjunct Professor of law at American University where he teaches patent and intellectual property law. A former patent examiner, Mr. Mossinghoff has held several senior positions at the National Aeronautics and Space Administration including Deputy General Counsel and Director of Congressional Liaison. He has received many awards in the government including NASA's Distinguished Service Medal, the presidential rank of meritorious executive and the Secretary of Commerce Award for distinguished public service. He is head of the U.S. delegation to the diplomatic conference on the revision of the Paris Convention with the personal rank of ambassador. In September 1983, he was elected Chairman of the general assembly of the World Intellectual Property Organization, a 102-nation U.N.

specialized agency. And most recently he was elected a member of the National Academy of Public Administration.

And thus it is my great pleasure and our great honor that we can welcome to the podium, Mr. Gerald J. Mossinghoff.

Presentation by Mr. Gerald J. Mossinghoff

Thank you Bill, once again it is my honor to be able to present to you a briefing on some of the highlights of the last 3.5 years at the United States Patent and Trademark Office.

(Fig. 1)

This chart shows a number of the developments that we are very proud of at the Patent and Trademark Office. One of the most significant proposals, recommendations of President Carter's Administration in the area of intellectual property was the creation of the new Court of Appeals for the Federal Circuit. That struck us as a very good idea when the Reagan Administration came into the patent business. And Secretary Baldridge was convinced strongly to support the creation of that new court. It was established, and I am sure many of you know, that under the able leadership of Chief Judge Howard Markey, the court has achieved a remarkable record in just two short years. I heard a speech recently where Judge Markey indicated that when the court was created, there were 13 major areas of conflict among the various Circuit Courts of Appeals in the United States. Ten of those 13 areas of conflict have now been resolved. So business executives from all over the world can use the patent system knowing that cases will be decided on their merits and based upon the geographical area in which a case is tried.

The second area of achievement was implementation of a public law on October 1, 1982 which established the new patent fees for the Patent and Trademark Office. In return for support in Congress for the new fees, the Administration promised three concrete goals, three measureable goals. First was that we would hire a sufficient number of new examiners to bring the backlog down to 18 months by 1987. Secondly, we would hire a sufficient number of trademark examiners to bring the average time it takes to get a trademark to 13 months by this year. We are now in fiscal year 1985, so by the end of this year, we will be a 13 months pendency in trademarks and we will give first opinions on registerbility in 3 months and finally,as already has been said at this meeting, to commit to a fully automated patent and trademark office by 1990. I am pleased

to report that the United States Office is on schedule in achieving all three of those goals.

A highlight again as I mentioned earlier was the trilateral automation agreement among the European Patent Office, Japanese Patent Office and Untied States Patent Office, which now includes tasks to move toward harmonizaton of the laws and procedures and regulations of those three major offices. In the United States we have a network of patent depository libraries. We have added in just the 2 past years, 14 new patent depository libraries. We are now to a total of 54 and I will show you a map later.

There were many issues facing the Administration in the area of intellectual property and these cut across agency lines. There were matters to be considered by the President's science adviser, by the Department of Justice Antitrust Division, by the Office of Management and Budget (OMB) that worries about resources for government agencies. So to systematically address these areas of intellectual property we formed a working group under Secretary Baldridge's Cabinet Council for Commerce and Trade. A working group on intellectual property, which I chair, and which includes officials from all of the relevant departments and agencies of the United States government.

In the area of automation, and this is a highlight, we awarded a $300,000,000 contract to a corporation called the Planning Research Corporation in McLean, Virginia teamed with the Chemical Abstract Service in Columbus, Ohio to provide the automated patent system, to engineer and install the automated patent system. And finally I have a chart showing the legislative victories that the Administration and the bar and industry have achieved in the 98th Congress.

(Fig. 2)

This chart shows the resources available to the Patent and Trademark Office and it shows the importance of the new fees that were enacted in public law 97-247. You can see that in 1979 and 1980 we were about a $100,000,000 a year agency. The bottom part of the chart are the public support of funds we received, the blue part are the fees we received. You can see that notwithstanding the very rigorous cuts that President Reagan imposed upon all of the domestic side of government, the office grew respectively during the years until 1982. This is at a time when other agencies were being severely cut back. We ended up in 1982 at a budget of about $125,000,000. In 1983, you can see the public funding, this is funding out of the United States Treasury, dropped as was planned but the shortfall was made up for by the great increase almost triple the amount of fees received. Again a healthy growth in 1984 and in the year we are now in, fiscal year 1985, we are at $200,000,000, that

amount has been approved by the Congress and apportioned to the Government. The interesting thing is that the amount of public support for 1985 is actually higher than it was in 1982, so not only do we have support coming from the fees we have received but the government itself out of the treasury has funded us at a very high level. In 1986, a budget which is still pending at the Office of Management and Budget, the preliminary numbers are $223,000,000. So you can see we will still have the pattern of growth using the new fees and using appropriations.

(FIg. 3)

There were fears expressed in the United States that the increased fees would dampen the use of the patent system by industry. The new fees have had only one effect. It is a neutral effect, that is, that at the time the new fees came into effect and this is October 1, 1982, we received almost double the number of applications in that month that we had expected. Clearly, every patent attorney in the United States cleaned off his or her desk in order to be able to file patent applications before the new fees went into effect. All of the patent lawyers in the United States that cleaned off their desks went on vacation in October, the number of patent applications dropped significantly. We are now back up to the rate that we were before.

This is a misleading chart because it shows indeed and the political charge has been made that the new fees have cut back the number of applications in 1982. That is true, rather 1983, that is true only because of the fact that the applications were filed on this side of the line. The cumulative chart merely shows that was a blip in the curve, a change in slope of plus and minus. We are now at a position where last year we received over 109,000 applications as compared with the 107,0000 that we had received before the new fees were formulated. As far as United States small entities, and I am sure you, those in this room know we do have a two-tier system where small business, independent inventors and non-profits around the world, pay less fees than large concerns. Small entities remained constant at 24% before the fees came into effect, 23.1 in 1983 and 24.5 in the year just completed. Interestingly, foreign applications have leveled off in the United States. They had gone up at about 1% each year prior to the new fees, for the last three years they have remained relatively constant. That is not sufficient amount of data on which to draw conclusions but it is at least an interesting phenomenon to watch.

(Fig. 4)

In the trademark area the same pattern was followed except in this area, the amount of applications filed in September

to beat the new fees was even higher. It was about three times as much as the Trademark Office receives, again a precipitous drop at the beginning of 1983. You can see that is reflected cumulatively in the fact we have received about a 104% of the trademark applications which were originally forecast.

(Fig. 5)

This is a chart showing plan 18 by 87. The code is that the green bars are disposals, the red bars are receipts, the orange bars are case inventory and the numbers above the orange bars are the average time it takes in months to dispose of a case. You can see in 1981, that was a typical year, we were receiving 20,000 more applications than we were disposing of. We were adding to already huge backlogs, that the slope of this, these bars was just straight up at about 20,000 cases each year. In 1982, this is the September filings you can see that the filings are up in 1982 and they are down in 1983. You can see in 1984, the year just past, it was ended on September 30, for the first time really in about 7 years we turned the corner, that is, we produced more patent applications than we received. This year we similarly will produce a lot more disposals than cases we will receive and you can see that as the number of disposals goes up in 1985, 86 and 87, the inventory goes down and we will reach the 18 months by the end of 1987.

(Fig. 6)

In order to achieve that result, we made a decision early in the Administration not to change the amount of time that examiners spend on each case, so to get more disposals we simply had to hire more examiners. We hired 235 new examiners in 1982, 245 in 1983, 180 last year and this year we will hire about 200, probably not the total authorized strength of 215. Thereafter, we come down slowly and merely replace the examiners who leave by attrition. We are extremely proud of the examiners we hired. Their average grade point average is above a B. Three out of four of our new examiners are honors graduates of engineering schools. The examiners have done very well.

(Fig. 7)

This is a chart showing disposals, examiner disposals, in utility, plant and reissue cases. We have a goal of a 108,000 disposals, we got a 113,000 disposals last year. One of the reasons for our success in getting disposals is that we increased the productivity of our examiners and I think in a very innovative way. Our examiners each have goals, production goals, that they must meet while maintaining quality. We reached an agreement with the examiners' union that any examiner who got a 110% of his or her goal

would get an automatic 3% of salary bonus and so we are seeing a situation where the examiners who are between a 100 and 110% are moving up above a 110% in order to get that automatic 3% of salary bonus at the end of any four quarter period.

Incidentally, I mentioned that 3% bonus when I spoke to the officials of the European Patent Office during the trilateral meeting and Mr. Van Benthem said that I caused him a problem because all of their examiners at the European Patent Office now want the same type of provision. So I think Mr. Shiga when I come to visit you at the end of the week, perhaps I won't mention the 3% bonus, I will discuss it with you first anyway.

(Fig. 8)

These are production units and in the United States this is a way we keep track of actual production. You can stress first actions as manager or you can stress disposals as a manager, but the production units are the thing that tell you how well you are doing in both areas. A production unit, simply stated, is the arithmetic average of first actions plus disposals divided by two. And it shows a good way of measuring where we are. Here the results again are impressive. We had a goal of 111,000 production units and we actually achieved 115,700 production units for fiscal year 1984.

(Fig. 11)

These are our reexamination statistics and I think they would be of interest to you. We have enough experience now under the new reexamination statute to draw some conclusions. You can see that the number of cases filed, roughly less than 200 a year, is significantly less than the 1,500 that was predicted at the time the reexamination statute was pending. It is almost a straight line and we have now got 3 years' experience so there is no reason to believe that the pattern will drastically change. One of the early decisions that we made was not to have a special group handle the reexamination but rather to return the case back to the original examiner.

Some of the results we have when all the claims were confirmed, this is if it is the same examiner handling a case, this is because of attrition or the examiner is promoted, a different examiner. And here are the overall statistics for a number of all cases confirmed. Overall, it is 20%, 25% and 22.4%, not a statistically significant difference. here all claims were cancelled, it is 9%, 12% and 10%. Again I do not think a statistical significance and where claims were amended 70%, 62% and 66%. Interestingly, I think you can concluded from this chart that reexamination is working.

One, a large percentage, 1/4 of the cases filed are in litigation. So the cases are economically significant patents. And you can see then in about three out of four cases, reexamination changed the patent either because all claims were cancelled or because claims were amended. Only in 22% overall was the patent confirmed as it had originally been granted. So my conclusion is, and we are still watching it closely, my conclusion at lest at this point is that reexamination is working to do what the United States Congress and the patent bar had intended for it to do.

(Fig. 12)

This is a chart showing where we put some of our new examiners, some of the space we have acquired. The Board of Appeals and the solicitor have been moved north of the main complex in Crystal City, in Crystal Gate Wya 2 and in Crystal Square 4.

This is our new Crystal Mall 1, our new computer center, which we inherited from the U.S. Airline Company. It was delightful time. We picked up an entire computer facility, fourth floor air-conditioning, emergency power, extra fire protection, for almost nothing. We got about $6,000,000 worth of facility work. We now have a request for over 100,000 square feet in a new building that has been built just behind the main complex going towards Washington. And that is to house our new computer center when we begin to implement the automated patent system.

(Fig. 13)

This is a chart showing Plan 3/13 and in trademarks the same code was used as in patents. The green are disposals, the red are receipts, the yellow is case inventory. And the numbers above is time in months to first action, time to disposal. You can see in 1981, we were adding 6,500 cases each year to already huge backlogs. It was taking about a year to give a first action in 2 years, which was an all-time high, to register a trademark. We are now at the position where we have greatly overcome the backlog, the backlog is coming down. This is the year we are currently in, and we will achieve 3/13 by the end of this year, by September 30, 1985.

(Fig. 14)

This is a chart showing the location of the patent depository libraries in the United States. We now have 54, this chart has 53. We have just added another one in Florida. It is a growing movement in the United States for librarians to become patent depository libraries and we are committed to the extent we possibly can that we get in the patent office in the way of automation, if it is all feasible, to

get a lot of this out of the patent depository libraries. Now we do not believe, we simply won't have the capacity to have the patent depository libraries being able to access our automated patent system. But we will be able to provide a lot of automated help to the 54 and growing network of patent depository libraries.

(Fig. 15)

This is a very simplified time line for the automated patent system, you can see here we are now in the 4th quarter of calendar year 1984. Here we have the award of the APS contract to the Planning Research Corporation. We have released the request for proposal for the work-stations, we are releasing the request for proposal for the peripherals. We are going to a backfile conversion contract and we begin system one implementation and finally we run out to the end of 1986, we run out to beginning stage 2 implementation. Our approach here was to automate one of our 15 groups of patent examiners who is the group that has a mechanical and electrical and a chemical, those kinds of technologies in the group, so that we can see what the problems will be and what the solutions should be for the three kinds of technology that the examiners have to search.

(Fig. 16)

This is a similar chart, it will be in the handout that will be given to you. Here we are again at the 4th quarter of calendar year 1984. In this case, by the end of the second quarter we will have the entire system up and operative. We are beginning in January a public searcher evaluation of the word search capability of the new T-Search System. And then, in March, we begin an evaluation of the design search facility of this, of the T-Search System.

(Fig. 17)

This is a very busy diagram of the automated patent system, we are using digital PBX technology. We have in effect two systems. We have an optical disk as single drives for the art most closely associated with a given examiner and then we have a juke box optical disk system for art which is not normally searched by the examiner but the examiner can call up. We will use a digital PBX of network and the one advantage we have, and I assume it would be the advantage that Mr. Shiga will also have. And that is, that we are located in one place in Crystal City, Virginia, with no branch offices. So that we can use a local area network, a hardwire microwave local area network, and we do not have to use either satellites or microwave of station—to-station telephone lines. That lets us have a very high-speed system and as important to you, the owners of the trade secrets that are in our system, it permits virtually total

security of the applications received or carried in our automated patent system.

This is a picture of our new computer space that we took over from U.S. Air. This is a new Burroughs 7700 new to us, a Burroughs 7700 main frame augmented by two 6900 Burroughs systems. These systems will grow considerably over the next several years.

This is the IBM 4341 system, which is used to support the trademark or T-Search. This is located in Crystal Plaza Building 2. This is a picture of three of our examiners using the T-Search capability. They are now beginning December 1, they will be using that capability together with the rigorous quality control program for their word searches.

This is a picture of the automatic system we use for tracking all application papers both in patents and trademarks, in patents it is called a PAAL system and in trademarks the TRAM system.

This is a facsimile of the screen, you will see we are searching the word-mark Jantzen. This sets forth and again, this will be in your hand, it sets forth the menu for someone to use in searching.

This is the actual Jantzen mark. It has the document, the search was a Jantzen. It gives the international class, the owner, the serial number, the registration number. And then finally, that would be a separate call-up on the same screen when you call for the design. This would be the Jantzen design that you would see on the terminal screen.

This is a picture of what is called the T-Car System and that is the computer assisted retrieval system for microfilm. All of our trademark applications will be achieved in microfilm and those will be called up using the T-Car System. This came into operation in January.

Finally, moving on to the intellectual property legislation. That is a kind of a status of our three major goals the goal of 18/87, the goal of 3/13 and the goal of a fully-automated patent and trademark office.

(Fig. 18)

The 98th Congress was a historic congress as far as enactment of intellectual property legislation. I do not have the time at all today to run through all of the areas that have been enacted but this is a fast summary. First, patent term restoration and I believe Rudy will give a paper on that later in this conference. Following the lead of Japan, we repealed the copy right first-sale doctrine for audio

works. I believe about a year ago, your Diet did the same in Japan.

A bill which encourages joint research and development was enacted. This would eliminate the possibility of triple damages for any joint venture in the research and development area and create a rule of reason. We enacted anti--counterfeiting criminal sanctions, very heavy sanctions of a $250,000 fine and up to 5 years in prison for the first offense, for a corporation engaged in knowingly trafficking in counterfeit products of fines of up to $1,000,000 for the first offense.

The Brussels Satellite Convention which requires member states to prohibit the re-broadcast of television signals received because of satellite footprint spillover, we sent that out early or late in August, and the Senate's advice and consent was given in September or October rather. So we will ratify the Brussels Satellite Convention. There are very interesting intellectual property provisions of the Trade and Tariff Act of 1984. That is an extremely significant act and it permits the Government to withhold special systems of preferences in trade to nations which do not adequately protect the intellectual property of the United States.

There were the patent law amendments of 1984 and that is awaiting at least as of when I left Washington, was awaiting the President's signature. He has 3 or 4 more days to sign that. It reversed a Supreme Court case, the case of Deepsouth vs. Laitram which held that the shipping of a machine disassembled outside the United States was not an infringement of the patent on the machine. If the parts are now not staple articles that will be an infringement under the new provision. As far as reversing the case called In re Bass and having to do with joint inventors, the legislation greatly simplifies the filing and protection of patents where there has been a continuous stream of joint carpet research in development.

We have established what we first called a defensive patent and ended up calling a Statutory Invention Registration, a way to assure under the U.S. first-to-invent system that you can use your own invention. It is in effect a defensive patent in all respects but it cannot be used as a basis for suing. We hope that that is widely used by U.S. Government agencies who now own about 28,000 U.S. patents mostly for defensive purposes.

We achieved a raise for our members of the Trademark Trial and Appeal Board for which they are very grateful. We merged our Board of Appeals with our Board of Patent Interferences and Don Quigg has sent to the Federal Register the new regulations to greatly simplify and streamline patent

interference procedures in the United States. Naming of joint inventors goes hand in hand with In re Bass and finally we can now have interferences arbitrated.

A very important piece of legislation and one that I know that we are going to have a continuing dialogue with Japan on is the protection of semiconductor chips. This is 10-year, copyright life protection for the masks that are used to make semiconductors.

Those masks cost a lot of money to make, the chips cost a lot of money to design and debug and what happens is that they can be copied very easily by photographic means for about 1/100 of the cost. So the semiconductor chip protection would give 10 years of copyright life protection. An interresting provision from an international point of view is that the Secretary of Commerce has the authority to grant chips of other countries the same protection as long as those countries are moving toward and he determines that they are moving toward the same kind of protection in their country. And I know that between United States and Japan we are going to have some discussion of that. This was a clarification of when trademarks become generic and finally, there were improvements in the procedures of the new Court of Appeals for the federal Circuit. But these by any standard, this is an impressive list of legislative accomplishments. It could not have been done if there were not total and complete cooperation among the patent bar, industry groups, and the executive branch of the government to get Congress to enact these. In no way, let me suggest that these are partisan matters. The bill was enacted in the House through the leadership of Chairman Kastenmeir, a very liberal Democrat of Wisconsin and Senator Mathias in the Senate, a Republican from Maryland.

(Fig. 19)

For the 1985 legislative program, we have a significant program already formulated and moving through the executive branch to be introduced next January. First, that we are going to repeat our request that the Congress enact laws which extend process patent protection to products made abroad. That was dropped at the last minute largely because of the protest of the generic drug people.

We intend to extend plant patent protection to parts of plants, and this is a very important economic thing for the florist. A lot of patented plants are grown outside the United States and the cut-flowers are brought into the United States. It has other implications, but that is the main support for it.

We are going to again look at the possibility of industrial design protection. We suggested this early on, it brought

some criticism from the automotive industry, and the compromise that has been generally agreed to says that the design protection to be protectable must be embodied in the tangible element. So someone cannot merely sit at home and dream up industrial designs, they must in order to be protected, the industrial designs must be embodied in an industrial product.

We are going to again renew our request that there be a uniform federal patent policy to allocate rights among government agencies and their contractors in uniform way that is still not the case. I characterize this as bringing order out of the Lear vs. Adkins chaos, that is the case that said a licnesee under a patent could sue for invalidity of the patent to have the patent declared invalid. It has created a chaotic situation. We were not able to get the chaos cleared up this past time.

And finally we are going to again request that a rule of reason be applied to intellectual property licensing and that there be no patent misuse. And again I think Mr. Banner is going to present a paper on misuse at this congress. The proposal here is that there be no patent misuse, if there is an anti-trust violation only will there be declared a patent misuse.

(Fig. 20)

Finally, in the international area, I already mentioned the diplomatic conference for the revision of the Paris Convention. We were disappointed that the so-called Himenez Devile compromise was not adopted at the 4th session. It did receive the total and unified support of the group of developed countries, group B.

There will be a meeting of the spokesmen and now the spokesman for group B is Mr. Ivar Davis, I think known to may of you, the Comptroller General of the U.K. Patent Office. Ivar Davis will meet with the spokesmen of the two other groups on December 20 of this year. They will decide on an agenda, a date, and a time to hold and a place to hold the consultantive meetings. There will be consultantive meetings of 10 nations from each of the three groups, Socialists group, the developing countries group of 77, and group B. They will meet probably in Geneva before the end of June 1985, and report to the governing bodies again next September.

Realistically, the earliest a 5th session could occur will be 18 months from now, my betting is that it should not occur at then at all, that it should be put off for years until there develops a consensus of what appropriate provisions will be. Meanwhile, the United States is intensifying its bilateral efforts to work with developing countries

in improving their intellectual property systems.

One of the frustrations of dealing in Geneva with developing countries is that you deal with the professional diplomats. These are very skilled, very able men who spend their time going from outer space meetings to UNCTAD meetings, to patent meetings, to disarmament meetings. They know a lot about a lot of things but certainly do not understand intellectual property in depth. And what we are trying to do with our bilateral efforts with Africans and Latin Americans is to penetrate the layer of diplomacy and get the people who actually understand the importance of their country of strengthening their intellectual property protection.

Here again is the trilateral cooperation agreement, assistance to the People's Republic of China. I know that Japan is a leader in that area, also the new China patent system is going to be a landmark in the history of international protection of inventions. We have a bilateral agreement with the French speaking African intellectual property organization. And we hope to enter into the same kind of an agreement with the English speaking African nations.

And then finally we have assistance to developing countries seeking to strengthen their intellectual property rights and this is technical assistance with those countries and training to those countries. SO that completes my brief summary of the things that we have been up to in the last three and a half years.

I have said before and I wish to repeat now that I really have given the developments that have occurred and given the support that we got in both industry and the bar and in the Administration, that I really do feel that I am uniquely privileged to be able to have served as Commissioner of Patents and Trademarks in the United States at this time and during the Reagan Administration.

Thank you very much for this opportunity.

Fig. 1

ADMINISTRATION'S ACTIONS

- ESTABLISHMENT OF COURT OF APPEALS FOR THE FEDERAL CIRCUIT
- IMPLEMENTATION OF P.L. 97-247, OCTOBER 1, 1982/PTO AUTHORIZATION & FEE BILL
- ATTAINMENT OF ALL INTERIM GOALS UNDER PLAN 18/87 FOR PATENTS, PLAN 3/13 FOR TRADEMARKS, AND AUTOMATED PTO BY 1990
- TRILATERAL AUTOMATION AGREEMENT AMONG EUROPEAN PATENT OFFICE, JAPANESE PATENT OFFICE, AND USPTO
- ESTABLISHMENT OF FOURTEEN NEW PATENT DEPOSITORY LIBRARIES
- ESTABLISHMENT OF CCCT WORKING GROUP ON INTELLECTUAL PROPERTY UNDER PTO LEADERSHIP
- AWARD OF $300 MILLION CONTRACT TO PRC/CAS FOR AUTOMATED PATENT SYSTEM (APS)
- LEGISLATIVE VICTORIES IN THE 98TH CONGRESS

PTO PROGRAM LEVEL AND FEES
FY 1979—1985

Fig. 2

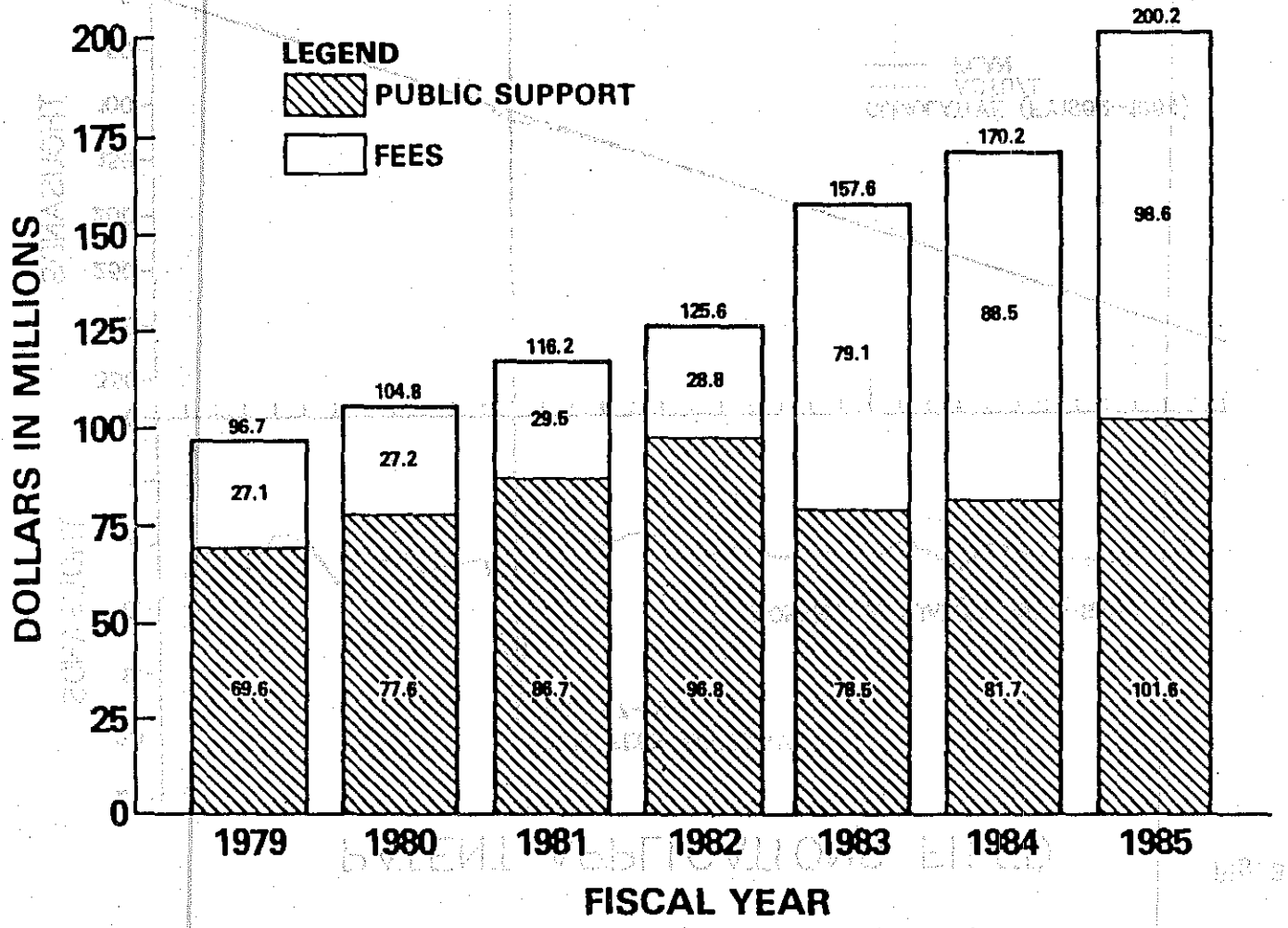
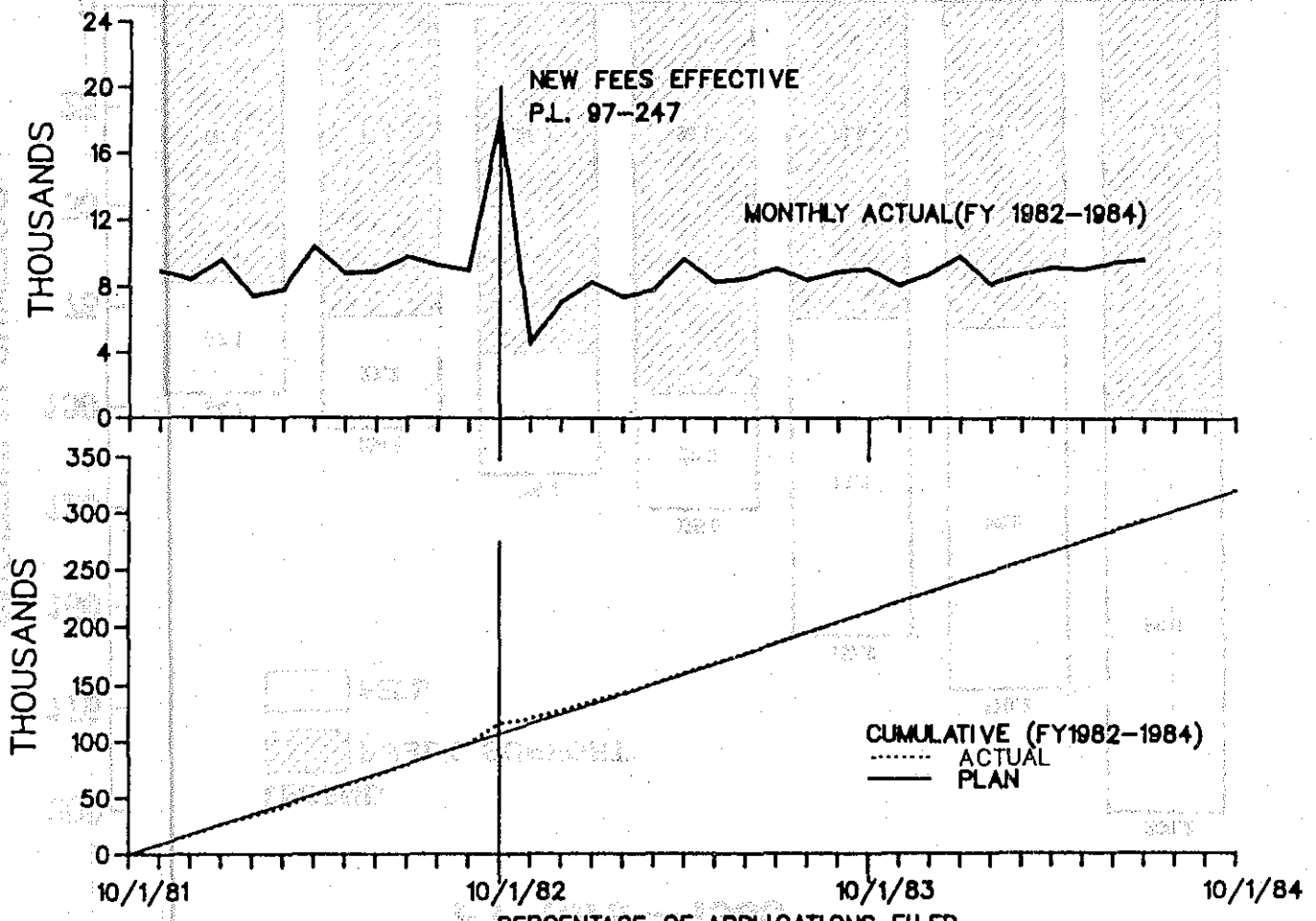


Fig. 3.

PATENT APPLICATIONS FILED



PERCENTAGE OF APPLICATIONS FILED

	FY1982	FY1983	FY1984
FOREIGN	41.3	41.8	41.5
U.S. LARGE ENTITIES	34.7	35.1	34.0
U.S. SMALL ENTITIES	24.0 (EST)	23.1	24.5

PTO - 7/27/84

Fig. 4.

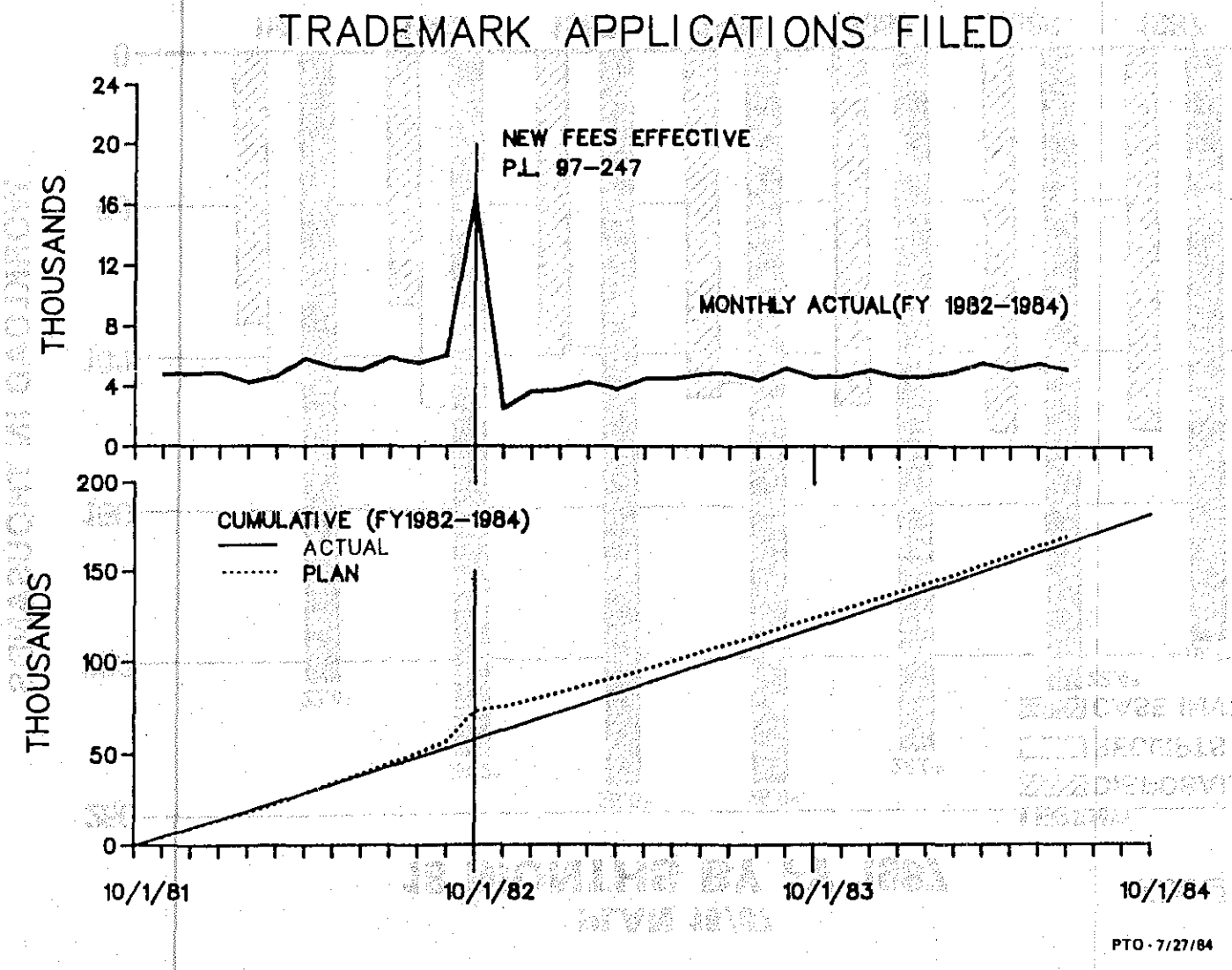

TRADEMARK APPLICATIONS FILED
THOUSANDS
24
20
16
12
8
4
0
NEW FEES EFFECTIVE
P.L. 97-247
MONTHLY ACTUAL(FY 1982-1984)
THOUSANDS
200
150
100
50
0
CUMULATIVE (FY1982-1984)
ACTUAL
PLAN
10/1/81
10/1/82
10/1/83
10/1/84
PTO - 7/27/84

Fig. 5

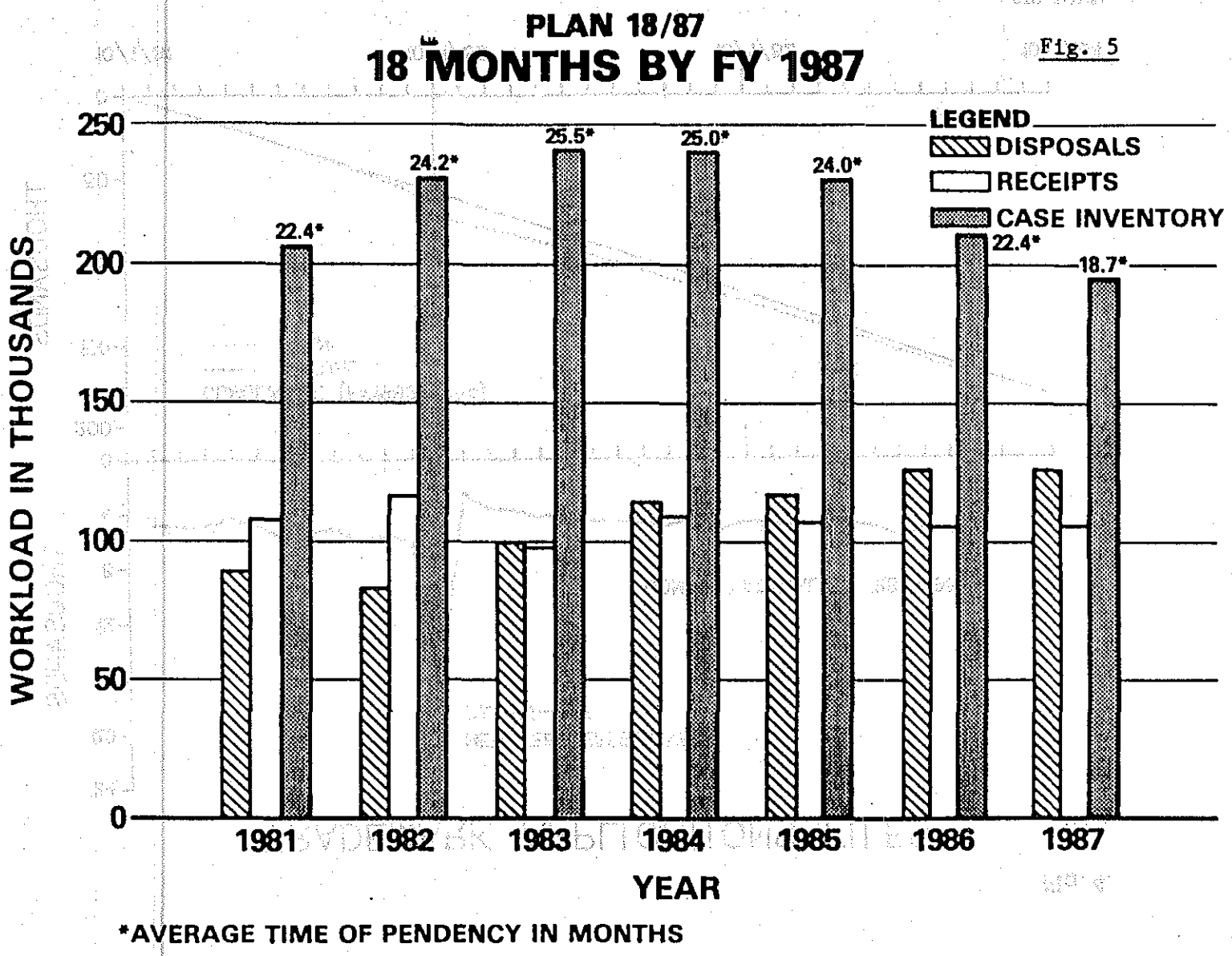
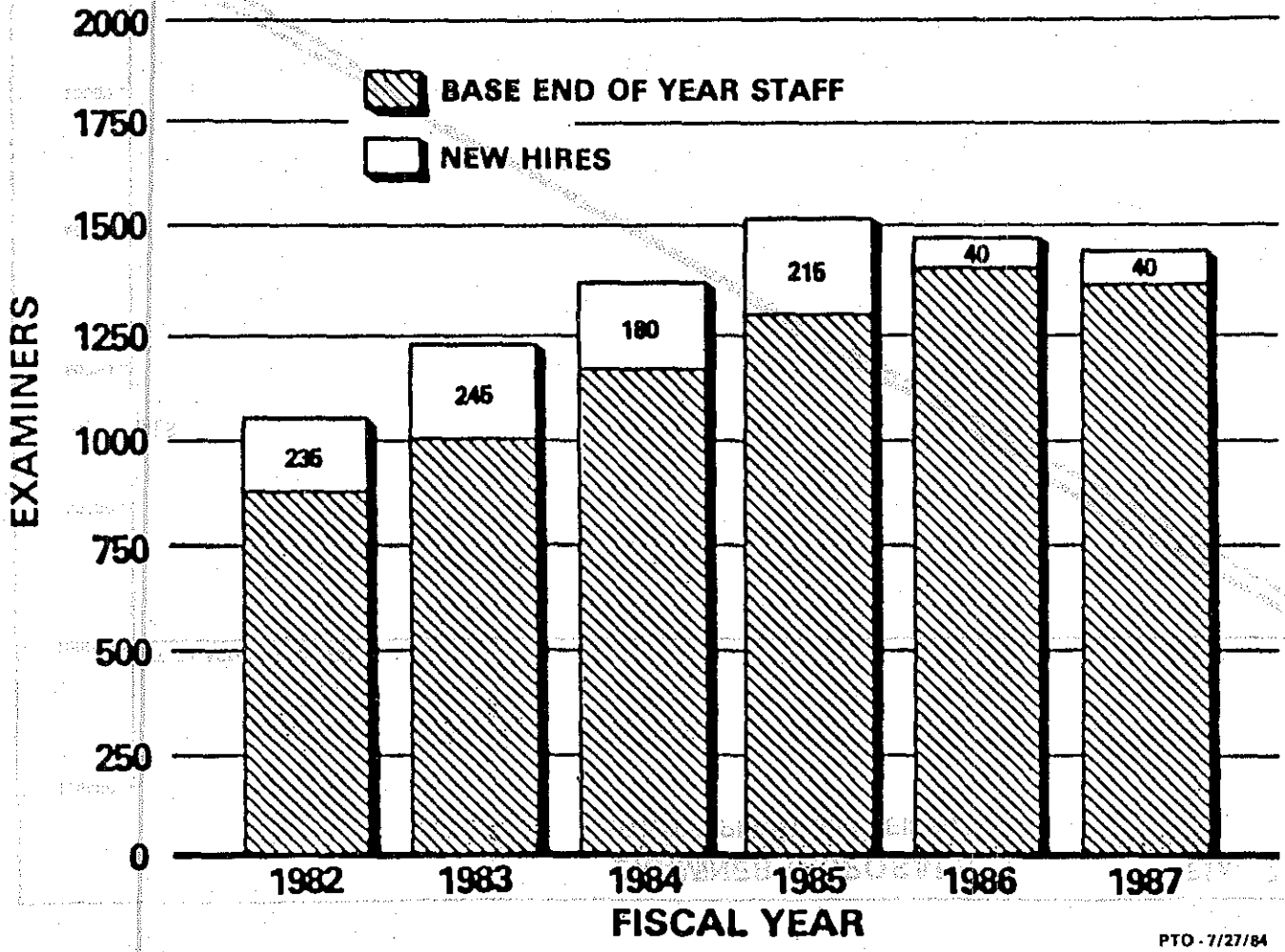

PLAN 18/87
18 MONTHS BY FY 1987
LEGEND
DISPOSALS
RECEIPTS
CASE INVENTORY
WORKLOAD IN THOUSANDS
250
200
150
100
50
0
22.4*
24.2*
25.5*
25.0*
24.0*
22.4*
18.7*
1981
1982
1983
1984
1985
1986
1987
YEAR
*AVERAGE TIME OF PENDENCY IN MONTHS

Fig. 6.

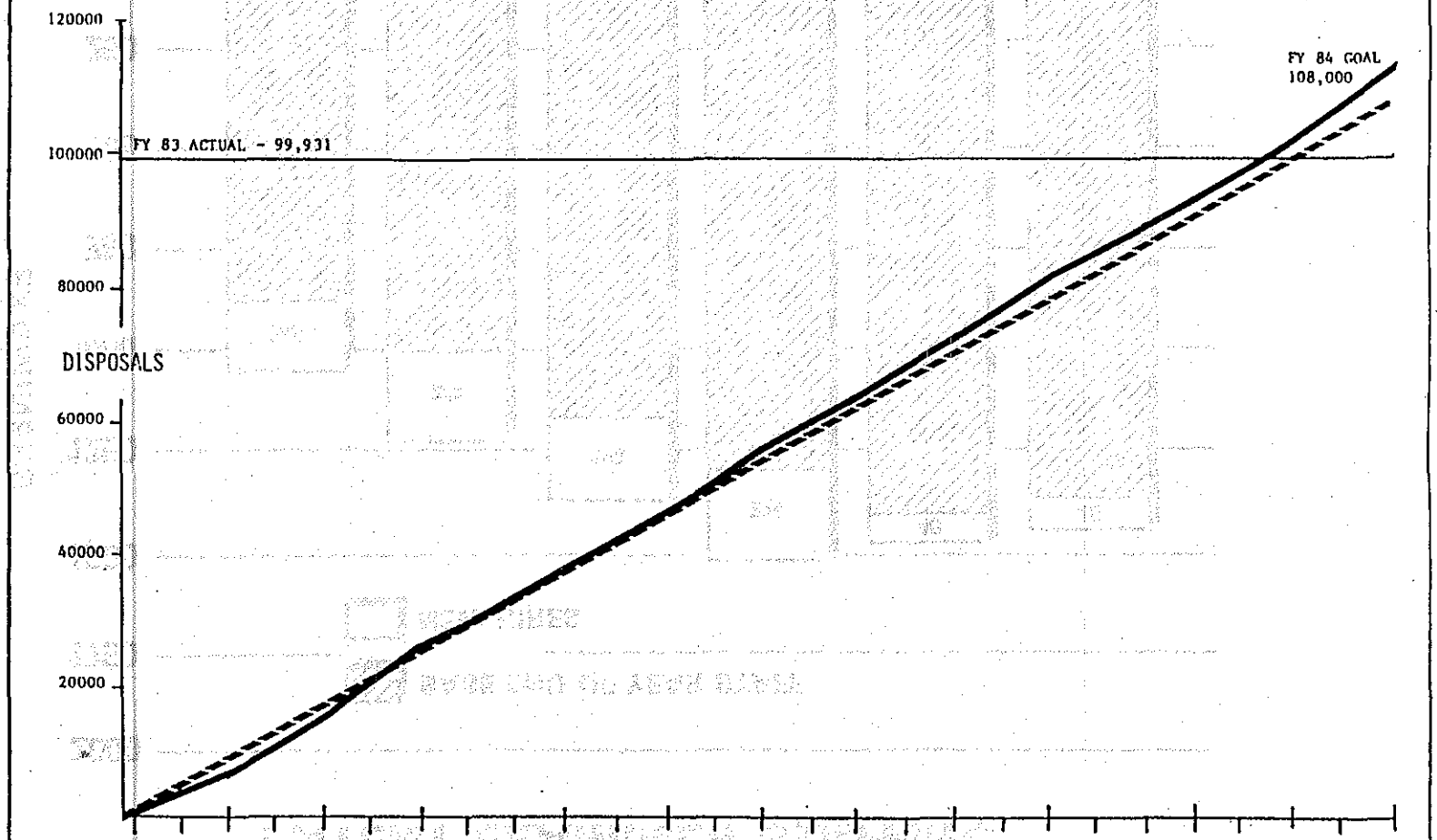
PLAN 18/87
PATENT EXAMINER STAFFING



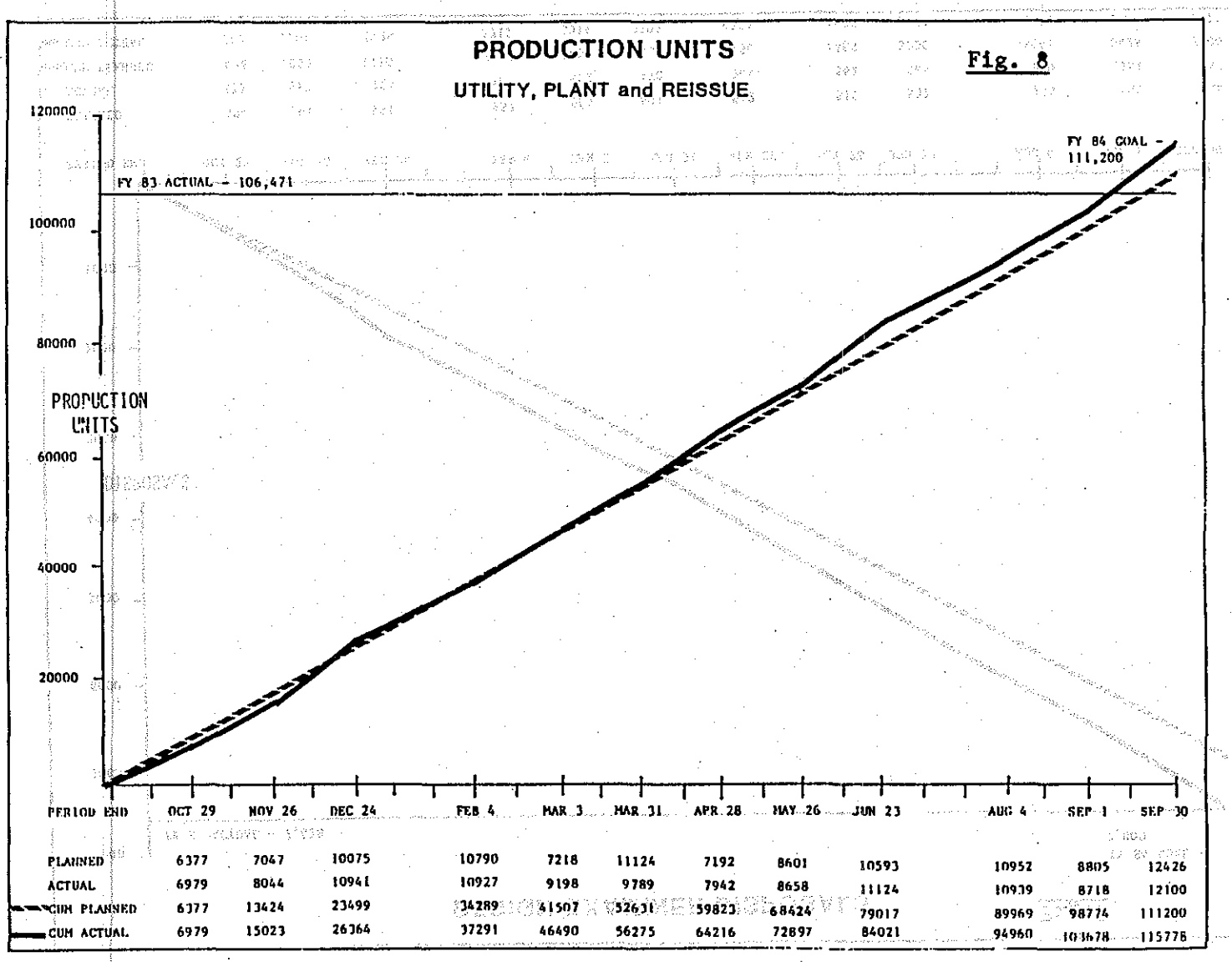
EXAMINER DISPOSALS

Fig. 7

UTILITY, PLANT and REISSUE

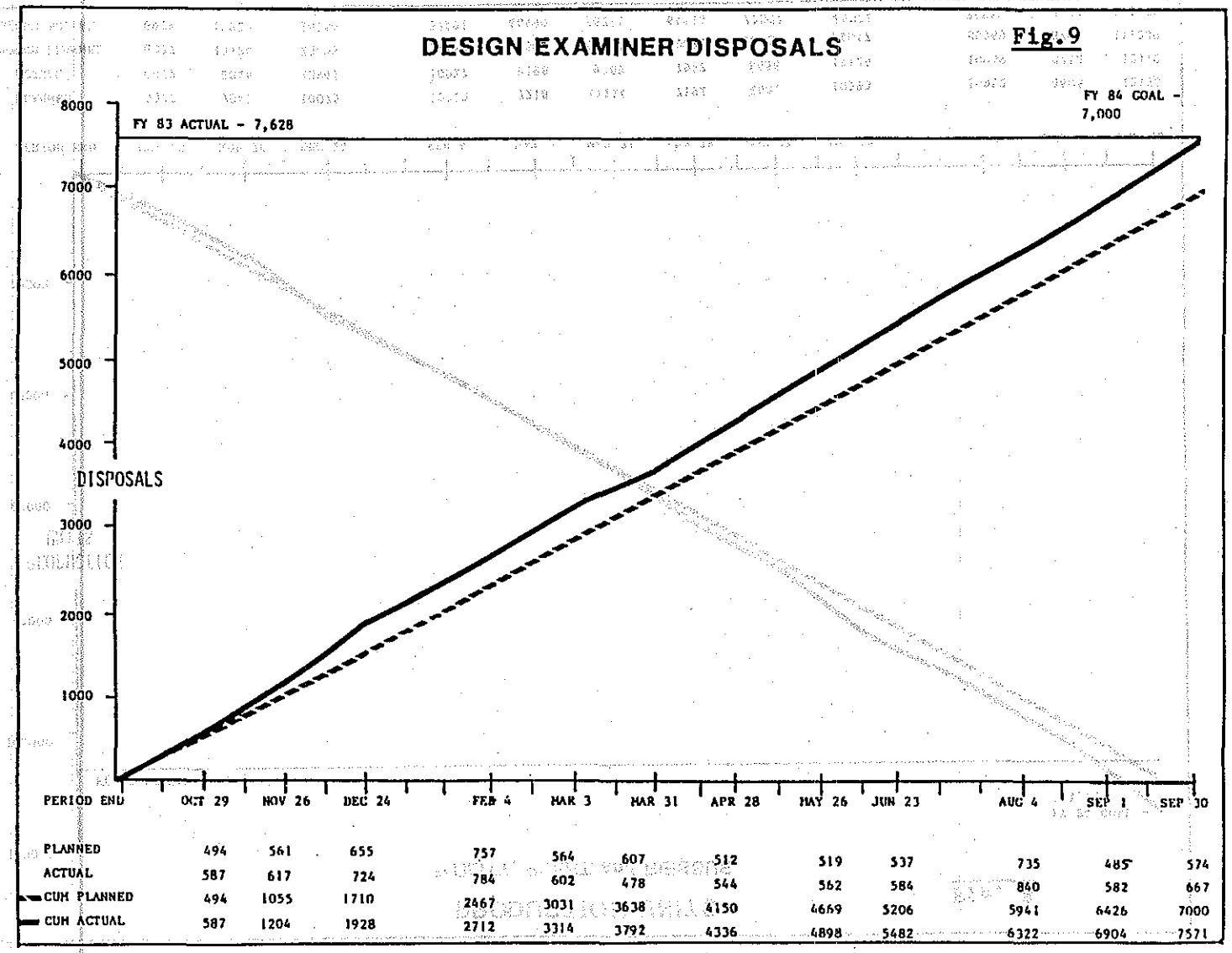


PERIOD END	OCT 29	NOV 26	DEC 24	FEB 4	MAR 3	MAR 31	APR 28	MAY 26	JUN 23	AUG 4	SEP 1	SEP 30
PLANNED	6510	7399	9465	10541	8071	9911	7334	8888	9246	11058	8729	10848
ACTUAL	7298	8447	10001	11360	8959	8799	8158	8763	9762	11424	8938	10564
CUM PLANNED	6510	13909	23374	33915	41986	51897	59231	68119	77365	88423	97152	108000
CUM ACTUAL	7298	15745	26548	37908	46867	55663	63818	72612	82374	93798	102736	113300


PRODUCTION UNITS
UTILITY, PLANT and REISSUE
Fig. 8
FY 84 GOAL - 111,200
FY 83 ACTUAL - 106,471
120000
100000
80000
60000
40000
20000
PRODUCTION UNITS
PERIOD END OCT 29 NOV 26 DEC 24 FEB 4 MAR 3 MAR 31 APR 28 MAY 26 JUN 23 AUG 4 SEP 1 SEP 30
PLANNED 6377 7047 10075 10790 7218 11124 7192 8601 10593 10952 8805 12426
ACTUAL 6979 8044 10941 10927 9198 9789 7942 8658 11124 10939 8718 12100
CUM PLANNED 6377 13424 23499 34289 41507 52631 59823 68424 79017 89969 98774 111200
CUM ACTUAL 6979 15023 26364 37291 46490 56275 64216 72897 84021 94960 103678 115778

DESIGN EXAMINER DISPOSALS

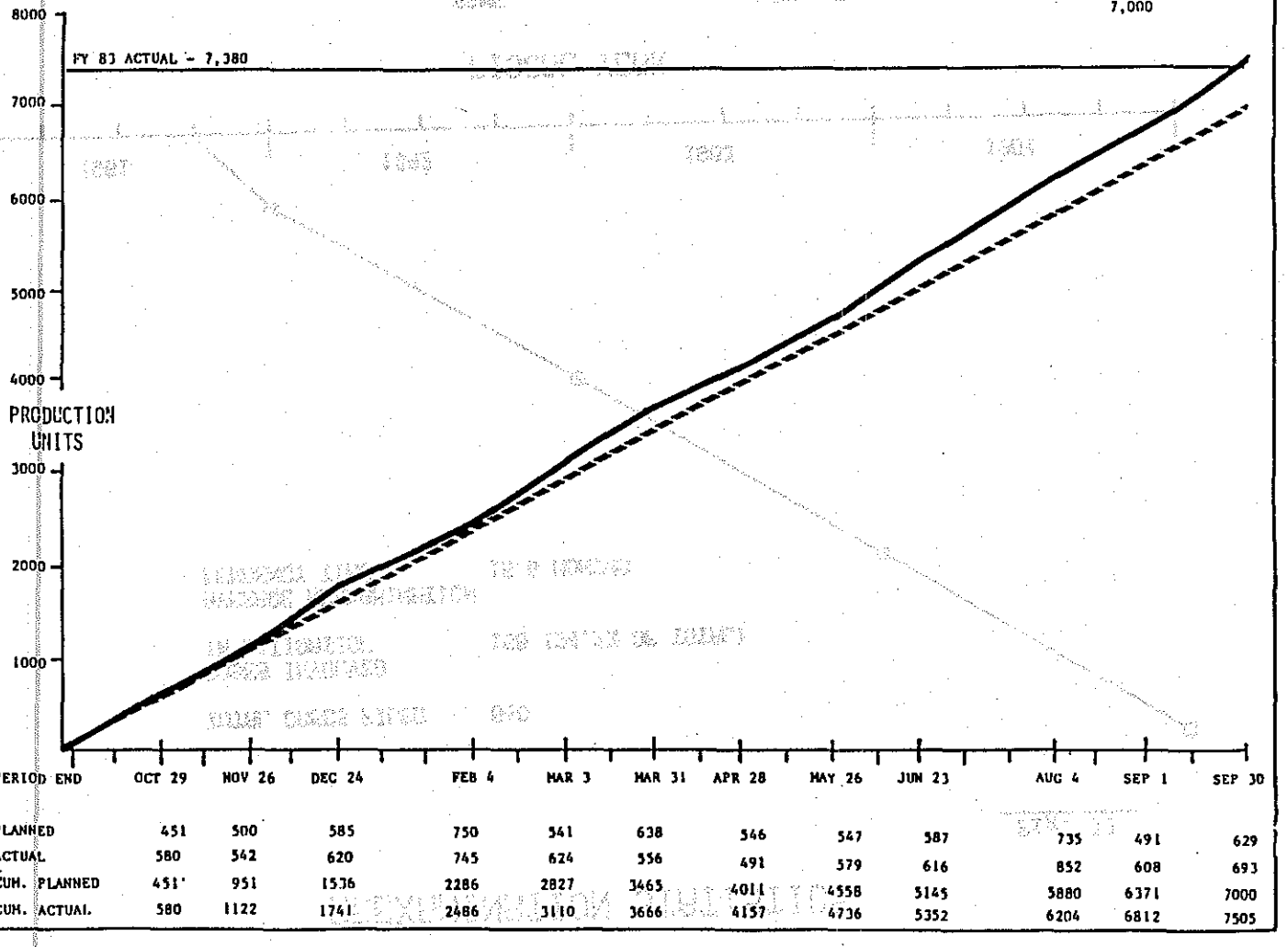
Fig.9



PERIOD END	OCT 29	NOV 26	DEC 24	FEB 4	MAR 3	MAR 31	APR 28	MAY 26	JUN 23	AUG 4	SEP 1	SEP 30
PLANNED	494	561	655	757	564	607	512	519	537	735	485	574
ACTUAL	587	617	724	784	602	478	544	562	584	840	582	667
CUM PLANNED	494	1055	1710	2467	3031	3638	4150	4669	5206	5941	6426	7000
CUM ACTUAL	587	1204	1928	2712	3314	3792	4336	4898	5482	6322	6904	7571

DESIGN PRODUCTION UNITS

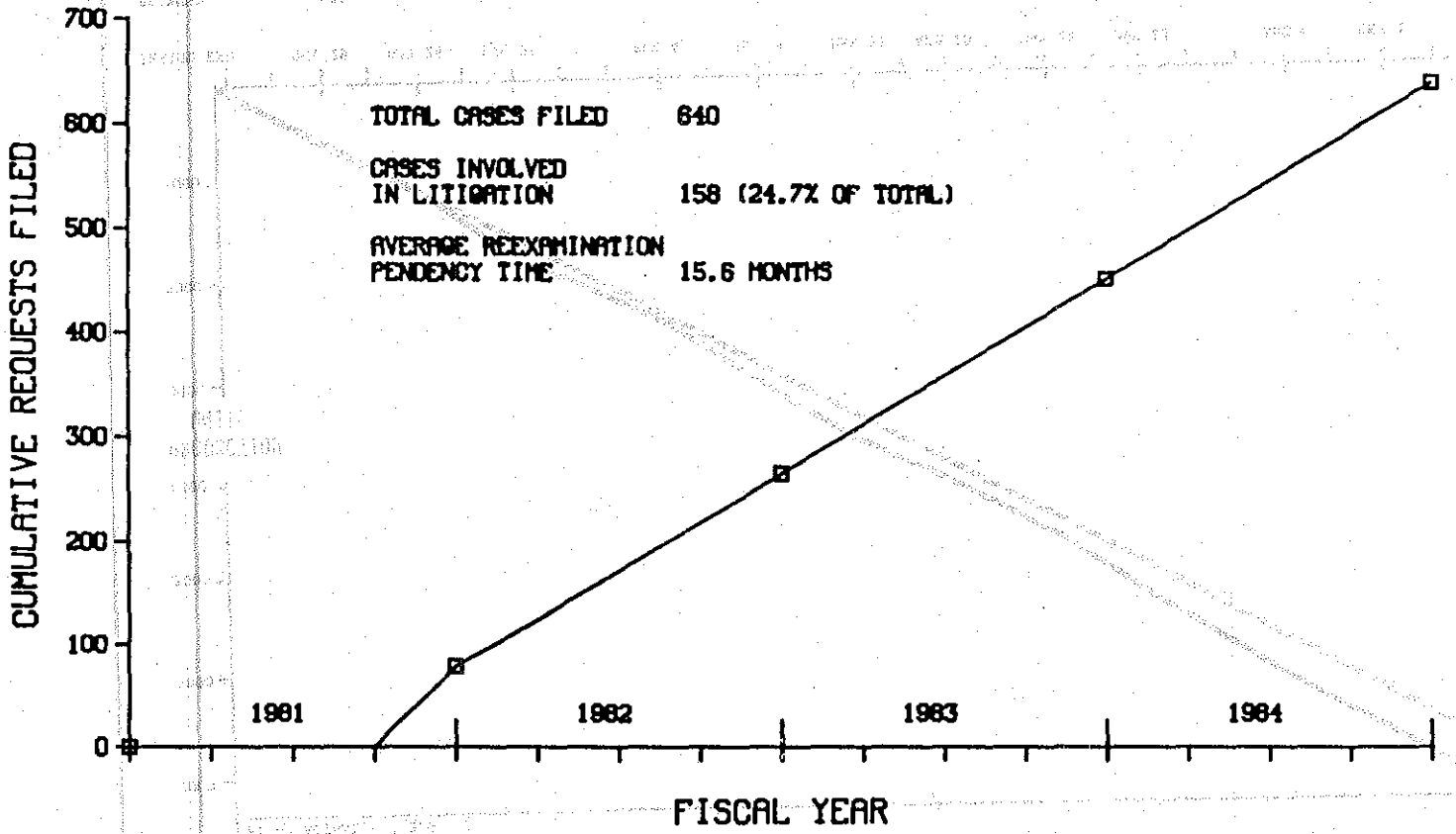
Fig. 10



PERIOD END	OCT 29	NOV 26	DEC 24	FEB 4	MAR 3	MAR 31	APR 28	MAY 26	JUN 23	AUG 4	SEP 1	SEP 30
PLANNED	451	500	585	750	541	638	546	547	587	735	491	629
ACTUAL	580	542	620	745	624	556	491	579	616	852	608	693
CUM. PLANNED	451	951	1536	2286	2827	3465	4011	4558	5145	5880	6371	7000
CUM. ACTUAL	580	1122	1741	2486	3110	3666	4157	4736	5352	6204	6812	7505

REEXAMINATION STATISTICS

Fig. 11



TOTAL CASES FILED 640

CASES INVOLVED IN LITIGATION 158 (24.7% OF TOTAL)

AVERAGE REEXAMINATION PENDENCY TIME 15.6 MONTHS

	SAME EXAMINER	DIFFERENT EXAMINER	OVERALL
ALL CLAIMS CONFIRMED	20.0%	25.0%	22.4%
ALL CLAIMS CANCELLED	9.6%	12.5%	10.9%
CLAIMS AMENDED	70.4%	62.5%	66.7%

Fig. 12

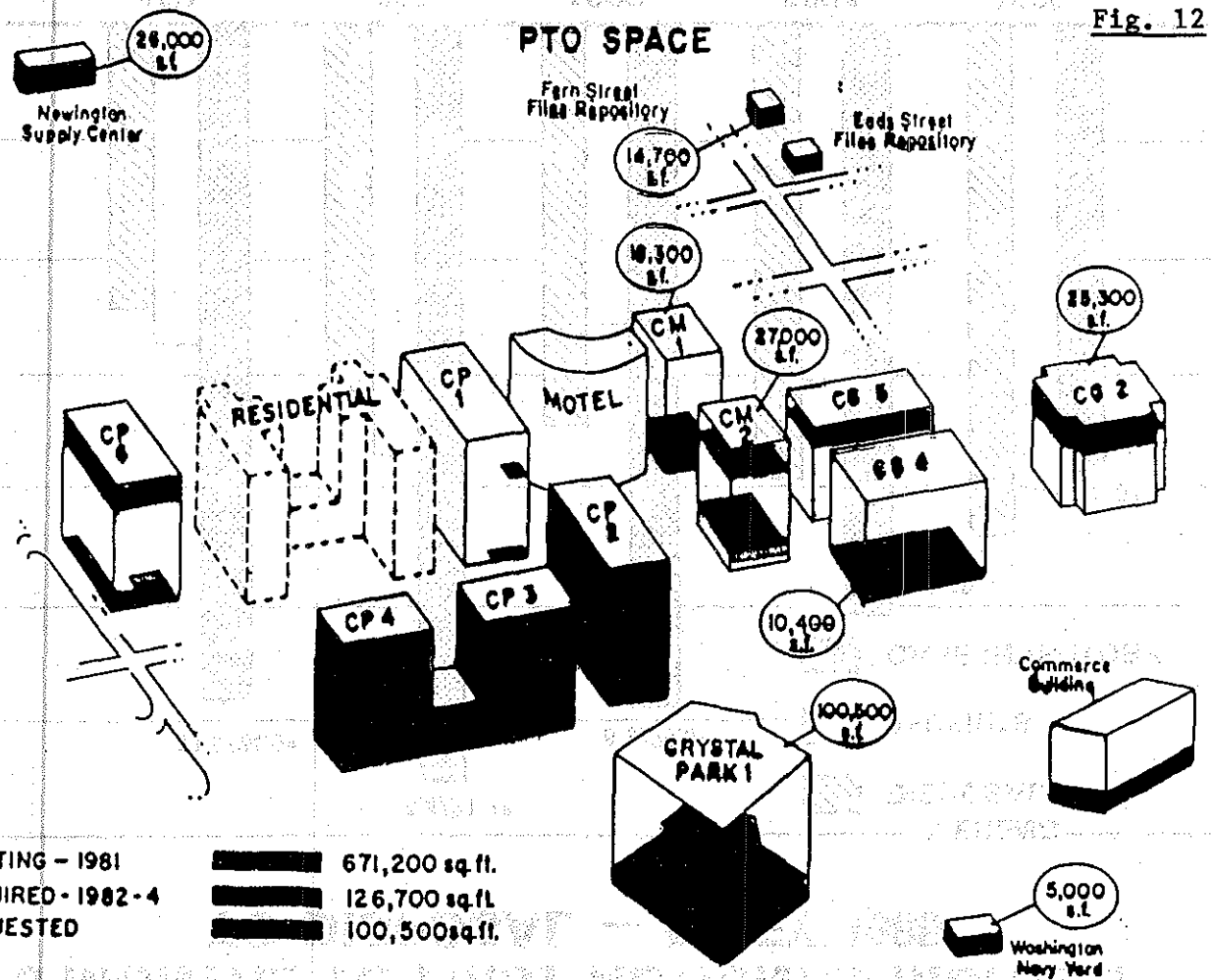
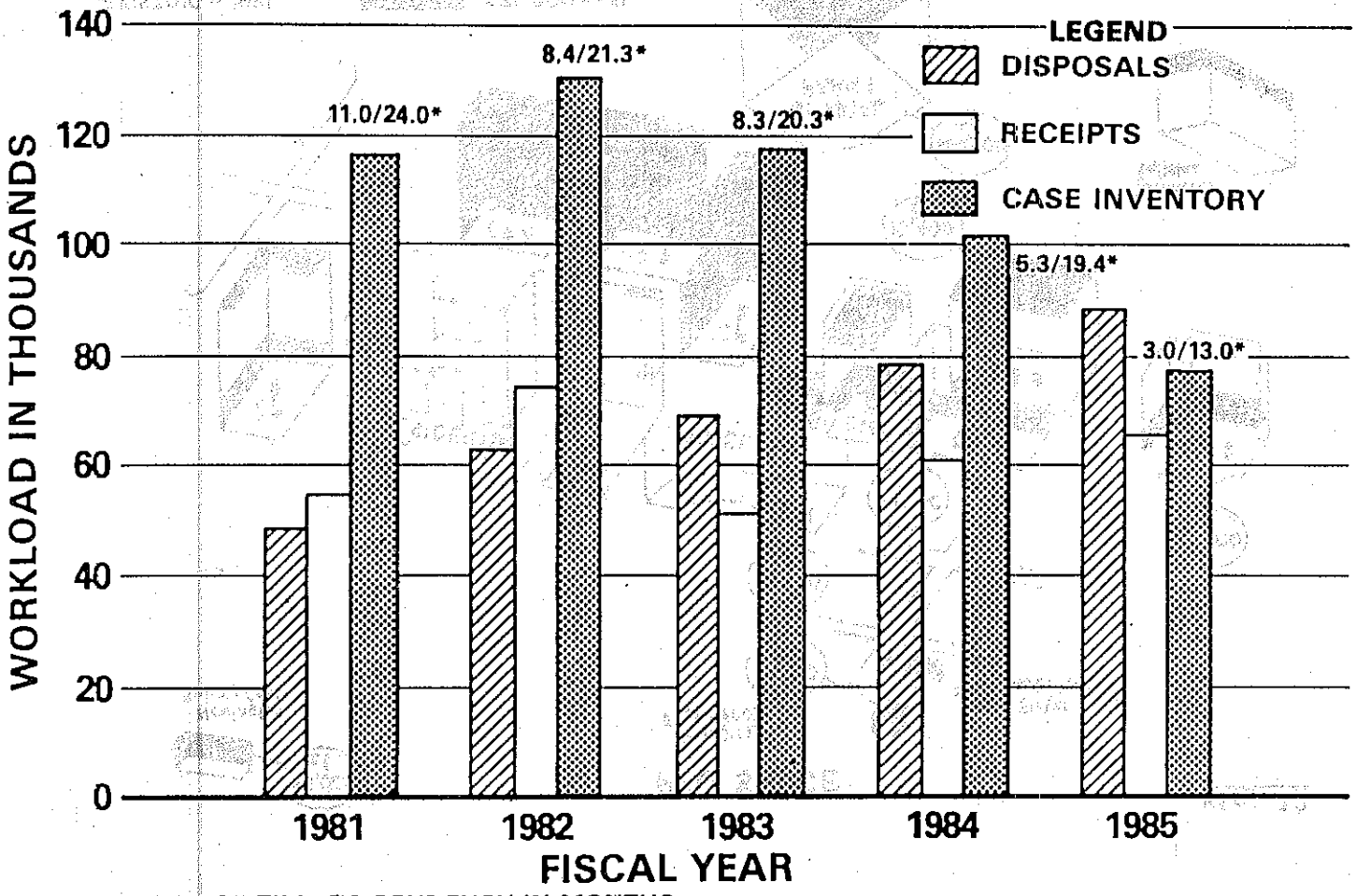

PTO SPACE
26,000 s.f.
Newington Supply Center
Fern Street Files Repository
14,700 s.f.
Eads Street Files Repository
18,300 s.f.
CM 1
27000 s.f.
CM 2
25,300 s.f.
CS 2
CS 3
CS 4
RESIDENTIAL
CP 1
MOTEL
CP 2
CP 3
CP 4
10,400 s.f.
Commerce Building
100,500 s.f.
CRYSTAL PARK 1
5,000 s.f.
Washington Navy Yard
EXISTING – 1981 671,200 sq.ft.
ACQUIRED - 1982-4 126,700 sq.ft.
REQUESTED 100,500 sq.ft.

Fig. 13

PLAN 3/13
3 MONTHS TO FIRST ACTION/13 MONTHS TO DISPOSAL — BY FY 1985

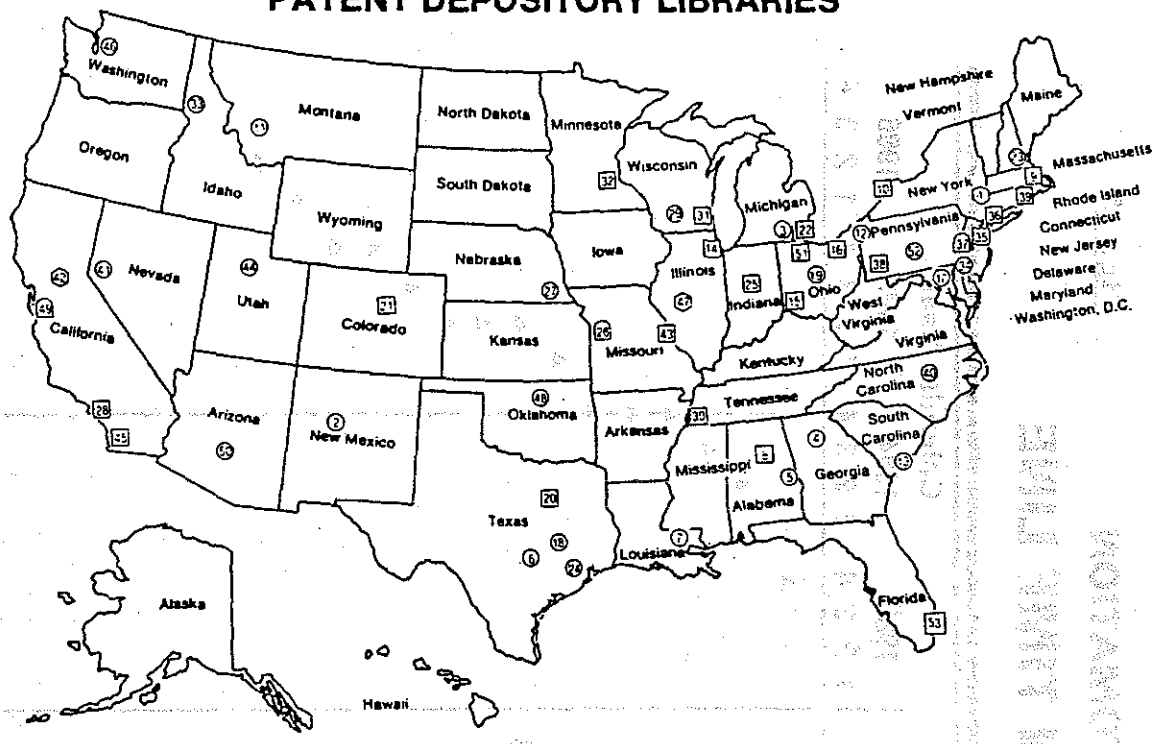


* AVERAGE TIME TO PENDENCY IN MONTHS

PTO - 7/27/84

Fig. 14

PATENT DEPOSITORY LIBRARIES



(1) Albany, NY - New York State Library
(2) Albuquerque, NM - University of New Mexico Library
(3) Ann Arbor, MI - Engineering Transportation Library, University of Michigan
(4) Atlanta, GA - Price Gilbert Memorial Library, Georgia Institute of Technology
(5) Auburn University, AL - Auburn University Libraries
(6) Austin, TX - McKinney Engineering Library, University of Texas at Austin
(7) Baton Rouge, LA - Troy H. Middleton Library, Louisiana State University
(8) Birmingham, AL - Birmingham Public Library
(9) Boston, MA - Boston Public Library
(10) Buffalo, NY - Buffalo and Erie County Public Library
(11) Butte, MT - Montana College of Mineral Science and Technology Library
(12) Cambridge Springs, PA - Alliance College Library
(13) Charleston, SC - Medical University of South Carolina Library
(14) Chicago, IL - Chicago Public Library
(15) Cincinnati, OH - Public Library of Cincinnati and Hamilton County
(16) Cleveland, OH - Cleveland Public Library
(17) College Park, MD - Engineering and Physical Sciences Library, University of Maryland
(18) College Station, TX - Sterling C. Evans Library, Texas A & M University
(19) Columbus, OH - Ohio State University Libraries
(20) Dallas, TX - Dallas Public Library
(21) Denver, CO - Denver Public Library
(22) Detroit, MI - Detroit Public Library
(23) Durham, NH - University of New Hampshire Library
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(25) Indianapolis, IN - Indianapolis-Marion County Public Library
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(27) Lincoln, NE - Engineering Library, University of Nebraska-Lincoln
(28) Los Angeles, CA - Los Angeles Public Library
(29) Madison, WI - Kurt F. Wendt Engineering Library, University of Wisconsin
(30) Memphis, TN - Memphis & Shelby County Public Library and Information Center
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(45) San Diego, CA - San Diego Public Library
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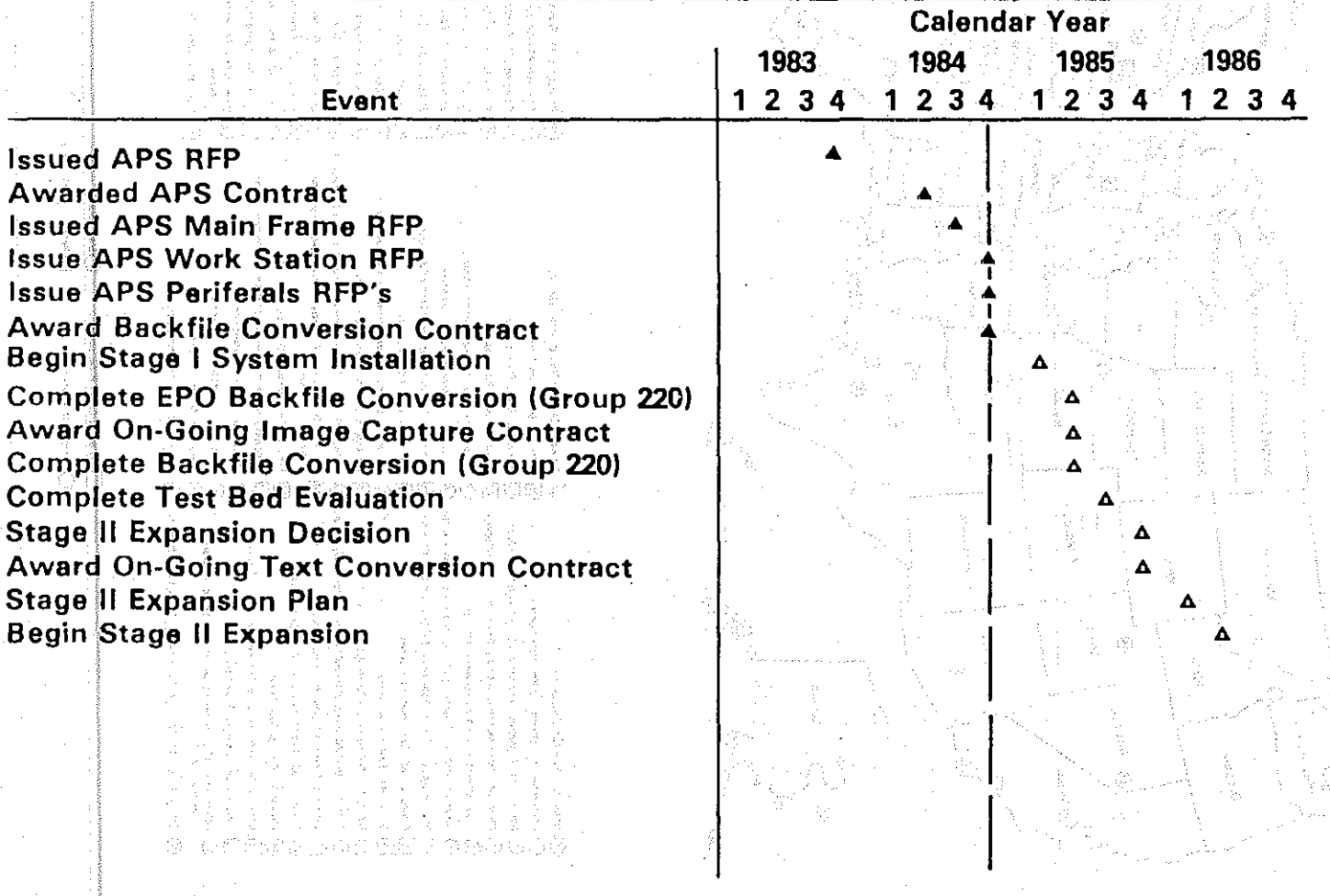
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PATENT AUTOMATION

Fig. 15

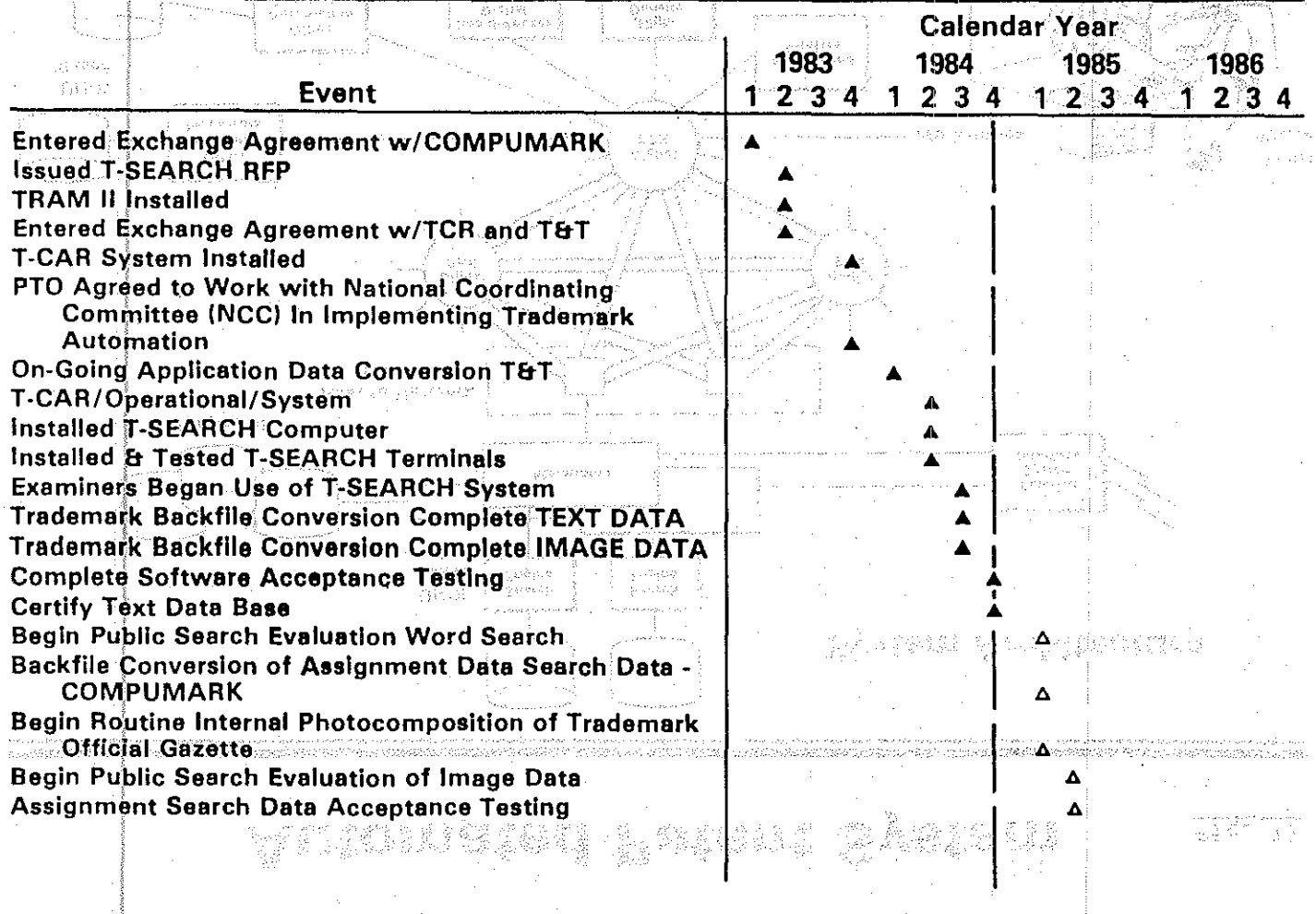
AUTOMATION TIME LINE



TRADEMARK AUTOMATION

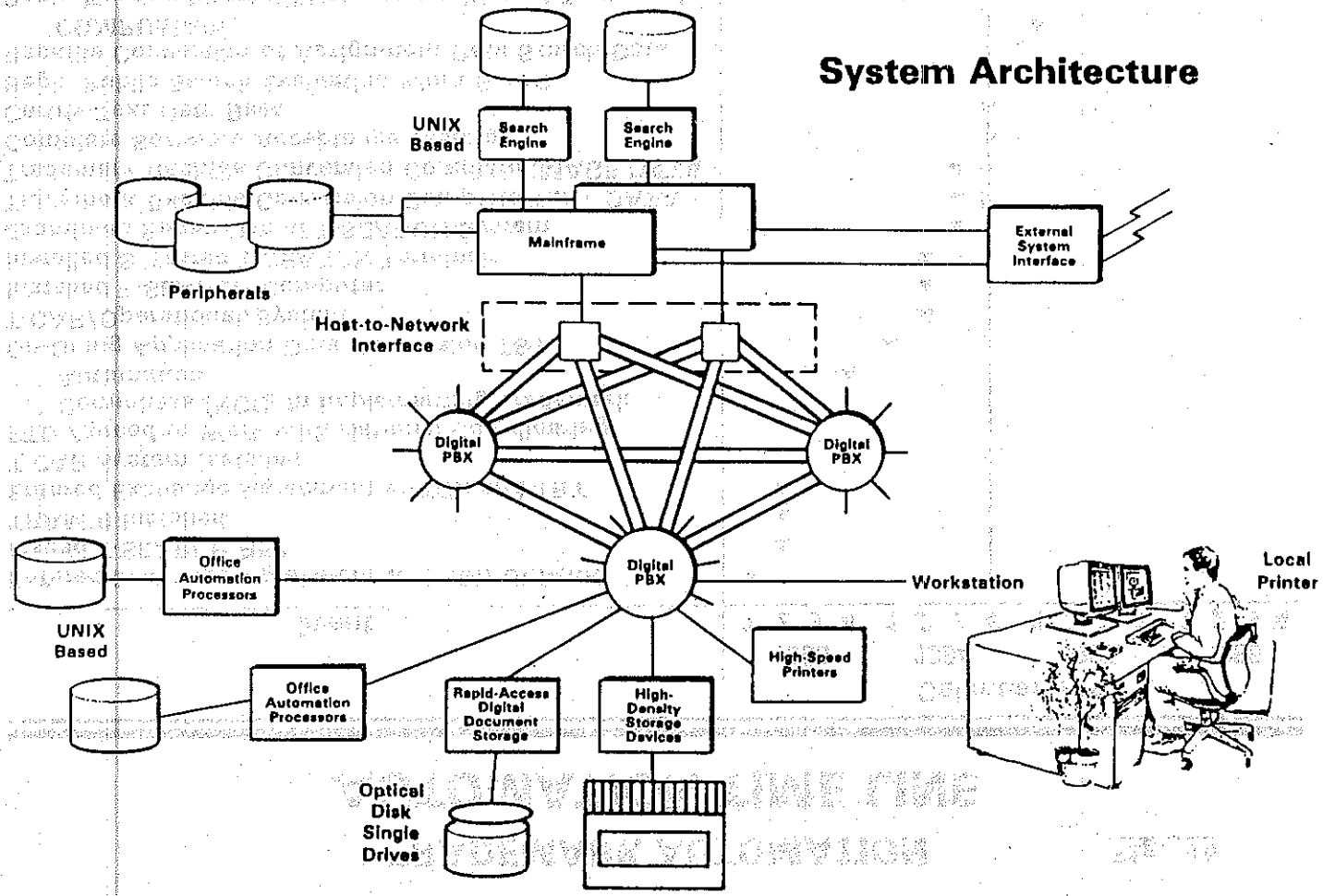
Fig. 16

AUTOMATION TIME LINE



Automated Patent System

Fig. 17



INTELLECTUAL PROPERTY LEGISLATION - 98TH CONGRESS

Fig. 18

- PATENT TERM RESTORATION -- P.L. 98-417, 9/24/84
- REPEAL OF COPYRIGHT FIRST-SALE DOCTRINE FOR AUDIO WORKS -- P.L. 98-450, 10/4/84
- ENCOURAGING JOINT RESEARCH & DEVELOPMENT -- P.L. 98-462, 10/11/84
- ANTI-COUNTERFEITING CRIMINAL SANCTIONS -- P.L. 98-473, 10/12/84
- BRUSSELS SATELLITE CONVENTION -- SENATE'S ADVICE & CONSENT, 10/12/84
- INTELLECTUAL PROPERTY PROVISIONS OF THE TRADE AND TARIFF ACT OF 1984 -- P.L. 98-573, 10/30/84
- PATENT LAW AMENDMENTS ACT OF 1984 -- AWAITING PRESIDENT'S SIGNATURE
  - -- REVERSING DEEPSOUTH
  - -- REVERSING IN RE BASS
  - -- STATUTORY INVENTION REGISTRATION
  - -- GS-16s FOR THE TTAB
  - -- MERGER OF BOARD OF APPEALS WITH THE BOARD OF PATENT INTERFERENCES
  - -- NAMING OF JOINT INVENTORS
  - -- ARBITRATION OF INTERFERENCES
- PROTECTION OF SEMICONDUCTOR CHIPS, H.R. 6163 -- AWAITING PRESIDENT'S SIGNATURE
- REVERSING 9TH CIRCUIT "ANTI-MONOPOLY" CASE, H.R. 6163 -- AWAITING PRESIDENT'S SIGNATURE
- CAFC IMPROVEMENTS, H.R. 6163 -- AWAITING PRESIDENT'S SIGNATURE

Fig. 19

1985 LEGISLATIVE PROGRAM

- EXTENDING PROCESS PATENT PROTECTION TO PRODUCTS
- EXTENDING PLANT PATENT PROTECTION TO "PARTS OF PLANTS"
- INDUSTRIAL DESIGN PROTECTION
- FEDERAL PATENT POLICY
- BRINGING ORDER OUT OF THE LEAR v. ADKINS CHAOS
- RULE OF REASON IN INTELLECTUAL PROPERTY LICENSING/CLARIFICATION OF MISUSE DOCTRINE

Fig. 20

DIPLOMATIC CONFERENCE FOR THE REVISION OF THE PARIS CONVENTION

- THIRD SESSION COMPLETED - OCTOBER & NOVEMBER 1982
- FOURTH SESSION - FEBRUARY 27 THROUGH MARCH 24, 1984

TRILATERAL COOPERATION WITH JAPANESE PATENT OFFICE AND EUROPEAN PATENT OFFICE

ASSISTANCE TO PEOPLE'S REPUBLIC OF CHINA

BILATERAL AGREEMENT WITH AFRICAN INTELLECTUAL PROPERTY ORGANIZATION (OAPI)

ASSISTANCE TO DEVELOPING COUNTRIES SEEKING TO STRENGTHEN THEIR INTELLECTUAL PROPERTY RIGHTS

TECHNICAL ASSISTANCE	TRAINING
ARGENTINA	BARBADOS
BRAZIL	EGYPT
INDONESIA	INDONESIA
KOREA	JAMAICA
MALAYSIA	KOREA
MEXICO	MEXICO
PAKISTAN	NIGERIA
PEOPLE'S REPUBLIC OF CHINA	PEOPLE'S REPUBLIC OF CHINA
PHILIPPINES	PHILIPPINES
SINGAPORE	TAIWAN
THAILAND	THAILAND
OAPI	OAPI
GULF COOPERATION COUNCIL	GULF COOPERATION COUNCIL

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MULTIPLE CLAIM SYSTEM IN JAPAN AND UTILIZATION STATUS THEREOF

Japanese Group, Committee No.1
Subcommittee No.1

AKIO OKUMURA, Fuji Photo Film Co., Ltd.
CHOJI NASHIZAKI, Fuji Heavy Industries Ltd.
KAZUYA HOSAKA, Hitachi, Ltd.
KENJI DOI, Fujitsu Limited
KUNIO OHWADA, Nippon Telegraph & Telephone Public Corporation
MAKOTO HAGIHARA, Oki Electric Industry Company, Ltd.
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SHIGEYASU HORIGOME, Iwatsu Electric Co., Ltd.
SHUICHI FUKUDA, NEC Corporation
TAKEFUMI SATOH, Japan Synthetic Rubber Co., Ltd.
YUTAKA YAGUCHI, Toshiba Corporation
AKIRA ATSUMI, Teijin Limited
Speaker: AKIRA ATSUMI, Teijin Limited

Abstract

The multiple claim system in Japan is constituted of the coexistence of the multiple claim system for one invention and the consolidated application system. The concept of one invention is the succession of the concept for invention in the mono claim system for one invention and the invention of "a product", the invention of "a process" and the invention of "a process of manufacturing a product" are treated as different invention from each other. The unit of the invention is same in both the step of granting a patent and the proceedings for patent invalidation. The system can be said to be a unique law system of our country.

This report introduces such points from the aspect of practical affairs and informs the results of our inquiries and investigations on the utilization status of the multiple claim system. Furthermore, this reports also states various problems accompanied by the multiple claim system.

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1. Introduction

The multiple claim system in Japan was introduced in 1975 by the partial revision of the Patent Law and went into effect on January 1, 1976. The adoption of the system come from, for one thing, the necessity of harmonizing the domestic system with the PCT system prior to the affiliation to PCT, and for other thing, the purposes of properly protecting inventions for patent applicants as well as affording a third party facilities for clarifying the scopy of the patented invention. The outline of the multiple claim system was already reported at the PIPA Boston Congress in 1975 as "Adoption of Multiple Claim System in Japan and Point of Issue". The report is useful even at present and has a high utilization value.

The multiple claim system in our country is within the framework adopted at the revision of the Patent Law (1960 Law). That is, the concept of one invention in the old Japanese Patent Law is adopted as it is. Within the framework the restriction on the number of claim, i.e., one claim for one invention is removed. The multiple claim system in Japan, however, bears unique features of our own and, differs from the claim systems in the United States and European countries. Accordingly, there may be some confusions in the utilization of the system and the practical working at the patent application from foreign countries.

At present 8 years have passed since the introduction of the multiple claim system in our country, it can be said that the system is fixed in practical affairs. Thus, this paper first described the multiple claim system from the practical view point and then the utilization status of the system, which cover a specific technical fields.

2. Unique Features of Multiple Claim System in Japan

2.1 Coexistence of multiple claim system for one invention and consolidated application system

The unique feature of the multiple claim system in Japan is in the coexistence of the multiple claim system for one invention which permits to describe plural claims for one invention and the consolidated application system which permits to describe plural claims for related plural inventions.

The multiple claim system for one invention is a system provided by the proviso of the Patent Law, Article 36[1], Paragraph 5, which permits to describe sub claim(s) ("embodiment claim") describing the embodiment(s) in the scope of an invention together with an independent claim or main claim ("indispensable constituent features claim") describing only the indispensable constituent features of the invention described in "Detailed Explanation of Invention". In addition, the multiple claim system for one invention is also applicable to utility model applications.

- . - . - . - . - . - . - . - . -

1)

(Applications for patent)

36. - (1) .....

(2) The request shall be accompanied by the specification-and, if necessary, drawings-stating the following;

(i) the title of the invention;
(ii) a brief explanation of the drawings;
(iii) a detailed explanation of the invention;
(iv) a claim or claims.

(3) .....

(4) .....

(5) In the claim or claims under subsection (2)(iv) there shall be stated only the indispensable constituent features of the invention or inventions described in the detailed explanation of the invention. However, in addition, stating specific forms of the invention or inventions is not precluded.

(6) Statements in the claim or claims under the preceding subsection shall be made as provided for in an ordinance of the Ministry of International Trade and Industry.

On the other hand, the consolidated application system had been adopted in the 1960 Law as an exception of the one invention for one application rule and is a system provided by Provisos, Items (i) to (iii) of the Patent Law, Article 38[2]. In addition, the consolidated application system is not applied to utility model applications.

In the Japanese Patent Law, the concept of one invention is grasped in a comparatively narrow scope, the invention of "a product", the invention of "a process", and the invention of "a process of manufacturing a product" each is regarded as an invention of a different category, these invention are, in principle, treated as different inventions. Such inventions as different in category are permitted to be claimed in a consolidated patent application provided that they satisfy the requirements provided by the provisos, Items (i) and (ii) of the Patent Law, Article 38. Also, in regard to inventions belonging to a same category, the scope of the unity of each invention is relatively

- . - . - . - . - . - . - . -

2)

(Unity of invention)

38. - A a patent application shall relate to a single invention. Provided, however, that even in the case of two or more inventions, the following inventions having the relationship indicated below with one such invention (hereinafter referred to as "the specified invention") may be the subject of a patent application in the same request as the specified invention:

(i) inventions which have, as a substantial part of their indispensable constituent features, the whole or a substantial part of the indispensable constituent features of the specified invention and which have the same purpose as the specified invention;

(ii) where the specified invention relates to a product, inventions of processes of manufacturing the product, inventions of processes of using the product, inventions of machines, instruments, equipment or other devices for manufacturing the product, or inventions of products solely utilizing the specific properties of the product;

(iii) where the specified invention relates to a process, inventions of machines, instruments, equipment or other devices used directly in the working of the specified invention.

narrowly constructed and these invention are treated as different inventions even by a slight difference in object and construction. In this case, however, the inventions are permitted to be claimed in a consolidated application provided that the inventions satisfy the requirement provided by the proviso, Item (i) of the Patent Law, Article 38 and these claims on the inventions can be described as independent claims.

As described above, in the multiple claim system in Japan, the concept of one invention before the introduction of the multiple clain system is kept as it is and the system is harmonized with the claim system of PCT by permitting the description of plural claims in one patent application in the scope of the concept and utilizing the consolidated application system which is a unique system of the Japanese Patent Law. In this point, the claim system in the Japanese Patent Law is greatly different, in the way of thinking, from the claim systems in the United States and European countries, which broadly grasps the concept of one invention and permits to describe relatively freely plural claims in one application without being bounded by the framework of category in the foregoing scope.

Furthermore, since under the consolidated application system, it is required that plural independent claims (indispensable constituent features claims) constitute, in principle, different inventions, there is a case that claims which are permitted to describe in one application in the framework of multiple claims for one invention in the Patent Laws of foreign countries from the view point of the identity of the inventions are not permitted to described in one application in the Japanese Patent Law.

2.2 Claim in multiple claim system for one invention

2.2.1 Roles of indispensable constituent features claim and embodiment claim

A claim in the Patent Law possesses a function as a basis for determining the technical scope of a patented invention (Article 70) and a function of specifying an invention, that is a function of describing all the features indispensable for the construction of the invention (Article 36, Paragraph 5). When an invention is claimed in one claim in a patent application,

the said claim possesses these functions. On the other hand, when one invention is claimed in plural claims (an indispensable constituent features claim and an embodiment claim), these functions are as follows.

That is, the embodiment claim is a claim wherein the features described in the indispensable constituent features claim are technically limited and embodied concretely. However, the addition of the embodiment claim(s) is not compulsory but is left to the applicant's free will. Thus, the functions of the indispensable constituent features claim are not influenced by the existence of the embodiment claim or the content of the embodiment claim and are fundamentally same as the functions of the claim of a patent application claiming one claim only. In other words, the two functions of claims of an application are primarily possessed by the indispensable constituent features claim. In addition, an embodiment claim is one of claims and thus possesses these functions but they are secondary functions.

Accordingly, in the indispensable constituent features claim, the constitution of an invention is most widely described for enlarging the scope of the invention to be protected by the patent as broad as possible and the indispensable constituent features claim is the claim constituted in the broadest concept for the invention. On the other hand, an embodiment claim presents the essence of the invention claimed in an indispendable constituent features claim by showing the concerte embodiment included in the invention of the claim constituted in the broadest concept. Also, there is no partial invalidation system, i.e., the system of invalidating the specific claim(s) in plural claims of a patent in the Patent Law as will be described below.

2.2.2 Practical factors for embodiment claim

As is understood from the above descriptions, it is required that the embodiment claim described technically limited concrete embodiment of the invention described in the indispensable constituent features claim but how shall we practically

understand the requirement "technically limited concrete embodiment"?

In an ordinary case, it may be understood that examples or similar descriptions to examples described in the "Detailed Explanation of Invention" correspond to the embodiment claims for the invention claimed in the indispensable constituent features claim (the independent claim). However, the embodiment claim(s) can be further classified more practically into the following 7 cases as shown in, for example, the reply by the Patent Office to the inquiries made by the Patent Attorney Association. That is, following cases (1) to (7) are permitted to be the embodiment claims (the sub claims).

(1) The case of simply modifying the construction of the matters indispensable for the construction of an invention by simply adding a conventional means to the indispensable matters or adding a simple limitation of the form, the number or the disposition or a simple numerical limitation to the indispensable matters.

(2) The case of adding a simple limitation of use to the indispensable matters for the construction of an invention.

(3) The case of adding a self-evident or trivial condition or limitation to the indispensable matters for the construction of an invention.

(4) The case of describing an invention in a narrower concent to the indispensable matters for the construction of an invention described in a broader concept, said description in the narrower concept having no serious technical meanings.

(5) The case of a separate description to the indispensable matters for the construction of an invention described in an alternative way.

(6) The case of adding a non-self-evident and non-trivial condition or limitation to the indispensable matters for the construction of an invention (the embodiment of the case is, however, so described that it is included in the indispensable matters for the construction of the invention according the objects, the construction and the effects of the invention described in the "Detailed Explanation of Invention").

(7) The case of describing an invention in a narrower concept to the indispensable matters for the construction of an

invention described in a broader concent, said description in the narrower concept having a serious technical meaning (the embodiment of the case is, however, included in the indispensable matters for the construction of the invention according to the objects, the construction and the effects of the invention described in the "Detailed Explanation of Invention").

On the other hand, following cases (8) to (10) are not permitted to be embodiment claims.

(8) The case of simply modifying the construction of the indispensable matters for the construction of an invention by converting a part of the indispensable matters into a simple conventional means, simply changing a material of the indispensable matters or simply converting a material of the indispensable matters into an equivalent material, simply converting a means of the indispensable matters into an equivalent means, simply alterming the form, the number, and the disposition of the indispensable matters, or simply altering the numerical value in the indispensable matters.

(9) The case of adding a non-self-evident and non-trivial condition or limitation to the indispensable matters for the construction of an invention (the embodiment of the case is, however, so described that it can be distinguished from the indispensable matters for the construction of the invention in the construction and the effect thereof in the "Detailed Explanation of Invention").

(10) the case of describing an invention in a narrower concept to the indispensable matters for the construction of an invention described in a broader concept, said description in the narrower concept having a serious technical meaning (the embodiment of the case is, however, so described that it can be discriminated from the indispensable matters for the invention in the construction and the effect thereof in the "Detailed Explanation of Invention").

However, foregoing case (9) or (10) is permitted to be claimed in a consolidated application together with the indispensable constituent features claim provided that the case satisfies the factor for the consolidated application.

The difference between foregoing cases (6) and (9) and between foregoing cases (7) and (10) is based on whether the

inventions of both cases are described as those included in one invention or as discriminating inventions in the "Detailed Explanation of Invention" although the contents described in the claims in one case are same as those described in the claims of another case. This point will be described later in relation to consolidated application.

Example 1. Model of case (6)[7]

(Claim)

1. A method for producing vinyl chloride which comprises thermally decomposing 1,2-dichloroethane.

2. The method for producing vinyl chloride as claimed in claim 1, wherein the thermal decomposition is performed in the presence of an active carbon catalyst.

(Excert from "Detailed Explanation of Invention")

This invention is a method for producing vinyl chloride by thermally decomposing 1,2-dichloroethane. The thermal decomposition can be performed in the presence or absence of a catalyst. The thermal decomposition of 1,2-dichloroethane occurs at 550 to 650°C in the absence of catalyst but it occurs at about 250°C in the case of using active carbon as the catalyst.

Example 2. Model of case (7)[7]

(Claim)

1. A method for laying the foundation which comprises hammering a pile into the ground while supplying a filler to the surroundings of pile.

2. The mthod for laying the foundation as claimed in claim 1, wherein a cement milk is used as the filler.

(Excert from "Detailed Explanation of Invention")

This invention is a method for laying the foundation by hammering a pile into the ground while supplying a filler to the surroundings of the pile. Sand, soil, a cement milk, etc., can be used as the filler. The foundation can be densely reinfroced by using sand or soil but in the case of using a cement milk as the filler, it permeates deeply in the ground to reinforce the foundation as well as to facilate hammering.

Example 3. Model of case (9)[7] (Consolidated application)

(Claim)

1. A method for producing vinyl chloride which comprises thermally decomposing 1,2-dichloroethane.

2. A method for producing vinyl chloride which comprises

thermally decomposing 1,2-dichloroethane in the presence of an active carbon catalyst.

(Excert from "Detailed Explanation of Invention")

The invention of claim 1 is a method for producing vinyl chloride which comprises thermally decomposing 1,2-dichloroethane and the heating temperature at the thermal decomposition is 550 to 650°C. On the other hand, the invention of claim 2 is a method for producing vinyl chloride having the feature in the point of using an active carbon catalyst and in this case, the heating temperature of 250°C is enough for the thermal decomposition.

2.2.3 Description of claims

(1) Indispensable constituent features claim

The indispensable constituent features claim is a claim itself before the introduction of the multiple claim system and the constituent features for the description of the claim are substantially same as those of the claim before the revision of the Patent Law. The description form for the claim is as follows.

1) In the indispensable constituent features claim, only the features indispensable for the construction of the invention described in the "Detailed Explanation of Invention" must be described. Accordingly, description of two or more indispensable constituent features claims for one invention is not permitted.

2) The indispensable constituent features claim must be described in an independent form, that is, the form of not quoting other claim for clearly distinguishing from embodiment claim(s).

3) When the constituent features to be described in the indispensable constituent features claim are plural equivalent parallel concepts which cannot be described by one inclusive expression, an alternative description (including a Markush form) can be used in a range constituting one invention.

(2) Embodiment claim

The description form of the claim is as follows.

1) The embodiment claim(s) must be described as the technically limited concrete feature(s) of the features indispensable for the construction of the invention described in the "Detailed Explanation of Invention" or other embodiment(s) of the invention.

2) The embodiment claim must be described as a dependent

form quoting the indispensable constituent features claim of the invention or the preciding embodiment claim by the claim number.

3) One of two or more embodiment claims can be described in the scope of constituting one invention.

4) In the case of describing plural embodiment claims, these claims must be separately described at every embodiment claim. An embodiment claim depending upon two or more preceding claims must alternatively quote the preceding claims.

Now, the embodiment claim(s) can be described in the original specification of a patent application but when the embodiment claim(s) are described after filing the patent application, the treatment differs according to the time for describing the claims. If the time for describing the embodiment claim is before the publication (after examination) of the application, the matters described in the "Detailed Explanation of Invention", which are in the scope of the matters described in the indispensable constituent features claim of the invention, can be freely described as the embodiment claim(s). On the other hand, if the time is after the publication (after examination), the amendment of the claim is restricted as in the Patent Law before the introduction of the multiple claim system and the addition of the embodiment claim(s) is not permitted. Even after the publication, it is frequently performed to add some factors to the claim with relation to the reason in an opposition lodged to the published application, etc., but the factors are not self-evident embodiments, there is a possibility that the addition of such factors are decided to be a new matter and hence it is recommended to describe these embodiments as embodiment claims before the application is published (after examination).

2.3 Claims in consolidated application

2.3.1 Factors required for consolidated application

The proviso of the Patent Law, Article 38 provides the factors required for the consolidated application in restricted enumeration forms. The proviso, Item (i) provides the factors for an invention of a same category as the invention (specified invention) of the main claim and the provisos, Items (ii) and (iii) each provides the factors for an invention of a different

category from the specified invention. In other words, the invention(s) (hereinafter, is referred to as Y) to be consolidated to the specified invention (hereinafter, it referred to as X) must meet the following factors.

(1) Factors by Item (i)

1) Y is expressed by the same category of X, for example, "a product for X and a product for Y" or "a process for X and a process for Y".

2) Y possesses the common object(s), that is, the common "problem(s) to be solved by the invention" to X and also Y possesses the common "industrial utilization field" to X.

3) Y includes the whole or the principla part of the matters indispensable for the construction of X, that is, Y includes the construction corresponding to the "problem(s) to be solved by the invention" of X.

(2) Factors by Item (ii) (X is "a product")

a. The case that Y is an invention on a process of manufacturing a product:

1) Y is expressed by "process".

2) The 'process" of Y is a manufacture method capable of producing a product by itself.

3) The product which is produced by the "manufacture method" of Y coincides with the "product" of X.

b. The case that Y is an invention on a process for using a product:

1) Y is expressed by "process".

2) The "process" of Y is "a using method" of a product.

3) The "process" of Y is a using method of the "product" of X, for example, the "process" of Y is a using method of the "apparatus" of X or a using method of solely utilizing the specific properties of the "material" of X.

c. The case that Y is an invention on machines, instruments, equipment or other devices for manufacturing a product.

1) Y is expressed as "a product".

2) The "product" of Y is a machine, a instrument, an equipment or other device (hereinafter, they are referred to as production apparatus) capable of producing a product by itself.

3) The product produced by the "production apparatus" of Y coincides with the "product" of X.

d. The case that is an invention on products solely utilizing the specific properties to a product.

1) Y is expressed by "a product".

2) The "product solely utilizing" of Y is a product obtained by only utilizing the specific properties of the "product" it self of X, for example, Y is "an agent", etc., utilizing the specific properties of "a chemical substance" of X and clearing indicating a specific use.

3) It is clear in the construction of Y to "utilize the specific properties" of X.

(3) Factors by Item (iii) (X is "a process")

1) Y is expressed by "a product".

2) The "product" of Y is a machine, a instrument, an equipment or other device (hereinafter, they are referred to as "apparatus") directly using at the practice of the process of X.

3) The process which is performed by the "apparatus" of Y coincides with the process of X.

Any invention which does not meet the above-described factors is not permited to be claimed as a consolidated application.

2.3.2 Description of claims

The description of claims in the consolidated application system is fundamentally same as the description of claims in the multiple claim system for one invention except that the claims include two or more indispensable constituent features claims (independent claims). Accordingly, each embodiment claim(s) can be described for each indispensable constituent features claim.

A consolidated application is permitted only when the specified invention is in the specific relation with the invention of other claim as described above but when an invention of a different category from specified invention is permitted to be claimed together with the claim of the specified invention in a consolidated application, the specified invention is limited an invention of "a product" or an invention of "a process".

Therefore, the invention of "a process of manufacturing a product" cannot be a specified invention for an invention of other category.

Under the old system, it was compelled to describe a specified invention at the beginning of "Claim". However in the revised Patent Law, this requirement was abolished. Therefore, under the existing system, it is permitted to described the claim of the specified invention at any desired order. However, according to the examination practice, a consolidated application is examined from the view point "the invention of the claim described at the beginning of "Claim" or the invention of a claim specified in "Detailed Explanation of Invention" is automatically regarded as the specified invention and whether or not the invention(s) of other claim(s) meet the factors provided by the provisos of the Patent Law, Article 38". Accordingly, when, for example, the claim of specific invention X to be claimed as the specified invention is not described at the beginning of "Claim" and it is not clearly described in "Detailed Explanation of Invention" that the invention X is the specified invention, the relation between the invention X and other invention Y is disordered and the application is regarded to be against the provisos of the Patent Law, Article 38. When X is "a chemical material" and Y is "a method of producing the chemical material", and the claim of Y is described before the claim of X in "Claim", the patent application does not fall under the provisions of each item of the provisos of the Patent Law, Article 38 and is rejected by the reason of against the same article.

The description forms specific to the consolidated application are shown below by way or precaution.

(1) When there are two or more claims for each invention, each claim must begin new line and consecutive numbers must be added to all the claims.

(2) The first claim of the claims for each invention must be an indispensable constituent features claim. Also, the indispensable constituent features claim must be described as an independent form, that is, the form not quoting other claim. Before the revision of the Patent Law, the description of the claim as a dependent was permitted but after the revision of

the Patent Law, such an expression of claim is not permitted.

(3) The embodiment claim(s) for each invention must not be described quoting the indispensable sonstituent features claim of other invention or the embodiment claim of other invention.

(4) The embodiment claim(s) for each invention must be described successively after the indispensable constituent features claim of the invention.

3. Examination

3.1 Fundamental Manner of Examination

In the examination procedure, the invention of a patent application is recognized by the technical idea grapsed from the description of the indispensable constituent features claim and the patentability is examined on the invention. Also, the reason for refusal is investigated on the embodiment claim(s) as on the indispensable constituent features claim and the reasons for refusal on the claims are informed to the applicant.

In this case, when the lack in inventive progress and/or the lack in other requirements for patentability is found on the matter described in any one embodiment claim, all the precedent claim (including the indispensable constituent features claim) on which the invention of the foregoing embodiment claim depends are regarded as having the same lacks in the requirements for patentability and the reasons for refusal on all the claims are informed to the applicant.

3.2 Application of Patent Law, Article 36, Paragraph 6

Each claim described in "Claim" is investigated on whether the claim is an indispensable constituent features claim or an embodiment claim of the invention and further to what invention the embodiment claim belongs from the contents described in "Detailed Explanation of Invention" and the technical contents described in the claims without sticking to the description form. If the results of the investigation show that the description form of each claim does not meet the provisions of the Patent Law, Article 36, Paragraph 6 (the Enforcement Rule,

Article 24-2), the patent application is rejected as being against the provisions of the Patent Law, Article 36, Paragraph 6. In this case, in the reasons for refusal, all the claims against the provisions are indicated and the contents against the provisions are practically shown. The content against the provisions shown by an Official Action is one of the following 14 items.

a. About the indispensable constituent features of invention:

(1) Claims do not begin new line for each claim.

(2) Two or more inventions are described in one claim.

(3) The claim quotes a claim of other invention.

b. About the embodiment of invention

(4) The claim does not quote other claim of the invention.

(5) The claim does not describe a technically limited concrete feature of the invention of the indispensable constituent features claim.

(6) The embodiment claims do not begin new line for each claim.

(7) The utilization of two or more claims is no alternative.

(8) Same technical limitation is not added to two or more claims quoted in the embodiment claim.

(9) The quotation of a precedent claim by a claim number is not made.

(10) The embodiment claim does not quote a percendent claim.

(11) The embodiment claim quotes a claim of other invention.

c. Common matters

(12) Consecutive numbers are not added to all the claims.

(13) The indispensable constituent features of an invention and the embodiment(s) of the invention do not begin a new line as separate claims.

(14) Two or more same claims are described.

3.3 Examination by Patent Law, Article 38

As the examination of the factors for a consolidated application, one specified invention is determined from the independent claims described in "Claim" and whether or not the invention(s)

of other claim(s) meet the factors of the provisos is examined. Also, as to other patentable factors, all the claims are examined. Then, if the reason for refusal is found on even one of the claimed inventions, the application is rejected. If a written amendment is submitted for overcoming the examiner's objection in an Official Action (informing the reason for refusal) and even if the examiner decides that some of the claimed inventions do not fall under the reason for refusal, the application is finally rejected without newly forwarding an Official Action if there is a claimed invention which falls under the previously-shown reason for refusal even by the amendment. In this case, the reason for the final rejection (refusal determination) is described on all the claimed inventions which are considered to be adequately rejected by the previously-shown reason for refusal.

4. Patent Invalidation Trial

The patent invalidation trial is made on an invention as a unit and the decision for the validation or invalidation of one invention are made. The unit of invention is same as the unit of invention at the application of the patent.

In the patent invalidation trial, when one invention has two or more claims (one indispensable constituent features claim and one or more embodiment claims), the existence of the reason for the invalidation is examined on a invention (usually the invention of the indispensable constituent features claim) grapsed from all the claims and the decision for the validity or invalidity of the embodiment claim(s) is not made. Accordingly, if there is a possibility that the reason for the invalidation will be overcome by employing and embodiment claim as an indispensable constituent features claim in place of the existing indispensable constituent features claim, the embodiment claim shares its fortune with the existing indispensable constituent features claim if the embodiment claim remains as an embodiment claim.

As described above, in the invalidation trial in the Japanese Patent Law, the validity or invalidity of a patent is decided on an invention unit and since there is no partial invalidation system, if the reason for the patent invalidation

exists on a part of the patented invention, the whole invention is invalidated. In addition, the invalidation of the whole invention can be avoided by excluding the invalid portion or claim by the Trial for Amendment.

In this point, the patent invalidation system in Japan differs from the German system (German Patent Law, Article 13, Paragraph 2) wherein a partial invalidation is admitted in the invalidation procedure while maintaining the invention unit at the application of the patent and also from the U.S. system wherein the validity or invalidity of is decided on each claim in the invalidation procedure separated from the invention unit at the application of the patent.

5. Utilization Status of Multiple Claim System

5.1 Inquiries of actual circumstances and results thereof

For investigating the utilization status of the multiple claim system in Japan in practical affairs and the change of the examination, we inquired the actual circumstances of them based on "Kokoku Koho" or published patent gazettes (published patent application after examination).

For the inquiry, we first picked up patent gazettes having two or more claims published in 2 months of October and November of 1983 in gazette publication divisions 3(3) (IPC: C08-11,14); 3(4) (IPC: B22F, C21-25); 5(1) (IPC: F01-04); 5(2) (IPC: F15-17); 7(1) (IPC: F21, H01B, H, J, K, M, R, T, H05); and 7(2) (IPC: H01C, F, G, L, S, H05K). As the result thereof, the following publications were extracted.

Period	Total number of published gazettes	Extracted number
October	1280 (100%)	457 (35.7%)
November	1280 (100%)	476 (37.2%)

Furthermore, about the patent gazettes published in October 1983, the number of gazettes having embodiment claim(s) (sub-claim), the number of embodiment claim, the number of the indispensable constituent features claims (independent claims) (i.e., the number of inventions), the status of consoridated

inventions, etc., were inquired and the results thereof are shown in Table 1.

Moreover, the state of the change of claims was also investigated on these gazettes by comparing the claims of "Kokoku Kohos" (published gazettes after examination) and the claims of corresponding "Kokai Kohos" (published gazettes without examination). In this case, the case of chainging both the number of independent claims and the number of dependent claims was doubly counted. The results thereof are shown in Table 2.

Table 1

Technical Field	No. of Gazettes*	Applicant	"Kokoku Koho" A	B	C	D	E	"Kokai Koho" F	G	H	J
Chemical field 3-(3),(4)	560	Japan	136	41	104	110	2.8	40	100	107	3.4
		F. C.	42	17	41	41	4.2	19	63	41	4.1
		Sum	178	58	145	151	3.2	59	163	148	3.7
Mechanical field 4-(1),(2)	320	Japan	68	27	58	45	2.6	25	54	47	2.8
		F. C.	23	6	21	20	5.3	11	28	21	5.5
		Sum	91	33	79	65	3.4	36	82	68	3.8
Electrical field 7-(1),(2)	400	Japan	97	29	62	80	2.0	29	64	84	2.2
		F. C.	32	12	26	28	5.1	14	65	30	3.1
		Sum	129	41	88	108	3.0	43	129	114	3.1
Sum total	1,280	Japan	301	97	224	235	2.5	94	218	238	2.8
		F. C.	97	35	88	89	4.7	44	156	92	4.5
		Sum	398	132	312	324	3.2	138	374	330	3.5

A: Number of gazettes* having plural claims. (*): Kokoku gazette.

B, F: Number of gazettes by consolidated applications.

C, G: Total number of claims of consolidated inventions.

D, H: Total number of gazettes having embodiment claims.

E, J: Average number of embodiment claims (number of enbodiment claims per one invention)

Japan: Applications from Japan.

F.C.: Application from foreign countries.

Table 2

Technical Field	Applicant	No. of Gazette* Having Plural Claims	Comparison No. of Claim Unchanged	Between "Kokoku" Claim and "Kokai" Claim			
				No. of Invention**		No. of Embodiment Claim**	
				Inc.	Dec.	Inc.	Dec.
Chemical field 3-(3),(4)	Japan	136	100	7	5	6	26
	F. C.	42	25	3	7	1	15
	Sum	178	125	10	12	7	41
Mechanical field 5-(1),(2)	Japan	68	40	5	3	7	13
	F. C.	23	10	1	7	0	11
	Sum	91	50	6	10	7	24
Electrical field 7-(1),(2)	Japan	97	84	2	2	2	12
	F. C.	32	17	0	4	0	13
	Sum	129	101	2	6	2	25
Sum total	Japan	301	224	14	10	15	54
	F. C.	97	52	4	18	1	36
	Sum	398	276	18	28	16	90
%		100	69.3	4.5	7.0	4.0	22.6
				11.5		26.6	
				38.1***			

(*): Kokoku gazettes. (**): No. of gazette. (***): Since the cases wherein the no. of inventions and no. of embodiment claims changed simultaneously are counted one case, the sum of 69.3% and 38.1% is over 100%.

5.2 Summary of the inquired results

5.2.1 Utilization status

Although our inquired results cannot refer to the whole status of patent applications since the inquired period was short and the inquired range was limited to specific technical fields, it can be said that the multiple claim system in our country has been fixed in practical affairs in view of that the number of published gazettes (Kokoku) having embodiment claims is 324 (one month) in only specific technical fields (about 25% of the total published gazettes in the same month) as compared to that the number of the total patent gazettes (Kokoku) having embodiment claims published in 3 months of January to March, 1979 in the whole technical field was 182, i.e., the number of patent gazettes utilizing the multiple claim system increases several times, about 2/3 of the patent gazettes (Kokoku) extracted in our inquiry are those published (without examination) (Kokai) in 1979-1981, etc. In addition, the ratio of the patent gazettes having plural claims is 35.7% to 37.2% of the total patent gazettes, which does not so differ from 35% in 1979.

The number of dependent claims per one invention is 3.2 in on the average. The average number is 4.7 for the applications from foreign countries and 2.5 for domestic applications. It is supposed that the difference is based on, for example, that a domestic application is hastly filed in relation with the first application principle, the fee for patent attorney increases with the increase of the number of claims, etc.

5.2.2 Comparison between Kokoku claim and Kokai claim

The average number of "Kokoku Kohos" (published gazettes after examination) having the same number of claims as that of corresponding "Kokai Kohos" (published gazettes without examination) is 69.3% of the total "Kokoku Kohos" and the average number is 74.4% for domestic applications which is higher than 53.6% for applications from foreign countries.

On the other hand, as to the cases that claims were changed during the examination process (Table 2), the case that the number of inventions (number of independent claims) was decreased at the publication of the applications is 7.0% and the case that

the number of dependent claims was decreased is 22.6%, which are relatively high. The case that the number of inventions was decreased is supposed to be caused by the result of filing divisional applications because the applications did not meet the factors for the consolidated application or by a simple cancel of the claims. The decrease of the number of inventions was remarkable in the applications from foreign countries and one of the reasons is considered to be that since the applications from foreign countries were filed in Japan with the claims of the styles of the foreign countries, the form of the claims did not meet the multiple claim system in Japan. Also, the decrease of the number of dependent claims is considered to be caused by that since original independent claims were not provided with the patentable factors (Patent Law, Article 29, Patent Law, Article 29-2, etc.,), the dependent claims became new independent claims (indispensable constituent features claims).

Furthermore, the case that the number of invention was increased is 4.5% and the case that the number of dependent claims was increased is 4.0%. It is considered that the case of increasing the number of inventions includes the case that dependent claims were not permitted to be embodiment claims and thus converted into independent claims and also the case of increasing the number of dependent claims includes the case that independent claims were converted into dependent claims because of not meeting the factors for the consolidated application.

6. Problems Accompanied by Multiple Claim System

6.1 Relation between embodiment claim and proviso, Item (i) of Article 38

An embodiment of an invention is a practical mode of a technical means taken for solving the technical theme of the invention and it is considered that the substantial meaning for describing the practical mode as an embodiment claim is to describe a non-self-evident embodiment in concrete embodiments of the invention. On the other hand, the proviso, Item (i) of

the Patent Law, Article 38 provides that "invention which have, as a substantial part of their indispensable constituent features, the whole or substantial part of the indispensable constituent features of a specified invention" can be claimed together with the claim of the specified invention as other invention that the specified invention in a consolidated application and the "other invention" cannot frequently be distinguished from the foregoing non-self-evident embodiment. In fact, a substantial part of the invention which can be claimed in a consolidated application as other invention corresponds to an ambodiment of the invention of the indispensable constituent features claim.

The discrimination between the specified invention and other invention in a consolidated application may be theoretically possible but is very difficult in practical affairs. For example, the relation between both the invention is as the relation between case (6) and case (9) or further between case (7) and case (10) described in above-described Item 2.2.2. From these examples, it seems that the discrimination is entrusted to an applicant and is decided by whether the invention is explained to be one included in one invention or is explained as other invention in "Detailed Explanation of Invention".

Also, it cannot generally be say to treat an invention as an embodiment or other invention since both have each advantage and disadvantage. The invention shall be treated in each case of application.

For example, if an invention is claimed as an embodiment claims, the application fee may be the fee for one claimed invention since an embodiment claim needs no specific fee but there is a disadvantage that if there is the reason for invalidation on a part of claims, all the claims for one invention are wholly invalidated (in addition, the invalidation of all the claims may be avoided by cancelling the claim(s) in question in the trial of amendment but the purpose can be first attained through troublesome proceedings "trial of amendment").

Also, if an invention is claimed as other invention in a consolidated application, the disadvantage that when there is a reason for invalidation on a part of claims, the invalidation must be avoided by the trial for amendment may be eliminated

but there is a disadvantage that the addition of the claim(s) of such other invention(s) increases the application fee.

6.2 Treatment of related inventions lacking in factors for consolidated application

The consolidated application system permites to describe the claims of related inventions meeting the restrictedly enumerated specific relations and is fundamentally different from the claim systems in foreign countries which flexibly construde the scope of one invention and permit to relatively freely describe plural claims.

For example, an invention is a chmical material and an invention of a composition containing the chemical material; an invention of a chemical material and an invention of a thing having specific form or structure using the chemical material as the structural material, or an invention of a chemical material and an invention of a production method for producing other thing (material) using the chemical material are not allowed to be claimed in a consolidated application because of not falling under the provisions of each item of the provisos. Therefore, with the exception of completely different inventions, when it is doubtful whether inventions are same or different, there is a possibility that these inventions cannot be protected by the unique patent right.

In regard to the problems, there were or are some opinions that they sould or shall be protected before or after the revision of the Patent Law but at present, there is no trent for the protection.

7. Conclusion

In the above report, the multiple claim system in Japan was introduced and recent utilization status of the system was reported. In can be said that the multiple claim system has been fixed in practical affairs such as application, examination, etc. However, the utilization of the system is about 37% by our inquiry although it is in specific technical fields and is not always high. This may be in the point that the function of embodiment claims for "adequate protection of invention" is not clear. The decision of a court is expected.

References:

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2. "Kaisei sareta Claim Seido (Takosei) to sono Unyo" (Revised Claiming System and its Implementation), "Tokkyo Kanri (Patent Management)", Vol. 25, No. 12, P. 1281-1291
3. "Kokusaiteki ni mita wagakuni claim no Takosei no Tokucho to Mondaiten" (Characteristics and Problems of Japanese Multiple Claims in view of International Standard), "Tokkyo Kanri (Patent Management)", Vol. 32, No. 11, P. 1347-1364
4. "Jishi Taiyo no Unyo Jyokyo ni tsuite - Jittai Chosa Report-" (Survey Report on Examples and their Implementation), "Tokkyo Kanri (Patent Management)", Vol. 30, No. 5, P. 495-505
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7. Notice by Attorney's Association, No. 235, Feb. 24, 1984

THE DUTY OF CANDOR TO THE UNITED STATES PATENT AND TRADEMARK OFFICE IN PATENT APPLICATION MATTERS

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THE DUTY OF CANDOR TO THE UNITED STATES PATENT AND TRADEMARK OFFICE IN PATENT APPLICATION CASES

For a great many years there has been a duty required of applicants, and those who represent the applicants, before the Patent and Trademark Office to inform the patent examiner of prior art known to the applicant where that prior art is more relevant to the claims of the patent application than prior art which is known to the examiner, and where that prior art would likely affect the scope or allowability of the patent application claims. While there are earlier cases relating generally to this subject matter in the United States, one of the best known is the Supreme Court decision in the Hazel-Atlas case.1 There the Hartford-Empire Company were found to have prepared and published, over the signature of an ostensibly disinterested labor leader, an article extolling the virtues of an invention relating to glass making machinery. The invention was, at that time, the subject of a pending patent application owned by Hartford-Empire. The author was stated to be a man named Clarke, the President of a glass workers' union. The article, after having been published in a trade journal, was presented to the Patent Office as recognition by a "reluctant witness" of the virtues of the invention which was the subject of the pending patent application. The District Court held the patent not infringed; the Court of Appeals reversed, finding the patent both valid and infringed. In so doing, it expressly relied upon the "Clarke" article which had been emphasized in the Brief on Appeal. The Supreme Court, after the true facts covering this article came to light in a later anti-trust proceeding, vacated the judgment of the Court of Appeals, stating: "There are issues of great moment to the public in a patent suit" and further stating: "Had the District Court learned of the fraud on the Patent Office at the original infringement trial, it would have been warranted in dismissing Hartford's case."2

Subsequently, the Commissioner of Patents held hearings to determine whether an attorney, Dorsey, who prosecuted that Hartford-Empire application should be disbarred. Mr. Dorsey at that time had "lived respectably for eighty years and devoted fifty-nine of them to practice of his profession without blemish." He was found guilty of having participated in the preparation of the "Clarke" article and:

> the presentation thereof to the United States Patent Office during the prosecution of said patent application knowing that said article was not written by said William P. Clarke, and with the purpose of deceiving the Patent Office as to the authorship of said article and influencing the action of the Patent Office on said application. . . .

1 Hazel-Atlas Glass Co. vl Hartford-Empire Co., 322 U.S. 238, 61 U.S.P.Q. 241 (1944).

2 Id. at 250.

There was no claim that any statement in the "Clarke" article — other than the authorship — was false or misleading in any respect whatsoever.3 Mr. Dorsey, nonetheless, was disbarred.

Between the Hazel-Atlas case and the disbarment proceeding against Mr. Dorsey, the Supreme Court decided the Precision case.4 The patents in that suit included one to Zimmerman and one to Larson. While these patents were still in application form, the applications were placed in interference. During the interference proceeding, it became known that the details of Mr. Zimmerman's invention — assigned to Automotive — and the dates relating to it, had been improperly taken by one of Mr. Zimmerman's coworkers to an outsider, Mr. Larson. Armed with this information, and based upon it, the Larson application was prepared and filed. It was assigned to Precision. The illegal activities which permeated the Larson application; and its total lack of any proper, legal foundation; became known, but only to the parties — not to the Patent Office. Rather than informing the Patent Office of the fraudulent nature of Larson's activities, the parties arranged for the Larson application to be assigned to Automotive, the owner of the Zimmerman application. After a concession of priority was filed by Larson, and the claims of the Larson application narrowed, patents issued to Automotive on both the Zimmerman and Larson applications. After a period of time had passed, Automotive sued Precision, the original owner of the fraudulent Larson application, for infringement of both of these patents. The District Court had dismissed the action stating: "Automotive's hands were soiled to such an extent that all relief it requested should be denied." The Court of Appeals reversed, but the Supreme Court reinstated the dismissal. Quoting Hazel-Atlas it said, "The possession and assertion of patent rights are 'issues of great moment to the public.'" Continuing, it stated:

> A patent by its very nature is affected with the public interest . . . . The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope.

It continued:

> Those who have applications pending at the Patent Office or who are parties to Patent Office proceedings

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3 Kingsland, Comr. Pats. v. Dorsey, 338 U.S. 318, 83 U.S.P.Q. 330 (1949).

4 Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 65 U.S.P.Q. 133 (1945).

> have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue . . . Public interest demands that all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then 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. Only in that way can the Patent Office and the public escape from being classed among the "mute and helpless victims of deception and fraud."5

Case law concerning the question of information withheld from -- or misrepresented to — the patent examiner during the prosecution of patent applications proliferated especially after the decision of the Supreme Court in the Walker Process case.6 That case held that where a patent was obtained under circumstances in which the subject matter of the application was on sale for more than one year prior to the date of the patent application — a fact known to the applicant but not known to the examiner — could become a violation of the Sherman Act and therefore a violation of the antitrust law — where the ultimate patent was enforced and there was a relevant market monopolized. The treble damage recovery aspect of the Sherman Act constitutes, of course, a formidable economic penalty for any such improper action. There were so many cases on this subject that by 1973 there were not only numerous law review articles analyzing these cases, but a whole book on the subject of fraud and inequitable conduct had been published.7

The 1976 Rules as Proposed

It was with this background that the Patent and Trademark Office published, in October 1976, several proposed rules including the rule concerning the "duty of disclosure."8 This is set out in Appendix A with the proposed changes in then existing Rule 56 indicated in the usual Patent Office manner, proposed new material being underlined and deleted material being placed in brackets. Also included in Appendix A are the PTO comments on the proposed rule, as well as the comments concerning proposed changes in related proposed

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5 Id. at 816.

6 Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp., 382 U.S. 172, 147 U.S.P.Q. 404 (1965).

7 C. Bruce Hamberg, Patent Fraud and Inequitable Conduct, Clark Boardman Company (1973). See also Chisum, Patents, Vol. 4, Section 19.63 (1983).

8 951 Off. Gaz. Pat. Office 1344, 1345 (1976).

Rule 346. A public hearing on this proposal was held on December 7, 1976, the date on which written comments were due. One hundred seventy-five written statements had been submitted; twenty-one persons testified orally at the public hearing.

The 1977 Adopted Rules

As a result of the public comments, the originally proposed rule relating to the duty of disclosure was changed, also as indicated in Appendix B in the usual Patent Office manner. The final rule as adopted was published in the Federal Register.9

Rule 1.97 relating to Prior Art Statements was adopted in the same "rule package." It should be noted that the comments specifically emphasized that Rule 1.97 was "not mandatory." The final "Prior Art Statement" rule reads as follows:

> § 1.97 Filing of prior art statement.
>
> (a) As a means of complying with the duty of disclosure set forth in § 1.56, applicants are encouraged to file a prior art statement at the time of filing the application or within three months threafter. The statement may either be separate from the specification or may be incorporated therein.
>
> (b) The statement shall serve as a representation that the prior art listed therein includes, in the opinion of the person filing it, the closest prior art of which that person is aware; the statement shall not be construed as a representation that a search has been made or that no better art exists.10

The purpose of all of these rule changes, as stated by the Patent and Trademark Office at the time of their adoption, was:

> The purpose of the rules that are being adopted is to improve the quality and reliability of issued patents by strengthening patent examining and appeal procedures. It is desirable that patents be as dependable as possible, so as to enhance the incentives provided by the patent system to make inventions, to invest in research and development, to put new or

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9 Fed. Reg. Vol. 42, No. 19, pp. 5589-90; 5593-94 (Jan. 1977).

10 Id. at 5595.

> improved products on the market, and to disclose inventions that otherwise would be kept as trade secrets. It is believed that the rules being adopted will help to maintain strong patent incentives.11

The comments by the Patent and Trademark Office on the adopted Rules 56, 65 and 346 are included in Appendix C. It was stated that the new Rule 56 ". . . codifies the existing Office Policy on fraud and inequitable conduct, which is believed consistent with the prevailing case law in the federal courts." As those comments also indicate, the definition of "materiality" in Rule 56 paraphrases the definition of materiality used by the Supreme Court in TSC Industries.12 In that case the Supreme Court considered the definition of a "material" fact under the Securities Exchange Act of 1934. The Court of Appeals for the Seventh Circuit had held that certain omissions of fact were material as a matter of law, that court being of the view that "material facts" included "all facts which a reasonable shareholder might consider important." The Supreme Court reversed that holding as setting too low a threshold for the imposition of liability. Rather, the Supreme Court said that:

> [A]n omitted fact is material if there is a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote. This standard is fully consistent with . . . a requirement that "the defect have a significant propensity to affect the voting process."13

The Supreme Court put the matter also in another, additional way; it said that for a fact to be material

> "there must be a substantial likelihood that the disclosure of the omitted fact would have been viewed by a reasonable investor as having significantly altered the 'total mix' of information made available."14

Paraphrasing for our purpose, not "all facts which a reasonable examiner might consider important" are "material" under Rule 56. To be "material" the fact must have "a significant propensity to affect the" allowability of the claims; there must be a substantial likelihood that the fact would have been viewed by a reasonable examiner as having been capable of significantly altering the "total mix" of information of which he was aware. This is the TSC legacy incorporated into then new Rule 56.

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11 Id. at 5588.

12 TSC Industries Inc. v. Northway, Inc., 426 U.S. 438 (1976).

13 Id. at 449.

14 Id. at 449.

In comparing the first proposed Rule 56 and the rule in its finally adopted form, it is interesting to notice that the expression "inequitable conduct" used in the proposed Rule 56 was eliminated from adopted § 1.56(b). Also, and very importantly, the "materiality" portion of the rule was changed from "believe to be relevant to the patentability of the claimed invention, i.e., information that might reasonably be expected to affect the decision of the examiner" to the present wording defining "materiality" as information of such a nature that "there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent." The term "relevant" was replaced by the term "material." Furthermore, in the comments concerning the first proposed rule, there was a sentence indicating that the required information to be disclosed was "somewhat more than that information which in fact would or should cause the examiner to reject claims allowable 'but for' the information." That sentence was eliminated from the comments accompanying the final rule and replaced by the statement that "material" was used in the final rule rather than "relevant" because the term "material" connoted a closer relationship.

At the Time the Rules Were Adopted

The situation was clear with respect to positive assertions by applicants to the Patent and Trademark Office which directly affected the allowability or scope of patent claims. Examples of such positive assertions are those in affidavits, in the specification of patents, in arguments of counsel and statements which evaluated the prior art or which made a comparison between the prior art and the invention. As stated in Norton concerning "comparison": "unless the circumstances indicate the contrary, an applicant must be held to be representing that his showing includes a fair and accurate demonstration of the closest prior art of which he is aware."15 Similarly, in the other positive assertion situations discussed above, those statements were uniformly required to be "fair and accurate." Unless the circumstances otherwise indicate it was assumed that the examiner, representing the public interest, relied on those assertions in allowing the claims. If those assertions were correct, there was no problem. As stated by Judge Wright in Corning Glass,16 where the defendant charged "fraud" but the court found "the plaintiff had an invention which was patentable over the prior art, as a legal proposition, defendant's allegation of fraud must fail." He said that to establish "fraud" the defendant must establish that the patent would not have issued but for the act of misrepresentation upon which the charge of fraud was based.

On the other hand, the obtaining of claims from the Patent Office readable on the prior art known to the applicant -- the "but for" situation --

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15 433 F.2d 779, 794.

16 Corning Glass Works v. Anchor Hocking Glass Corp., 149 U.S.P.Q. 99, 106 (D. Del. 1966).

but not known to the examiner, constituted fraud on the Patent Office. For example, in the Milmore case,17 Mr. Milmore (in 1968) had presented claims to the Patent Office which issued in U.S. Patent 3,418,724, knowing that those claims were invalid in view of the patent to Clausen, Patent No. 2,395,103. This fact was established at a trial in which the '724 patent was asserted and, of course, held to be invalid. The Clausen patent was not known to the examiner. Mr. Milmore was suspended from practice before the Patent and Trademark Office for a period of one year.

Similarly, in the Altenpohl case,18 the applicant either willfully or with gross negligence failed to inform the Patent Office of a prior art patent known to the applicant. That prior art patent was clearly relevant and even anticipatory of certain claims obtained by Altenpohl. A reissue application was filed in which it was admitted that the applicant knew of the earlier prior art patent at the time of filing the original patent application. The reissue application was stricken from the files.

All of such cases were true "fraud" situations and involved either (1) positive misrepresentations to the examiner (i.e., statements made by the applicant which would induce the examiner improperly to allow patent claims with a false understanding of the nature of the invention of the application and/or prior art) or (2) knowingly obtaining claims invalid over the prior art known to the applicant but not to the examiner.

With respect to situations in which prior art known to the applicant was not disclosed to the examiner but where the prior art did not by itself, or in a combination with other prior art, invalidate the claims of the application the situation was not entirely clear.19 The best reasoned view, however, was that to be wrongful, the withheld prior art must have been more than just "relevant" or "pertinent" in some general sense of those expressions; rather, it must have been "clear" or "more relevant" art than the art the examiner was aware of20 and the withheld prior art might reasonably have affected the examiner's decision as to patentability. To be wrongful, in other words, the conduct must likely have had "a significant propensity to affect the" allowability of the claims; the conduct must have affected, or at least be likely to have affected, the issuance of the patent.21 Rule 56 did not change the "materiality" requirement beyond what

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17 In re Milmore, 196 U.S.P.Q. 628 (Comm'r. Pat. 1977).

18 In re Altenpohl, 198 U.S.P.Q. 289 (Comm'r. Pat. 1976).

19 See, e.g., Mueller Brass Co. v. Reading Industries, Inc., 352 F. Supp. 1357, 1371 (1972).

20 See, E. I. du Pont de Nemours & Co. v. Berkley & Co., 620 F.2d 1247, 1267 (8th Cir. 1980).

21 Cosden Oil and Chemical Co. v. American Hoechst Corp., 214 U.S.P.Q. 244, 265 (D. Del. 1982).

the courts had actually held earlier.22 On the contrary, the PTO said specifically that Rule 56 was consistent with the holdings of those earlier cases.

Indeed, one may question whether the Patent and Trademark Office had the authority in 1977 -- or has the authority now -- to adopt a rule which would permit the striking of an application in view, for example, of the non-disclosure of prior art known by the applicant to be on sale or in public use more than one year before the effective date of the application where that prior art by itself, or in combination with all other prior art, had no effect whatsoever on the allowability or scope of any patent application claim. Any such rule would appear to be in violation of 35 U.S.C. § 6 which gives the Commissioner authority, subject to the approval of the Secretary of Commerce, to establish regulations for the conduct of proceedings in the Patent and Trademark Office which are "not inconsistent with law." The Congress has set the conditions for patentability as they pertain to "prior art" in 35 U.S.C. §§102 and 103. In the assumed case, the claims would be patentable under those sections of the statute. Furthermore, such a rule would go beyond the holding of any court; no court case of which I am aware has ever found a patent to be invalid on the basis of undisclosed prior art which the court found had no bearing (either by itself or in combination with other prior art) on the allowability or scope of any claim in the application or patent.

An understanding of what the PTO did not do in 1977 is important.

1. No rule was adopted requiring a prior art statement, or any other kind of a statement, in which applicants were required to tell the Patent Office about all references known to them and pertinent to the claimed invention. There is a vast difference between a "prior art statement" and the non-disclosure of prior art which is not known to the examiner and which, under particular circumstances, affects the allowability and scope of claims.

2. No rule was adopted requiring applicants under all circumstances to tell the Patent Office the truth on matters not in any way relating to the allowability or scope of the claims. For example, if an examiner at an interview asked an attorney how he felt, and the attorney said he felt "fine" even though he was suffering from a terrible hangover and deliberately misled the examiner by concealing that fact, no rule was violated. Similarly, if an attorney were representing an applicant before the Patent Office and had filed a response to an Office Action well within the requisite period for reply, should an examiner call the attorney and ask on what date the Office Action had been received, and should that attorney state it was received on February 19 -- even though he was deliberately misstating the fact because he knew February 19 was on Sunday, he was never in the office on Sunday, and there was no delivery of mail on Sunday, no rule was violated.

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22 Cf. Digital Equipment Corp. v. Diamond, 653 F.2d 701, 210 U.S.P.Q. 521, 543 (1st Cir. 1981).

3. No rule was adopted that would be violated if there was prior art "on sale" of a device known to the applicant, but not the examiner, where that device was fully and completely described in a reference which was also prior art and where that reference, including the description of the device, was unquestionably known to the examiner.

4. No rule was adopted that would be violated where the applicant was grossly negligent in not disclosing to the patent examiner a prior art patent owned by the applicant and, therefore, known to the applicant, during the prosecution of a patent application where the examiner was unquestionably fully aware of a reference in the prior art which was more pertinent to the claimed invention — or equally pertinent to the claimed invention -- as the patent not disclosed to him.

5. No rule was adopted that would be violated if an attorney, during the prosecution of a patent application, withheld from the examiner a prior art reference known to the attorney if the examiner became fully aware of that reference and its teaching while the application was still pending before the examiner and such awareness occurred at a time at which the examiner could readily reject the claims of the application on that undisclosed reference.

That list could be extended indefinitely. The key aspect of each situation which takes it outside of any rule adopted in 1977, in my opinion, was that the activity by the attorney had no bearing on either the allowability or the scope of any claim and was not otherwise in violation of any rule. Indeed, as a general proposition, it is my view that, in "withheld prior art" situations, if that prior art either by itself or in combination with all other prior art has no bearing on the allowability or scope of any claim in an issued patent, then the fact of withholding that prior art from the examiner should neither be fraud nor inequitable conduct. There certainly is no injury to the public in such situations, and clearly it cannot be said that there is any "reliance" by an examiner on such withheld art.

Furthermore, even in situations in which admittedly pertinent prior art was withheld from the Patent Office, the element of intent could be determinative. In Connell v. Sears, Roebuck and Co.,[23] decided in November of 1983 by the United States Court of Appeals, Federal Circuit, Judge Markey said:

> It is clear on the record that the PTO was told that tapered teeth of a particular shape were not disclosed in the prior art, that Connell knew teeth of that precise shape were disclosed in one of the concealed prior patents, and that . . . the Connell patent would not have issued if that prior art disclosure had not been concealed.

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23 722 F.2d 1542, 220 U.S.P.Q. 193 (Fed. Cir. 1983).

> The counsel who represented Connell in prosecuting the application testified that in failing to disclose prior art he believed he was following the standard of candor due the PTO at the time.

Although the CAFC characterized the conduct there as "egregious," it refused to disturb the lower court's holding that the patent in suit was enforceable. The court stated that Sears, relying entirely on the sole fact of non-disclosure of known art, "has not demonstrated that reasonable persons could not reasonably have found an absence of the intent element of fraud."

This lack of "intent," obviating any bad faith or gross negligence as required by 37 C.F.R. 1.56(d), also played a significant role in a recent decision by the Patent and Trademark Office concerning reissue application Serial No. 243,009, an application for reissue of patent No. 4,014,041. This is a very peculiar case.

During the prosecution of the original patent the applicant failed to call his prior patent No. 3,669,455 to the attention of the examiner. During the pendency of the reissue application, however, that patent was brought to the attention of the examiner. The examiner initially rejected several claims in the reissue application on the basis of the '455 patent. After argument by the patent owner, the examiner withdrew his objection and allowed the claims without any change.

The examiner said that the '455 patent was the "closest art of record."[24] Since he had used that patent in an initial rejection of the claims, the Office of the Assistant Commissioner of Patents stated that "a reasonable examiner" had considered the '455 patent important in deciding whether to allow the application to issue. Therefore, the '455 patent was held to be "material" under the test provided by Rule 56 and the application may have been stricken from the files on determination of the issue of whether there had been "bad faith or gross negligence." Needless to say, the applicant excused his failure to disclose the '455 patent to the PTO during the pendency of the original application on the ground that he, in good faith, did not consider it material to the examination process. In view of the fact that the examiner had withdrawn his rejection on the '455 patent -- allowing the claims without amendment -- the Office concluded that the evidence was not "clear and convincing" that applicant

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24 In Digital Equipment Corp. v. Diamond, 653 F.2d 701, 210 U.S.P.Q. 521, 543 (1st Cir. 1981), the Court said ". . . it is quite possible (and even probable) that the 'closest' prior art will not render an invention unpatentable or restrict the scope of the claims made." In that case, the PTO brief asserted that applicant must disclose "the closest prior art of which it is aware which would anticipate the invention or in fact would prevent the patent from issuing." (emphasis added).

practiced or attempted any "fraud" on the office or that there was any violation of the duty of disclosure through bad faith or gross negligence.

Does this mean that a rejection of claims by an examiner based on a particular reference makes that reference "material," even though the examiner erred in making that rejection and later withdrew it? Had the examiner persisted in his rejection and the Board of Appeals reversed that rejection, would the reference still automatically be "material"? Or suppose the Board of Appeals affirmed the examiner and the Court of Appeals for the Federal Circuit reversed the PTO, holding that the reference in question had no bearing on the allowability of the claims at issue; would that reference still be "material" because an examiner and the Board of Appeals were in error? I submit this is dangerous nonsense. If, for some reason, the applicant could not raise sufficient doubts as to his lack of intent or "gross negligence," the patent would be invalid and the attorney could probably have been disbarred under the proposed Disciplinary Rules.

Further peculiarity in the recent treatment of "materiality" by the Patent and Trademark Office may be found in reissue application Serial No. 06/226,496. During the prosecution of the original patent, the examiner was made aware of "the C-1230 burner" as prior art. When a "no fault reissue" application was filed, the issue arose under 37 C.F.R. 1.56 as to whether the failure to call a different burner ("the C-1622-B" burner) to the attention of the PTO during the prosecution of the original patent indicated that a failure to comply with the Rules had occurred. The examiner was asked by the Office of the Assistant Commissioner for Patents whether, in this circumstance, the C-1622-B burner was "material." The examiner stated that the C-1230 burner had been before him during the pendency of the original patent application, where it was considered as prior art. He then continued "the C-1622-B burner does not appear to be any more material to the examination of the claims than the prior art considered in the original patent." Of course he therefore found the claims patentable over both burners.

The Office of the Assistant Commissioner for Patents stated that ." . . the examiner is of the opinion that the C-1622-B burner is no more material than the prior art considered in the prosecution of the original patent. . . ." (Emphasis in original.) What does this mean? Does it mean that the second burner (the 1622) was one-half as "material," or two-thirds as "material," or that it possessed 99% of the materiality of the art which the examiner knew about -- or what?

The plain fact of the case was that, in light of the circumstances in which the examiner had already considered the one burner as prior art and the second burner -- at best -- added nothing whatever to what the examiner already knew, the second burner was not "material" at all. No claim was ever rejected on the basis of the second burner which, in fact, was not as pertinent as the first burner known to the examiner. To discuss the second burner in a way which would imply that it is material in this situation — once again — is dangerous nonsense. Moreover, it is contrary to the clear holding by the CAFC in Environmental Designs, Ltd. v. Union Oil Co. of California,[25] "Fraud cannot

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25 713 F.2d 693, 218 U.S.P.Q. 865 (Fed. Cir. 1983).

consist of a failure to duplicate what is in the file wrapper." This concept is basic to the proper operation of the patent examining process. To imply that the second burner was in some degree "material," even though not more "material" than something the examiner already knew about, flies in the face of the fundamental Environmental holding. Rule 56 is not a back-door route to a mandatory prior art statement. No rule requires the citation of duplicative prior art. Indeed, the citation of merely cumulative, or duplicative, prior art should be discouraged, not encouraged, by the PTO. For the PTO to call a merely duplicative piece of prior art "no more material," implying that it is "material" for purposes of fraud, is contrary to good sense. Whether a mandatory prior art statement is a good idea or not is another issue; there is no such requirement now. Rule 56 should not be interpreted to mandate the disclosure of all references which an examiner may -- correctly or incorrectly -- consider pertinent at some stage of the examination procedure.

If references have absolutely nothing to do with the allowability or scope of a claim, the mere fact that some examiner may make a mistake initially in rejecting on such a reference cannot, and should not, be determinative of whether that reference is in fact "material." Similarly, where the examiner is fully aware of certain prior art, less pertinent prior art does not "have a significant propensity to affect" the examination process nor does it significantly alter the "total mix" as the TSC case requires; the less pertinent prior art, in such situations, is simply irrelevant; it does not possess some percentage or degree of the "materiality" of the known prior art.

The Court of Appeals for the Federal Circuit

One of the most important of the CAFC decisions to date in this area of the law was Environmental Designs, supra. The statement from that opinion quoted earlier, "Fraud cannot consist of a failure to duplicate what is in the file wrapper," is obviously true but easy for inexperienced courts to overlook. However, the very nature of the examination process is one involving comparison; the examiner compares the patent application claims with the prior art of which he is aware. There is no way that the teaching of duplicative material - the same as that already known to the examiner - has any significance in the examination process. There is no way that such duplicative material, even if it were withheld, alters the "total mix" to which reference was made in the TSC case.

Another important decision of the CAFC, also written by Judge Markey, was Kansas Jack.[26] There the CAFC upheld the lower court's determination that the evidence was insufficient to support a holding of fraud. Judge Markey said:

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26 Kansas Jack, Inc. v. Kuhn, 719 F.2d 1144, 219 U.S.P.Q. 857 (Fed. Cir. 1983). See dissent by Judge Rich.

> "Where one who knew, or should have known, that a piece of prior art, or other information, would be material, i.e., important to the PTO in making its decision, a failure to disclose that art or information can be sufficient proof that a wrongful intent existed to mislead the PTO, and may result in a finding of what has come to be called 'fraud' on the PTO. The fact finder, however, must determine not only that the undisclosed art or information was material, but that the one charged with nondisclosure knew or should have known of its materiality at the time."

The person charging that fraud has been committed also has, of course, the burden of proving this fact — and all of the other elements of fraud -- by "clear, unequivocal and convincing" evidence.

Another interesting CAFC decision in this area is Rohm and Haas Co. v. Crystal Chemical Co.,[27] decided in December of last year. The opinion was written by Judge Rich. The major issue there was the "purge" of fraud, and more specifically whether, and the manner in which, such purge could be effected during the prosecution of the pendency of the application in which the fraudulent act occurred. The court held that fraud could, in fact, be purged during that prosecution. Inasmuch as fraud must be proved, however, by "clear, unequivocal and convincing evidence," the court said that the purge must also be effected by "clear, unequivocal and convincing evidence." To effect such purge the applicant must (1) expressly advise the PTO of the existence of fraud; (2) the PTO must be advised what the actual facts are; and (3) on the basis of the new and factually accurate record, the applicant must establish patentability of the claimed subject matter. The court said that the determination of whether this "purge" of fraud has been accomplished can only be determined by the written record, required by PTO Rule 2, because "all business with the PTO is to be transacted in writing and its actions must be based exclusively on the written record."

The court in Rohm and Haas specifically stated that it was not dealing with the question of what, if anything, could be done after the patent issued to alleviate the effect of misconduct, and referred to In re Clark.

In the case of In re Clark,[28] the inventor of the patent involved in the Beckman[29] case had applied to the Patent Office for a reissue, after the original patent was held invalid, for the purpose of bringing the previously

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27 722 F.2d 1556, 220 U.S.P.Q. 289 (Fed. Cir. 1983).

28 187 U.S.P.Q. 209 (C.C.P.A. 1975).

29 428 F.2d 555, 165 U.S.P.Q. 355 (5th Cir. 1970).

withheld Stow prior art to the attention of the Patent Office. The Patent Office rejected the application because of failure to comply with 35 U.S.C. §251 which requires that the defect in the original patent occurred "through error and without any deceptive intent. The original patent had been found invalid in the Beckman case, among other reasons, for failure to comply with the duty of candor to the Patent Office. The Court of Customs and Patent Appeals, affirming the rejection, stated:

> The duty to disclose relevant, material prior art under these circumstances, known to the applicant or his agents and not found by the examiner, is well established. . . . We do not agree that appellant could, under the state of the law in 1956 or now, amend claims expressly to avoid a § 102 reference unknown to the examiner and justifiably consider there was no duty to bring that reference to the examiner's attention.

The court continued:

> Reissue is not available to rescue a patentee who had presented claims limited to avoid particular prior art and then had failed to disclose that prior art (the examiner not having cited it) after that failure to disclose has resulted in the invalidating of the claims. The sole goal of appellant in soliciting a reissue is to have the examiner re-examine his claims in light of the reference he originally failed to disclose in order, apparently, to relieve him of the consequences of his failure.

The court then added the following footnote:

> This case does not require us to decide, and we do not decide, whether it is proper to seek reissue in order to disclose uncited prior art where no holding of invalidity has arisen from the patentee's failure to have disclosed the prior art.30

Today we have no case expressly stating that fraud in an initial application can be cured by reissue where the original patent has not been held invalid on the basis of the undisclosed prior art. The policy considerations as to whether such reissue practice would be proper are delineated in Rohm and Haas. The court there said that while an important policy consideration is to discourage all manner of dishonest conduct in dealing with the PTO, the basic policy underlying the patent system is to "encourage the disclosure of inventions

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30 Id. at 212.

through issuance of patents" and to "stimulate the investment of risk capital in the commercialization of useful patentable inventions so that the public gets some benefit from them, which may not occur in the absence of some patent protection."

Rohm and Haas emphased the importance of the materiality of facts or other statements given to the PTO as positive assertions. The Rohm and Haas court said "In contrast to cases where allegations of fraud are based on the withholding of prior art, there is no room to argue that submission of false affidavits is not material."31

Another significant CAFC case is American Hoist.32 The opinion there included the recognition "that 'fraud in the PTO' is an area of law fraught with confusion and contradiction."

The American Hoist opinion was written by Judge Rich. In the district court the jury had found each claim in the suit invalid for obviousness and for fraud in the prosecution of those claims in the PTO. The jury had been instructed that the law imposes upon an applicant the duty "to fully disclose all pertinent facts which may effect the decision that the patent examiner has to make on the question of whether to grant a patent." The jury was also instructed that "The applicant's duty to disclose all facts pertinent to the prosecution of an application requires disclosure . . . of all pertinent prior art or other pertinent information of which applicant is aware or reasonably should be aware."

The CAFC found these jury instructions to be improper. It said that "an applicant for a patent is under no obligation to disclose 'all pertinent prior art or other pertinent information' of which he is aware."33 Furthermore, in the court's words, "Nor does an applicant for patent, who has no duty to conduct a prior art search, have an obligation to disclose any art of which . . . he 'reasonably should be aware'."34 These obviously are clear, positive statements which are of great help to the practitioner in understanding what to do and what to avoid.

However, the court's discussion of "materiality" is unfortunately another matter. It stated the fact that "courts have utilized at least three distinct standards of materiality: (1) an objective "but for" standard; (2) a subjective "but for" standard; and (3) a "but it may have" standard." The third standard

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31 220 U.S.P.Q. 300.

32 See ftnt. 1.

33 220 U.S.P.Q. 763, 772.

34 Id.

was stated to involve facts which "might reasonably have affected the examiner's decision as to patentability."35 The court then went on to say that there was a still fourth "official 'standard'" referring to PTO Rule 56. It said that the PTO "standard" was a good starting point for any discussion of materiality "for it appears to be the broadest, thus encompassing the others . . . ."36

Earlier in this paper the question was raised whether the PTO "standard" could legally be broader than any standard adopted by the statute or by the courts. Indeed, it would appear that a standard adopted by the PTO would be invalid if it was, in fact, broader than either the statute or the holdings of the courts; such a "standard" would be contrary to the provisions of 35 U.S.C. § 6 which requires that all PTO rules be "not inconsistent with law." The PTO does not have the right to legislate. Furthermore, in adopting Rule 56, the Patent Office itself said that Rule 56 was consistent with the prevailing Federal case law and at no time suggested that the Rule it was adopting was in any way broader than the courts had been in defining "materiality." It would appear, therefore that this analysis of the PTO "standard" by the court in American Hoist was not accurate.

The American Hoist court went on, quoting extensively from Digital Equipment.37 It is helpful here to digress briefly and review Digital.

Digital is illustrative of the unnecessary, wasteful confusion which unfortunately permeates this field of the law. In that case, the PTO had stricken a reissue application from its files because it found "fraud" was committed in connection with the original application for patent. The PTO decision was based on its conclusion that nine grounds of fraud had been established by "clear and convincing evidence." The district court approved the PTO's action and found that four of those grounds for decision were "particularly clear," and that each supported the PTO's determination that fraud had been committed. The Court of Appeals did not simply disagree with the PTO and the District Court; it said that "the finding of fraud on the grounds advanced by the PTO amounts to 'clear error' and lacks a 'rational basis.'"38

Digital involved the non-disclosure to the PTO of certain commercial activity by the assignee of the application more than one year before the date of the application for patent. Nevertheless, the Digital court relied heavily on Norton even though, as earlier discussed, Norton -- involving the rules under

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35 Id. at 773.

36 Id.

37 Digital Equipment Corp. v. Diamond, 653 F.2d 701, 210 U.S.P.Q. 521 (1st Cir. 1981).

38 Id. at 537.

which tests are submitted to the PTO comparing the invention of the applicant with the prior art — had specifically said that the fact situation they confronted was "not similar to that in which pertinent prior art is withheld when no facts are represented to the Patent Office." The Norton court specifically said it expressed no opinion on that situation.

Furthermore, the Digital court inexplicably concluded that Norton stood for a "but for" situation as the proper test for materiality in fact situations of the "withheld prior art" type present in Digital — which it clearly did not — but also that Rule 56 adopted in 1977 not only adopted "a definition of materiality more expansive than that applied in 'fraud' cases such as Norton" but that it was not proper to judge pre-1977 conduct "retroactively in terms of a 'duty' created by a regulation promulgated years after the events at issue." Without disputing in any way the result in Digital, this aspect of the opinion represents a fundamental misunderstanding of the law.

After stating that there was no reason "to be bound by any single standard" of materiality, the American Hoist court -- despite the deficiencies mentioned above — quoted from Digital to the effect that:

> "Questions of 'materiality' and 'culpability' are often interrelated and intertwined, so that a lesser showing of the materiality of the withheld information may suffice when an intentional scheme to defraud is established, whereas a greater showing of the materiality of withheld information would necessarily create an inference that its non-disclosure was 'wrongful.'"

Had it continued its quotation, the next sentence from Digital was "To establish fraud, however, the nondisclosed information must be such as to have a likely effect on the scope of allowable claims or the issuance of the patent."[39] Rather, the American Hoist court said:

> "Thus, for example, where an objective "but for" inquiry is satisfied under the appropriate standard of proof, and although one is not necessarily grossly negligent in failing to anticipate judicial resolution of validity, a lesser showing of facts from which intent can be inferred may be sufficient to justify holding the patent invalid or unenforceable, in whole or in part. Conversely, where it is demonstrated that a reasonable examiner would merely have considered particular information to be important but not crucial to his decision not to reject, a showing of facts which would indicate something more than gross negligence or wrecklessness may be required, and good faith judgment or honest mistake might well be a sufficient defense."[40]

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39 Id. at 538.

40 220 U.S.P.Q. 763, 773.

The full import of this complex paragraph is far from clear. For example, isn't "good faith judgment or honest mistake" always sufficient defense?41 If not, when not and why not?

This paragraph is another statement of the "see-saw" theory of materiality. Visualize two spaced, parallel, vertical rods; one is "materiality" and the other is "intent." To find that fraud is present we can move a marker on the "materiality" rod up or down and see how the corresponding marker on the "intent" rod positions itself -- and vice versa. In some situations, therefore, fraud would be found where "intent" is high but "materiality" is low; in others fraud would be found where "intent" was low but "materiality" was high.

As stated earlier, this type of analysis is less than desirable and unnecessary. It is also a different concept than that incorporated in Rule 56 which provides, for the determination of "materiality," on the quality of the withheld information, and its impact on the examination process, not on the degree of "intent."

The final CAFC case discussed in this paper is Driscoll v. Cebalo.42 That case, decided earlier this year, shall unless corrected, contribute even more "confusion and contradiction" than already exists. The pertinent developments to which the case is directed arose in an interference context. Driscoll filed a motion before the Patent and Trademark Office Board of Interferences to strike the Cebalo application for fraud in withholding a prior art reference. Cebalo had not cited a Canadian patent which he knew was highly relevant to claim 1 of his parent application. That claim 1 was subsequently included in two cntinuation-in-part applications. The parent and first continuation-in-part applications were abandoned in response to requirements for restriction with no prosecution on the merits. During prosecution of the second continuation-in-part application, claim 1 was rejected for double patenting and for failing to define the invention with the definiteness required by 35 U.S.C. 112. Claim 1 was canceled. A substitute claim 41, more narrow than claim 1, was added to the application. When the interference was declared, there had been no action by the Patent Office on claim 41.

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41 Pfizer, Inc. v. International Rectifier Corp., 538 F.2d 180, 186 (8th Cir. 1976); International Tel. & Tel. Corp. v. Raychem Corp., 538 F.2d 453, 461 (1st Cir. 1976); Digital Equipment Corporation v. Diamond, 210 U.S.P.Q. 521, 532 (1st Cir. 1981; Orthopedic Equipment Co., Inc. v. All Orthopedic Appliances, Inc., 707 F.2d 1376, 218 U.S.P.Q. 997 (Fed. Cir. 1983).

42 221 U.S.P. 75 (1984).

The Board found that the Canadian patent would have been material to claim 1 and that there was gross negligence in Cebalo's failure to disclose that Canadian patent to the Patent and Trademark Office. However, the Board found that there was no fraud because there was no reliance by the Patent and Trademark Office which could be shown inasmuch as neither claim 1 nor substitute claim 41 had been allowed by the Patent and Trademark Office. The Board said ". . . we constrained to find no fraud because there was no reliance by the Examiner upon Cebalo's violation of his duty to disclose." The CAFC reserved. They said:

> "Where a claim, the subject of gross negligence, could not have been allowed due to its cancellation, requiring proof of reliance by actual claim allowance by the PTO would be totally unrealistic. Moreover, an applicant who, with gross negligence, has withheld from the PTO prior art material to a claim in a parent application should not be exculpated simply because, the fortuitous circumstances, the PTO has not reached the stage of allowing claims in a continuing application."

This case is productive of more litigation than one can image. There has been a tremendous amount of litigation based on claims in issued patents where the question was whether "material" prior art had been withheld by the applicant. The Driscoll case throws open the doors to litigation concerning withholding of prior art "material" to claims which were never allowed. This flies in the face not only of logic but also of long standing custom. Many years ago it was common practice to submit a claim in an application which was known to be overly braod and not allowable so that the Examiner would "bring out all the art." It was never intended that those overly broad claims should be a part of any issued patent; there was no intention ever to use those claims in any way to exclude others from making, using or selling whatever was in the scope of those claims. Unless this Driscoll case is reversed or modified, the amount of litigation in this field will greatly increase to, I submit, no one's benefit.

Isn't it desirable to clarify the elements of "fraud"? Why is it necessary to continue along the path which has led us to our present unsatisfactory circumstance in which — to use the words of American Hoist — ". . . 'fraud in the PTO' is an area of the law fraught with confusion and contradiction. . . ."? The basic policy underlying the patent system, as stated in Kansas Jack, is not promoted by such "confusion and contradiction."

A Personal Summary

In my view, the area of fraud should be straight forward; it should not be "fraught with confusion and contradiction."

I suggest it would be helpful if the following principles applied:

1. Where positive statements are made to the patent examiner, unless the context indicates otherwise, it is assumed that the examiner acts on the basis of those statements. Such statements, therefore, must be fair, accurate and complete.

2. Where prior art is known to the applicant but not to to the examiner, that art should be disclosed to the examiner where it likely by itself -- or in combination with other prior art -- would have affected the allowability or scope of a claim allowed by the examiner. This is the "but it may have" test and it is what the PTO codified in adopting Rule 56.

3. The question of whether particular prior art meets the requirement of paragraph 2 above involves a determination of what the examiner knows, as reflected in the PTO record; unless that particular prior art (by itself or in combination with other prior art) is more closely related to the claimed subject matter than what the examiner knows, that particular prior art is irrelevant.

4. In the absence of gross negligence, an honest mistake should not be penalized.

5. As a practical matter, an applicant should fully inform the examiner of prior art known to the applicant but not known to the examiner if there is any reasonable way that such prior art could be considered as "closer" to the claimed subject matter than the prior art of which the examiner is clearly aware.

6. When a claim of a patent application is never allowed, the fact that a reference "material" to that claim is known to the applicant is irrelevant.

APPENDIX A

The 1976 Rules as Proposed and Comments

§ 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 relevant 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 convinving 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.

The comments which accompanied this proposed change were as follows:

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.43 It is somewhat more than that information which in fact would or should cause the examiner to reject claims allowable "but for" the information.44 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 dislosure is less for those persons who are less involved in the preparation or prosecution of the application.

Proposed § 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

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43 See S. 2255, 94th Congress § 131(b)(1)(B).

44 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).

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.45 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.

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45 E.g., Norton v. Curtiss, 433 F. 2d 779, 167 U.S.P.Q. 532 (C.C.P.A. 1970).

APPENDIX B

1977 Rules as Adopted

§ 1.56 Duty of disclosure; striking of applications.

(a) A duty [to disclose information to] of candor and good faith toward the Patent and Trademark Office rests on the inventor, on each [of the] attorney[s] or agent[s] who prepares or prosecutes the application [,] and on every other individual who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with 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 relevant to the patentability of the claimed invention, i.e., information that might reasonably be expected to affect the decision of the examiner.] are aware of which is material to the examination of the application. Such information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent. The duty is commensurate with the degree of involvement in the preparation or prosecution of the application.

(b) Disclosures pursuant to this section may be made to the Office through an attorney or agent having responsibility for the preparation or prosecution of the application or through an inventor who is acting in his own behalf. Disclosure to such an attorney, agent or inventor shall satisfy the duty, with respect to the information disclosed, of any other individual. Such an attorney, agent or inventor has no duty to transmit information which is not material to the examination of the application.

(c) Any application may be stricken from the files if: (1) Signed or sworn to in blank, or without actual inspection by the applicant; or

(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]

(d) [(c) In order for] An [an] application shall [to] be stricken [for failure to comply with the duty of disclosure,] from the files if it [must be] is 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.] any fraud was practiced or attempted on the Office in connection with it or that there was any violation of the duty of disclosure through bad faith or gross negligence.

APPENDIX C

Comments on the Adopted Rule

The accompanying comments (pages 5589-5590) explained the new rule as follows:

Comment	Rule 56
Amended § 1.56 defines the duty to disclose information to the Office and the criteria for striking an application when that duty is violated. the wording of the section is changed in several respects from the proposal, but the purpose and general scope are the same as in the proposal. The section 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 the section is intended to be helpful to 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 may afford guidance to courts as well.	
A majority of comments received favored § 1.56 as proposed or with modifications. Persons opposed expressed concern over the imprecise definition of the duty of disclosure and the possibility that the proposal would substantially increase the burden on patent applications. Some stated that there would be increased litigation as a result of the proposal. Several suggestions were received on better ways to define the individuals who should disclose information and the kinds of information that should be disclosed.	
The first sentence of § 1.56(a) is changed from the proposal by	(a) A duty of candor and good faith toward the Patent and

adding the word "substantively," so that individuals having a duty of disclosure are limited to those who are "substantively involved in the preparation or prosecution of the application." This change is intended to make clear that the duty does nto extend to typists, clerks, and similar personnel who assist with an application. This phrase, when taken with the last sentence of § 1.56(a), is believed to provide an adequate indication of the individuals who are covered by the duty of disclosure. The word "with" is inserted in the first sentence of § 1.56(a) before "the assignee" and before "anyone to whom there is an obligation to assign" to make clearer that the duty applies only to individuals, not to organizations.

Numerous comments concerned the term "relevance" that was used in the proposal. In response to the comments, language is substituted in § 1.56 and related sections which is believed to establish a clearer standard for determining whether information need be disclosed to the Office. "Relevant" is replaced by "material" because the latter term connotes something more than a trivial relationship. It appears to be more commonly used in court opinions. In addition, the third sentence of § 1.56, which defines materiality, is rewritten. The sentence now states that information is material "where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent." The sentence paraphrases the definition of materiality used by the Supreme Court in its recent decision in TSC Industries v. Northway.46 Although in that case

Trademark Office rests on the inventor, on each attorney or agent who prepares or prosecutes the application and on every other individual who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application.

All such individuals have a duty to disclose to the Office information they are aware of which is material to the examination of the application.

46 426 U.S. 403 (1976).

the Court was concerned with rules promulgated by the Securities and Exchange Commission, the Court's articulation of materiality is believed consistent with the prevailing concept that has been applied by lower courts in recent patent cases.

The definition of materiality in § 1.56 will have to be interpreted in the context of patent law rather than securities law. Principles followed by courts in securities cases should not be translated to patent cases automatically. It is noteworthy, however, that in formulating the definition of materiality in TSC Industries the Supreme Court considered some of the same matters over which concern was expressed in the public comments on proposed § 1.56. The Court noted that the standard of materiality should not be so low that persons would be "subjected to liability for insignificant ommissions or misstatements," or so low that the fear of liability would cause management "simply to bury the shareholder in an avalanche of trivial information — a result that is hardly conducive to informed decision making."47

Although the third sentence of § 1.56(a) refers to decisions of an examiner, it is intended that the duty of disclosure would apply in the same manner in the less common instances where the official making a decision on a patent application is someone other than an examiner -- e.g., a member of the Board of Patent Interferences or the Board of Appeals. This is implicit in the duty "of candor and good faith" toward

Such information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent. The duty is commensurate with the degree of involvement in the preparation or prosecution of the application.

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47 Id.

the Office that is specified in the first sentence of § 1.56(a).

Comments and questions were received concerning the term "information" used in the second and thrid sentences of § 1.56(a) and elsewhere. It means all of the kinds of information required to be disclosed under current case law. In addition to prior art patents and publications, it includes information on prior public uses, sales, and the like. It is not believed practicable to define information in the text of the rule at this time. However, the rule is not intended to require disclosure of information favorable to patentability -- e.g., evidence of commercial success of the invention. Neither is it meant to require disclosure of information concerning the level of skill in the art for purposes of determining obviousness.

Proposed sections 1.56(b) and (c) have been revised and shortened and appear at § § 1.56(c) and (d). The proposal was criticized for leaving it open to the Office to apply a different standard of materiality from the one set forth in § 1.56. Section 1.56(d) as adopted states that an application "shall" be stricken when the criteria set forth are met. Thus § 1.56(d) as adopted establishes a single standard for striking applications.

The term "inequitable conduct" is dropped from § 1.56(d) as covering too great a spectrum of conduct to be subject to mandatory striking. Inequitable conduct that is equivalent to fraud is intended to come within the definition of fraud. The Court of Customs and Patent Appeals already has interpreted "fraud" in existing § 1.56 to encompass conduct of this sort.48 Moreover, § 1.56(d)

(b) Disclosures pursuant to this section may be made to the Office through an attorney or agent having responsibility for the preparation or prosecution of the application or through an inventor who is acting in his own behalf. Disclosure to such an attorney, agent or inventor shall satisfy the duty, with respect to the information disclosed, of any other individual. Such an attorney, agent or inventor has no duty to transmit information which is not material to the examination of the application.

(c) Any application may be stricken from the files if:

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

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

48 Norton v. Curtiss, 433 F.2d 779, 792, 167 U.S.P.Q. 532, 543 (C.C.P.A. 1970).

as adopted calls for striking an application either for fraud or for a violation of the duty of disclosure.

In § 1.56(d) "bad faith" is substituted for the term "deliberate" that was used in the proposal. This change is to make clear that an intent to deceive (or gross negligence equivalent to such an intent) must be shown before an application will be stricken. Bad faith is not present if information is withheld as a result of an error in judgment or inadvertence.

Several comments concerned whether attorneys and agents could represent their clients' interests and at the same time comply with § 1.56. Similar comments were directed to § § 1.97 to 1.99. It is of course in the interest of the client to have a valid patent and this cannot be obtained without disclosure of known material facts. It is not inconsistent for an attorney or agent to fulfill his duty of candor and good faith to the Office and to act as an advocate for his client. The submission of information under § 1.56 does not preclude the submission of arguments that such information does not render the subject matter of the application unpatentable.

to.

(d) An application shall be stricken from the files if it is established by clear and convincing evidence that any fraud was practiced or attempted on the Office in connection with it or that there was any violation of the duty of disclosure through bad faith or gross negligence.

Also included were related comments concerning revisions to Rule 65 and to Rule 346:

In § 1.65 a new third sentence is added to require the patent applicant to acknowledge the duty of disclosure. The language is changed from the proposal to be consistent with changes made in § 1.56.

§ 1.65 Oath or declaration.

(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 he is aware of which is material to the examination of the application. 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) This statement (i) must be subscribed to by the applicant, and (ii) must either (a) be sworn to (or affirmed) as provided in § 1.66, or (b) include the personal declaration of the applicant as prescribed in §

Amended § 1.346 emphasizes that there must be a reasonable basis to support every allegation of improper conduct made by a registered practitioner in any Office proceeding. This language that was proposed is clarified in the section as adopted. Although § 1.346 is limited to papers filed in Office proceedings, the amendment to § 1.346 is not intended to imply that disciplinary action never will be taken against a registered practitioner under § 1.348 for a groundless allegation of improper conduct in a court proceeding.

1.68. See § 1.153 for design cases and § 1.162 for plant cases.

§ 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 any allegations of improper conduct contained therein; and that is not interposed for delay.

CURRENT SITUATION OF LEGAL PROTECTION OF COMPUTER PROGRAM IN JAPAN

Japanese Group, Committee No. 1
Toru Sato, Fujitsu Limited
Shinsuke Ozawa, Yokokawa Hokushin Electric Corporation.
Speaker: Shinsuke Ozawa.

1. Introduction

In Japan, there have been a total of six judgments or decisions by the district courts (Note 1) concerning the protection of computer programs, including a precedent handed down on December 6, 1982 by the Tokyo Discrict Court judging the copying of a computer game program from a ROM to be a violation of the Japanese Copyright Act. These decisions have all concerned computer game programs and the dead copying of an original program without permission. There have not thus far been any judgments or decisions concerning computer programs for industrial use, which actually form the bulk of the computer program market. It is understandable that dead copying, the subject of the December 6 decision, should not be allowed. Therefore, may be unanimous agreement that such a copying has violated any established law. However, there are many different opinions about whether a program itself should fall under copyright protection and thus make a copying of a program a violation of the Copyright Act.

Not long after the above Copyright Act decision of December 1982 was handed down, the Information Industry Division (IID) of the Industrial Structure Council (ISC) at the Ministry of International Trade and Industry (MITI) established the Subcommittee for Improvement and Strengthening of Foundations for Software (FISFS) to provide a venue for discussing protection of computer programs. Deliberations by FISFS led to the release of an intermediate report on this problem from ISC in December 1983. In February 1984, MITI announced the outline of the proposed Program Rights Act described later. Meanwhile, the Copyright Council of the Agency for Cultural Affairs established their 6th Subcommittee in February 1983 in order to discuss protection of computer programs by the Copyright Act.

The result of deliberations by the Copyright Council, the Sixth Sub-committee were submitted as an interim report to the Agency for Cultural Affairs in January 1984. In February 1984, the Agency for Cultural Affairs announced the general draft for revising part of the Copyright Act in accordance with the above interim report.

This paper discusses computer program protection and offers further proposals based chiefly on the results of discussions by these governmental offices. Japan's long history of discussions on computer software protection, discussions that began in 1972, are attached at the end of this paper as Reference 1.

2. Controversial Points Concerning Computer Program Protection by the Copyright Act

First of all, a written work enjoying protection under the Copyright Act must include "expressions" that communicate thoughts or emotions of a author in such a way that they can be perceived or understood by other people who read the work to have some influence on reader's mind. The purpose of such writing lies in transmitting thoughts and emotions from one person to other people. A computer program on the other hand is an aggregation of command signals to enable a machine called a computer to execute predetermined functions, and it is not used for directly transmitting the thoughts or emotions of one person to other poeple. Essentially, therefore, a computer program is hetrogeneous with any written work that has been considered an object of protection under the Copyright Act.

Protection of computer programs under the Copyright Act involves several problems, which gives rise to many a criticizing the aforementioned courts's decisions. The basic and practical points of controversy concerning protection of computer programs under the Copyright Act are;

(a) The "right of reproduction" accorded by copyright does not adequately achieve the exclusion of the "use" by others; namely, uses of computer programs are not always accompanies by reproduction (including internal reproduction) as exemplified by reentrant programs in a TSS system or by programs directly accessed to and executed from an ROM.

(b) The protective term is so long that it will not work to stimulate further development;

(c) The exclusive right of integrity accorded to authors as their moral right to prevent others from modifying their work discourages further improvement;

(d) The inherent ambiguity of the scope of the right of adaptation is bound to induce disputes;

(e) No effect of reducing deplicative investments in development, nor of promoting dissemination is expected.

3. Program Rights Act Proposed by MITI

Programs are used in data processing machines such as computer systems or electronic exchange to produce economic or cultural worth through the functions attained, and the relationship between programs and data processing systems is such that the machine itself can do nothing if it has no programs. If the machine has no program prepared for it, it is only an aggregation of electrical parts. Thus the essential nature of a program is that it is an industrial product that forms part of a data processing machine. The proposed Program Rights Act outlined below comes from discussions on such essential nature of programs.

3.1 Purpose of protection

This Act is aimed at contributing to the sound advancement of the national economy through the protection and thereby promotion of the use of programs and the acceleration of program development and distribution.

In other words, a major target of program protection is to accelerate the distribution and the use of programs to contribute to the development of industry without leaning too heavily toward either the protection of program developers, right or the benefit of users. The Copyright Act is aimed intrinsically at the "development of culture" and, as such, does not include any measures that might be effective in accelerating the use and distribution of programs. This point is the essential difference between the Program Rights Act and the Copyright Act.

3.2 Subject matter of protection

This Act is set forth for protecting programs, namely, source programs and object programs.

Programs to be protected under the proposed Act are those of some original creativity among sets of commands used in computer systems to obtain data processing results. The protection of programs does not cover technical ideas and program languages.

The subject matter of protection should be limited to computer programs as defined in Section 1(i) of the WIPO Model Provisions. Program descriptions and supporting material as defined in 1(ii) and 1(iii) could be covered by the Copyright Act and other laws just as manufacturing drawings and instruction manuals for ordinary industrial hardware.

3.3 Persons entitled to program protection

A program creator is entitled to the benefits of program protection ensured by the Program Rights Act, and these program rights can be transferred. When a person employed by a legal entity has created a program on his job, the relevant legal entity should be considered as the program creator unless otherwise specified in a business or employment contract.

The production process of a program is generally shared by many persons. Therefore, it is unsuitable to grant moral right as is done with creators and writers under the Copyright Act, to those engaged in creating programs. Granting such rights would impede the development and distribution of programs.

Protection of personal rights, if necessary, should fall under the general principles of civil law.

3.4 Nature and Scope

First, program rights are not intended to be absolutely exclusive, and are not intended to deny the right of another independent developer of a similar program.

The program rights include the right of use, reproduction (copying), modification, and lease.

A program's chief property is that it demonstrates its worth only when used by a computer. Therefore, it is reasonable that a right of use be the core of the legal protection of programs.

(a) Right of use;

When the right of use is once admitted, it forms the legal foundation for an agreement to permit further use. This puts the right of use as is widely practised in the world of business at the center of rights in program protection and also reflects the current real situation in program markets.

(b) Right of modification

Program development often begins with an existing program to which are added new components of more up-to-date knowledge and further financial investment. In this type of situation, if the previous program makes up a major part of the new program, the rights of the creator of the previous program naturally extend to the new program.

However, if absolute rights are given to the creator of the previous program, work on extending the program's fields of application or performance may be slowed. Accordingly, and as the purpose of this Act is the sound advancement of industries, some adjustments will be necessary to balance and mesh the protection provided both current and past contributors to a program.

(c) Right of reproduction and lease

The right of reproduction should naturally be part of the Act as it is a characteristic of programs that they can be copied easily. The right of lease is

necessary for placing restrictions on those who lease programs such as game programs as part of their own businesses.

(d) Right of application;

The right of application should be divided into an exclusive right of application and an ordinary right of application. Application means the use, reproduction, and modification of programs and the lease of reproduced programs as a business.

3.5 Acquisition of rights

The right shall come into existence by completion of a new computer program. The moment a program is first fixed in a usable form should be considered the completion of computer program.

3.6 Duration of rights

Taking into account the protection period in the USA, a relatively long protection period is probable at the start of the protection system, but efforts should be made through international discussions to curtail this period. Below is proposal on the duration of rights.

The nature of a program is a instruction signal generator making up a part of a computer system. With a difference of functional purposes a different set of instructions as different added value to a computer makes a different machine. Therefore, the protection of programs should be viewed as contributing to the development of industries just as the protection of machines through patent rights does. The countries that take part in PIPA are all aware of how the development of industries is supported by a smooth running patent system. As for the duration of protection, patents provide exclusive rights for a period of 15 or 17 years, and when that period expires, the patented item is released for everyone to make use. It could be said that the proper duration of patent rights has helped contribute to the present high level technology prosperity. Therefore, the period of program rights should follow that of the long-effective patent system. 50 years after the death of the auther as stipulated by the Copyright Act is clearly too long. It should be noted that the recent legislation in the U.S.A. for the protection of semiconductor chips has an protection period of only 10 years, and that the legislation was sui generis rather than a revision of the Copyright Act.

3.7 Registration

A registration system with formalities examination will be established. At the time of registration, deposit of program will be received and kept in custody without disclosure.

A summary of the functions of the program will be put on public notice.

The Program Rights Act provides for the registration and public notice systems in order to certify what person has the program rights and to promote program distribution and application.

3.8 Indication of rights (protection of users)

In view of protecting users, persons selling large amounts of software products will be obliged to indicate on such products the name of the program developer along with the program's contents, functions, and application conditions.

3.9 Arbitration system

The arbitration system in the MITI proposal is intended to resolve rights disputes when a program is created using an existing program or patented invention, where the program is essential for the public interest, and where the pre-existing program is not implemented within a reasonable period of time.

In the above cases, this system is intended to allow the use and copying of a program through arbitration in return for proper compensation and under certain conditions. This arbitration system is the similar as that of the Patent Law. Namely, the rights of the orginator are protected from unreasonable exploitation.

This arbitration system should also follow the long history of patent law.

4. Relation with Other Law Systems;

Design patent rights are aimed at the creation of arts as applied to industry. The protection of such applied arts by design patent rather than by copyright protection is allowed by international treaty (Berne Convention; Article 2, item 4 by Berlin Conference, 1908; Article 2, item 5 by Brussels Conference, 1948), and many countries have design patent system.

In the same way, it is rather natural when viewing computer programs as industrial products that new legislation to protect programs is pursued instead of relying on the Copyright Act.

The Japanese Patent Office released in December 1982 a publication titled "Guidelines for Inventions Concerning Microcomputer Applied Technology." This publication asserted that a system comprising a microcomputer controlled by programs to attain particular functions is essentially the invention of a whole system. In reality, various computer system inventions can be patented more easily than those conforming to this guideline. Specifically, "a computer system which

executes the programs for comparing the financial condition of an enterprise with a model and simulating it" and "a microcomputer system which executes library management by programs" have been patented. As become the case in the USA after the Diehr decision, computer system inventions are now more easily patented in Japan.

Our sui generis views on protection of specifications for program languages, technical ideas, that is, algorithms or expressions of source and object codes are as follow.

Computer programs can be broadly arranged in the following three categories.

(1) Specifications for interface with hardware such as coding system and high-level language system, and specifications for program language (symbol, significance, syntax),

(2) Algorithms solutions for achieving functions and objects pursued, and

(3) Combinations of instructions to a computer developed in individual steps (source and object codes)

Strictly speaking, the items in category (1) should be excluded from protection as being common property and tools for the software industries as a whole. The items in category (2) should be excluded also because they can enjoy protection under the Patent Law. The items in category (3) alone should realistically be considered as objects of protection sui generis.

The objects of Program Rights Act protection follow closely the concept described above and, in this sense, this Act can be said to closely match the essence and actual use of programs.

5. Conclusion

Finally, intangible property can be sorted into two categories. The first category of property contributes mainly to the development of moral culture, and this includes literary, scientific, art, and music works. The second category contributes to the development of material culture, and this includes inventions, utility models, and designs.

As has already been described, design patent rights are naturally set forth to contribute to the creation of arts, but the protection is viewed in the same way as that for industrial properties because these rights contribute to the development of industries by enhancing the value of industrial products and increasing demand for them.

Computer Programs provide computers with additional value, contributing to the development of information-oriented social structures and industries by increasing the utility of computers. With this in mind it is clear that new legislation

different from the Copyright Act and Patent Law is necessary for protection of programs.

Moreover, growth of the software industry, progress in software development technology, and change of forms of program itself will be continueing to go in high level. Therefore, protection legislation must take into account the possible and probable future of software development.

Secondly, the computer and software industries have been identified as central to supporting the expansion and diversification of the long-heralded information society. Therefore, protection by tailor-made law that fully accounts for the true nature of computer programs is desirable and necessary to aid development of these industries.

A compromise that depends on coverage under the existing law, which could easily lead to confusion, should be avoided.

Finally, from the view point of international relations, conditions to have a common foundation for world wide software protection must be discussed with the target in mind of attainning legislation that takes into account the true nature of computer programs. To this end, it is important to gain support for the principles in the model provisions and draft of the treaty proposal drawn up by the WIPO.

NOTE 1: Court Decisions under the Copyright Act

(1) Namco v. Jackson et al.
(Tokyo District Court Decision of May 24, 1982)

(2) Taito v. I.N.G. Enterprises et al.
(Tokyo Disctrict Court Decision of December 6, 1982)

(3) Namco v. Arrow Electric
(Tokyo District Court Decision of February 8, 1983)

(4) Taito v. Makoto Electric Industrial
(Yokohama District Court Decision of March 30, 1983)

(5) Konami Industries v. Daiwa
(Osaka District Court Decision of January 26, 1984)

(6) Namco v. Shinsui, Eiraku, Shinsui Industries
(Tokyo District Court of September 28, 1984)

Reference 1: History of Steps for Program Protection Copyright Act

June 1973	Report of 2nd Subcommittee of Copyright Council (The Copyright Act is applied to programs.)
December 1982	Tokyo District Court decision admitting programs as the materials to be protected by the Copyright Act. (Copying of computer gate programs from ROM)
January 1983	The Sixth Subcommittee (for computer software) is established by the 36th general meeting of the Copyright Council.
January 1984	Announcement of interim report by the Sixth Subcommittee of Copyright Council
February 1984	Announcement of general plan of law (tentative draft by the Agency for Cultural Affairs) for revising part of the Copyright Act.

Program Rights Act

1968	Gyarbi's tentative draft for legal protection of software (USA) (Proposed establishment of new Act.)
1972	Intermediate report of Software Legal Protection Survey Committee (Heavy Industry Bureau of MITI) (New legislation is necessary.)
1978	Announcement of "Model Regulation for Computer Software Protection" (WIPO)
1979	1st Specialist Committee (WIPO) (A new agreement must be estalished.)
1981	Intermit report of the Special Committee for Search and Investigation of Legal Protection for Software. (Software Industry Promoting Association)
1982	Announcement of "Searth Report" by Special Committee for Search and Investigation of Legal Protection for Software.
January 1983	Determination for establishment of the Subcommittee for Improvement and Strengthening of Foundations for Software, Information Industry Division, Industrial Structure Council
June 1983	2nd Specialist Committee (WIPO) ("Draft of Agreement for Legal Protection of Computer Software" is discussed and is also set for discussion by WIPO-UNESCO.)
December 1983	Announcement of interim report by Information Industry Division of Industrial Structure Council
February 1983	Announcement of General Plan (MITI) of Program Right Act (tentative name)

Patent Law

1972	Supreme Court Decision for the case of Benson and Tabbot (USA) (Patentability of program for converting binary code decimal into binary was denied.)

1975	Announcement of "Examination Standards for Inventions Concerning Computer Programs" by Patent Office (A method for programming utilizing natural rules was patented.)
1981	Supreme Court Decision for Diehr's case (Invention utilizing program for rubber molding control was patented.) Judgment of guideline for examination of program by Patent Office (USA)
1982	Announcement of "Guidelines for Inventions Concerning Microcomputer Applied Technology" by Patent Office (A system as a whole comprising a microcomputer controlled by programs was patented as the invention of a system.)

Cancellation of Trademark Registration Based on Illegal Use of Registered Trademark

- With an emphasis on the manner of illegal use of registered trademark as discussed in the Patent Office and the Court decisions

Japanese Group, Committee No. 1
Trademark Subcommittee

Nagahisa YUASA, NEC Corporation
Isao ANDO, Fujisawa Pharmaceutical Co., Ltd.
Kohji YAMASHITA, Ricoh Co., Ltd.
Nobuyoshi SAKURAGI, Toshiba Corporation
Yoshiki HORI, Teijin Limited
Hiroko YAJIMA, Mitsubishi Rayon Co., Ltd.

Speaker: Isao ANDO, Fujisawa Pharmaceutical., Ltd.

(Abstract)

This paper discusses the trial system for cancellation of trademark registration based on the illegal use of registered trademark in Japan with an emphasis on a recent decision (Re Braun). In particular, the paper examines the manner in which registered trademarks which had been held as illegal based on the past decisions at the Patent Office trials, and refer to the scope of the trademark registrations which may be held as illegal use. It further discusses the points to be noted in trademark management in order to avoid cancellation of the trademark registrations because of illegal use.

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3. Where the owner of the trademark right illegally used the registered trademark

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   (2) The manners of illegal use of registered trademarks

   (3) When the registered trademark is colored

4. When the licensee uses the registered trademark illegally

   (1) Requirements for cancellation of trademark registration

   (2) Re Braun

5. Care in Trademark Management

1. Introduction

Under the Japanese Trademark Law, a person is entitled to have a trademark registered so long as he has the intent to use it, irrespective of the fact that he is actually using the trademark or not. Once the trademark is thus registered, a right to exclusively use the registered trademark in respect of the designated goods accrues[1]. Prior to registration, a trademark application is examined[2] and published for opposition purposes so that any trademark with a likelihood of being misleading about the quality of the goods or confusion as to its origin with registered trademarks of other persons or well known trademarks presently used may be eliminated. A trademark registered after such a procedure may be used without any fear of impairing the interests of competitors and the consumer public.

A trademark owner or a licensee may happen to use the registered trademark in such a way as to simulate it to the manner of use of other parties or of well known trademark so as to be misleading as to the quality of the goods or cause confusion with other person's business, taking advantage of such a trademark registration. What kind of a treatment is given to this case? By applying the provisions of Unfair Competition Prevention Law as against abuse of trademark right, or by asserting infringement under the Trademark Law if the damaged well known trademark is also registered, the situation may be rectified by injunction of illegal use of the trademark or by claiming compensation for the damages.[3, 4]
Another means of remedy is the system of cancellation of trademark registration as a sanction to the trademark owner who used the trademark illegally. The US Trademark Law provides a system for cancellation of registrations in the event that the trademark is used in a manner so as to misrepresent the source of the goods on which the trademark is used. (Section 14-C of the US Trademark Law).

Although it is still pending at the Supreme Court, there is a case where a licensee used a registered trademark in a manner simulating that of the well known trademark "BRAUN" for electric shavers and received a decision to cancel his registration. Taking up this example, we wish to introduce the outline of the decisions of the Patent Office and the Court regarding cancellation of trademark registrations based on the illegal use of the registered trademarks in Japan. We hope that this paper will prove useful for trademark management.

2. Where the trademark registration is cancelled because of the illegal use of the registered trademark;

A registered trademark may be used by its owner and his licensee[5]. Sections 51 and 52 of the Trademark Law[6] provide for the trial for cancellation of trademark registration for the former and Section 53[7] for the latter against any illegal use of the registered trademark by them.

If a trademark registration is cancelled under these provisions, the owner of the trademark right is sanctioned with dishonor by the prohibition of re-registration for the trademark in question for five years as well as similar trademarks in the case the owner used the registration illegally. The licensee who used the trademark illegally is also sanctioned similarly in addition to the owner of the right for failure of supervision. The demand for trial for cancellation of the trademark registration may be filed at any time while the illegal use is being carried out as well as within five years after cessation of such a use.

The demand may be filed by any party irrespective of whether he is the interested party or not, thus preventing illegal use of trademark registrations under the surveillance of the general public.

Requirements to be met for demanding cancellation are substantially the same for the owner of the trademark right and the licensee; the minor difference is whether the registered trademark was subject to cancellation even when it was used in a form registered, etc.

3. Where the owner of the trademark right illegally used the registered trademark;

(1) Requirements for cancellation of trademark registration

It is necessary that the following be satisfied in order to have a trademark registration which the trademark owner used illegally cancelled;

(a) That the use of the trademark may be misleading as to the quality of the goods or cause confusion with the other party's goods.

(b) That the trademark used as in the above is within the scope of similarity to the registered trademark; (the use of a registered trademark in respect of designated goods is not included.)

(c) That the intention of illegal use on the part of the owner exists.

As concerning (a) above, overall situation involving the trademark used on goods is to be taken into consideration, or more concretely the presence of likelihood of confusion is judged[8]. The important factor concerning the goods is whether producers, merchandisers, intended uses, etc. of the goods have common factors or not, and that concerning the trademark is whether either one of the appearances, sound, or concept is identical or similar to the other.

As for (b) above, the use of a trademark should be that similar to a registered trademark in respect of designated goods, or that of a registered trademark or a similar trademark in respect of goods similar to the designated goods. Since there is no reason for interferring with the use of a trademark not relevant to a registered trademark, the causes for cancellation are limited to the above enumerated cases. On the other hand, since the use of a registered trademark in respect of the designated goods is a right granted to the owner[1], it is not subject to cancellation.

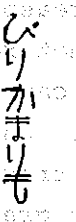
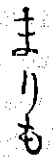
As for the case (c), it is sufficient so long as the likelihood of confusion with other party's goods is recognized to be present at least by the use of the trademark; there is no need for the intention on the part of the owner to simulate his mark with the well known trademark of the others[9].

(2) The manners of illegal use of registered trademarks

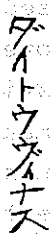
While assuming that the trademark registration remains valid so long as the trademark is used in respect of designated goods as discussed above (1) (b), the question remains when this registration becomes subject to cancellation or in what manner of use of the registered trademark is objectionable. We shall now review the trademarks which became the subjects of trials at the Patent Office and the Court by citing decisions[10].

[I] In the case of a registered trademark comprising series of letters of the same style and size, its arrangement is changed so as to particularly emphasize a portion of the letters.

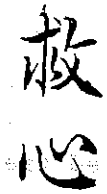
Example 1: A portion of the registered trademark is reduced in size[11]

Registered trademark	Trademark used	Third party's well known trademark
		
(PIRIKAMARIMO)	(PIRIKA MARIMO)	(MARIMO)

Example 2: A trademark is sectioned and then placed on two lines[12]

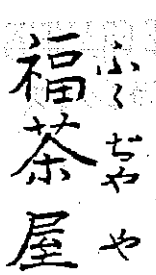
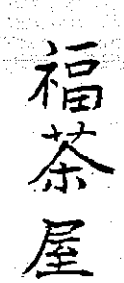
Registered trademark	Trademark used	Third party's well known trademark
		
(DAITOVINAS)	(DAITO VINAS)	(VINAS)

Example 3: A trademark comprising vertically written letters is modified by writing a portion horizontally[13]

Registered trademark	Trademark used	Third party's well known trademark
		
(CHU-O-KYU-KYU-SHIN)	(CHUO KYU-KYU-SHIN)	(KYU-SHIN)

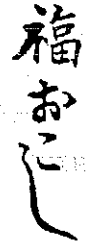
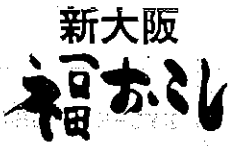
[II] In the case a registered trademark having a prescribed sound because of Hirakana affixed thereto, Hirakana are deleted to create different sound.

Example[14]

Registered trademark	Trademark used	Third party's well known trademark
		
(FUKU-GYA-YA)	(The sound of FUKU-SA-YA generates)	(FUKU-SA-YA)

[III] In the case a third party's trademark is added to the registered trademark, or a portion (device) in the registered trademark is changed to simulate the third party's trademark.

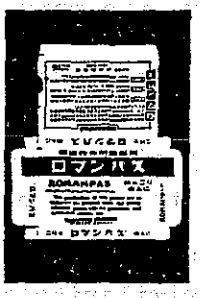
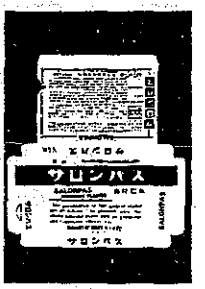
Example 1[15]

Registered trademark	Trademark used	Third party's well known trademark
		
(FUKU-O-KO-SHI)	(SHIN-OSAKA FUKU-O-KO-SHI)	(SHIN-OSAKA)

Example 2[16]

Registered trademark	Trademark used	Third party's well known trademark
		

[IV] In the case the package to which the trademark is attached is changed to simulate a third party's well known package.[17]

Registered trademark	Trademark used	Third party's well known trademark
RomanPas ロマンパス		

(3) When the registered trademark is colored;

It is a popular practice to use the registered trademark by coloring it. The trademark Law deems the use of a registered trademark with the colors alone changed as the legitimate use of the mark per se[18], and such use is protected. If there arises a likelihood of confusion with the other party's goods by coloring the portion of the registered trademark, isn't this mark not subjected to cancellation? For instance, a registered trademark comprising a series of characters may happen to contain the same character as that contained in a third party's well known trademark, and this portion is colored differently from the rest, then such a use should not be deemed as an exercise of legitimate right under the Trademark Law. Therefore, it should be understood as one way of abuse of the right and the demand for cancellation may be filed based on an illegal use of the registered trademark.

4. When the licensee uses the registered trademark illegally;

(1) Requirements for cancellation of trademark registration

In the event that a licensee uses the registered mark illegally, the following requirements should be met in order to have the mark cancelled:

(a) That the use of the trademark by the licensee creates a likelihood of misleading the public as to the quality of the goods or confusion with the goods related to other party's business.

(b) That the trademark used in (a) above is within the scope of similarity to the registered trademark (including the use of the registered trademark in respect of designated goods).

(c) That the owner of the registered trademark did not take reasonable care to the use by the licensee.

The case (a) is the same as the case of illegal use by the trademark owner (3(1) (a) above) under the law, while the cases (b) and (c) are different. The use of a registered trademark as in (b) may be subjected to cancellation even if it was used in respect of the designated goods.

In the United States, the quality control is a prerequisite for a trademark license, while in Japan it is left to the discretion of the licensee with the responsibility for quality control resting with the licensor.

The use discussed in (c) is not by the owner of the registered trademark and therefore intention is not deemed as a requirement. But the owner is imposed a duty to supervise its licensee so that he will not use the mark illegally.

(2) Re Braun

We would now like to go back to the Braun case[19] and introduce the outline of the case. The relation between the trademarks and goods is shown below.

Registered trademark	Mode of use of registered trademark	Other party's well known trademark
BRAUN アクウン	BRAUN	BRAUN
The mark is registered in respect of manually operated tools	Used in respect of hair trimmer	Used in respect of electric shaver

As shown, the licensee used only the English alphabets in the registered trademark, and used it in a style similar to other party's well known mark. In the trial, the decision that the trademark registration should be cancelled was rendered, and the Court supported this decision in the trial. The disputes in the action against the trial decision were diversified, but the point which was most remarkable was whether there was a likelihood of confusion as to the origin of the goods between a hair trimmer and an electric shaver since these two goods are deemed not similar to each other by the examination standard at the Patent Office. While the Court recognized that there were different distribution channels for the goods from the manufacturer to the retailers, it considered that both were tools concerning the so-called hair dressing and that they were sold over the same counter at department stores. Therefore, the Court held that the

hair trimmer with which the trademark is used in a manner extremely similar to that of a well known trademark "BRAUN" which is used for electric shaver may create the likelihood of confusion with the electric shaver (Braun)[20].

5. Care in Trademark Management

The US trademark Law and the Japanese Trademark Law differ most in that the former is based on use while the latter is based on registration.

The basic points for those who are more familiar with the former system in prosecuting their trademarks in Japan are that they should try to file applications at the earliest possible instance even before the actual use if they plan to sell a product in Japan. It is often seen that the manner in which the trademark is represented in an application (or registration) of a trademark is often different from the manner which is actually used in respect of the goods. Nothing this fact and in view of the cancellation system based on the illegal use of the registered trademark discussed above, we shall now enumerate points which need special attention in the trademark management.

(1) If the proposed manner of actual use is different from that of registration, it is recommended to file another application for the manner it is intended to be used.

This will ensure assertion of the use of a registered trademark in a renewal application for registration and at the same time avoid the danger of cancellation based on illegal use.

(2) In using the trademark, it is imperative to confirm that the trademark which may cause confusion as to the origin of the goods is not being used by other parties. It is particularly important when characters and/or devices are affixed to the registered trademark.

(3) If the goods sold overseas under the trademark in English alphabet is to be introduced into the Japanese Market, it is recommended to select a trademark in Japanese language (Katakana in most cases) to be used in Japan as soon as possible and file a trademark application for it.

It is often the case that the sound of a trademark consisting of English alphabet and Katakana is often deemed to be specified by its Katakana. If the trademark is actually used with Katakana deleted therefrom or when different Katakanas are affixed to the English alphabets for the different sound generating from the English alphabet, such use is often deemed as one mode of illegal use.

(4) It is important to ask the licensee of the registered trademark to submit a package, etc. in order that the owner would be aware of the manner in which the licensee uses the trademark and that any likelihood of misleading the public as to the quality of goods and confusion with the goods of other party's business would not arise. This is to avoid the danger of cancellation of the trademark registration by the illegal use of the licensee.

6. The authors sincerely hope that this paper would be of help to the trademark management of the members.

NOTES.

1. Section 25 of the Trademark Law

The owner of a trademark right shall have an exclusive right to use the registered trademark with respect to the designated goods.

2. Section 14 of the Trademark Law

The Director-General of the Patent Office shall have applications for trademark registration and oppositions to the grant of registration examined by an examiner.

3. Tokyo District Court Case No. (wa) 1415 of 1963; Decision dated August 30, 1966. The case where remedy under the Law for Prevention of Unfair Competition was recognized as against the abuse of trademark right.

4. Osaka District Court Case No. (wa) 35 of 1978;

Decision dated April 8, 1981. The case where the demand for injunction was recognized as against the infringement of a trademark right.

5. Section 30-1 of the Trademark Law

The owner of a trademark right may grant a right of exclusive use with respect to his trademark right.

Section 31-1 of the Trademark Law

The owner of a trademark right may grant a right of non-exclusive use with respect to his trademark right.

6. Section 51 of the Trademark Law

(1) Where the owner of the trademark right intentionally uses a trademark similar to the registered trademark on the designated goods, or intentionally uses the registered trademark or a similar trademark on goods similar to the designated goods, in a way which may be misleading as to the quality of the goods or which may

cause confusion with goods connected with any other person's business, any person may demand a trial for the cancellation of the trademark registration.

(2) Where a trademark registration has been cancelled under the preceding subsection, the former owner of the trademark right may not obtain a trademark registration of the same or a similar trademark, for the designated goods covered by the trademark registration or for goods similar thereto, until five years have elapsed since the date when the trial decision ordering cancellation becomes final and conclusive.

Section 52 of the Trademark Law

The trial under Section 51(1) may not be demanded after five years from the date on which the owner of a trademark right ceased to use the trademark in the manner referred to in that subsection.

7. Section 53 of the Trademark Law

(1) Where the exclusive or non-exclusive licensee uses the registered trademark or a similar trademark on the designated goods or similar goods thereto in a way which may be misleading as to the quality of the goods or which may cause confusion with goods connected with any other person's business, any person may demand a trial for the cancellation of the trademark registration. However, this provision shall not apply where the owner of the trademark right was both unaware of the fact and taking appropriate care.

(2) Where a trademark registration has been cancelled under the preceding subsection, the former owner of the trademark right and the former exclusive or non-exclusive licensee who had used the mark in the way referred to in the preceding subsection may not obtain a trademark registration of the registered

trademark or a similar trademark, for the designated goods covered by the trademark registration or for goods similar thereto, until five years have elapsed since the date when the trial decision ordering cancellation become final and conclusive.

(3) Section 52 shall apply mutatis mutandis to the trial under subsection (1).

8. Tokyo High Court Case No. (gyoke) 158 of 1977. Decision dated October 16, 1979.

9. Supreme Court Case No. (gyotsu) 139 of 1980. Decision dated February 24, 1981.

10. Only the relevant portions used in respective cases are shown. For details, please refer to the decisions of the Patent Office and the Courts noted in the foot notes.

11. Trial No. 6840 of 1966 dated May 29, 1979. Trial No. 4291 of 1958 dated May 6, 1981 deals with the mode of use similar to the first case.

12. Trial No. 24 of 1957. Decision dated July 24, 1958. Ed. Study Group of Industrial Property Right Laws: Questions & Answers on Industrial Property Right Laws, p. 3764 (in Japanese)

13. Trial No. 5819 of 1973. Decision dated January 29, 1979. Tokyo High Court Case No. (gyoke) 21 of 1979. Decision dated July 28, 1980.

14. Tokyo High Court Case No. (gyoke) 72 of 1960. Decision dated September 21, 1961. Law Reports of Administrative Trials. Vol. 12, No. 9, p. 1824

15. Trial No. 1481 of 1971. Decision dated September 28, 1978.

Tokyo High Court Case No. (gyoke) 192 of 1978.
Decision dated June 29, 1979.
A decision that the trademark registration should be cancelled under Section 51 of the Trademark Law was rendered in the above trial. The plaintiff asserted that there was no intention in the action against the trial decision at Tokyo High Court, and the defendant recognized this. The Court cancelled the trial decision by recognizing absence of intent.

16. Trial No. 518 of 1958.
Decision dated July 31, 1970.

17. Trial No. 236 of 1958.
Decision dated July 30, 1960.
Tokyo High Court Case No. (gyoke) 92 of 1960.
Decision dated March 7, 1963.
Law Report on Administrative Trials; Vol. 14, No. 3, p. 546

18. Section 70-3 of the Trademark Law
The references to "trademark similar to the registered trademark" in Sections 37(i) and 51(1) shall not include trademarks which are similar to the registered trademark and would be considered identical if they had the same coloring.

19. Trial No. 502 of 1972. Decision dated December 25, 1981.
Tokyo High Court Case No. (gyoke) 50 of 1982.
Decision dated October 18, 1983. The case is now pending at the Supreme Court.

20. A case where the trademark registration was cancelled because of a likelihood to cause confusion as to origin of the goods using similar trademarks between emulsion for permanent wave and an electric appliance. Trial No. 3160 of 1968. Decision dated October 31, 1974.

Your Application's Utility - Incredible

For many years there has been a television program with the name "That's Incredible". U.S. Patent and Trademark Examiners frequently say the same thing about utility in a group of patent applications in the U.S. Patent and Trademark Office ("PTO"). That group of applications are those that rely upon cancer treatment as the utility.

Section 101 of the U.S. Patent Code sets out three requirements for an invention to be patentable. They are:

1) novelty[1]

2) unobviousness[2]

3) utility (invention must be "useful" under 35 U.S.C. §101)

Therefore, utility or usefulness of an invention is a requirement in order to be patentable under the U.S. Patent Law codified under Title 35 ("Patent Code").

During at least the last two decades, a very large percentage of inventors who say their described inventions are useful for cancer therapy receive a distressing first PTO Office Action after they file their patent applications. The PTO Office Action, to which I refer, informs the inventor that his expressed utility of curing or treating cancer is "incredible". Therefore, the PTO

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[1]Further defined as 35 U.S.C. §102.

[2]Further defined as 35 U.S.C. §103.

examiner says to these proud inventors that their inventions do not have a substantial utility as required under 35 U.S.C. §101. The application is rejected as not complying with 35 U.S.C. §101. It might also be rejected as not complying with the first paragraph of 35 U.S.C. §112, as lacking an adequate "description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most clearly connected, to make and use the same, ..." (emphasis added).

Now, it is not usual in general for inventors to hear from the PTO that what they have invented is not good for anything; that is, it is useless; that it has no utility under §101.

How did this practice regarding cancer utility applications ever fall into this disconcerting pathway? In seeking the answer to that question, let us look at another group of inventions which are also in the "incredible" utility category in the PTO view. For as long as I have been in the field of patent law, since 1956, and long before then, it was the practice of patent examiners to reject patent applications claiming to have invented a perpetual motion machine. It was long the practice of the PTO to require the inventor of an alleged perpetual motion machine (which purportedly defies the "laws of nature") to provide a model to demonstrate the invention. The Manual of Patent Examining Procedure §608.03 provided under the authority of 37 C.F.R. 1.92 (Code of Federal Regulations) the following: with the exception of cases involving perpetual motion, a model is not ordinarily

required by the office to demonstrate the operativeness of the device. Also, under §706.03(b) captioned "No Utility", it is provided that the "rejection on the ground of lack of utility includes the more specific grounds of inoperativeness, involving perpetual motion, frivolous, fraudulent, against public policy. The statutory basis for this rejection is 35 U.S.C. §101. See §608.01(p)". The latter M.P.E.P. section refers to "incredible statements", citing in illustration In re Citron, 51 C.C.P.A. 852, 325 F.2d 248, 139 USPQ 516, discussed below, which asserted a cancer therapy utility statement to be incredible.

I personally have not had the pleasure of representing clients who had invented perpetual motion machines. But, I understand the PTO followed a practice of requiring those inventors to present and presumably demonstrate his machine, which, after an initial starting, would run by itself, with no outside source of energy. I understand that such requirements for a working model and demonstration frequently resulted in abandonment of patent applications.

Unfortunately, there was a history of another group of inventors who had invented "miracle cures" for cancer. I recall, as you do, some of those that came along through the years, especially in the 30's, the 40's, the 50's, and even some controversial "cancer cures" in the 60's and since. For example, in recent years, there was a controversial preparation called "Latril" made by an inventor. It received great publicity. There was a intense disagreement about its effectiveness. Our Food and Drug Administration (commonly referred to as the FDA) would not

grant approval to market. Some people having a cancer disease went to other countries to receive Latril treatment. It never was, to my knowledge, approved by the FDA. There were so many disappointments during the years concerning new "cancer cures". Alleged "cancer cures" frequently were promoted as such by people who had no basis for such claims. This lack of cancer usefulness helped to put such statements into the "incredible" category by the side of perpetual motion machines.

Cancer has been one of the most difficult diseases and one that has greatly resisted progress. There have been persistent reports that the PTO has been criticized at times by certain influential politicans and other members of the public for issuing patents on chemical compounds or compositions, which were used by a family member or constituent, and the alleged cancer cure didn't cure and the PTO felt the sting of the resulting criticisms. The question was asked, why did the PTO issue a patent on a worthless "cancer cure"?

Finally, there appeared an all important legal precedent in 1963, In re Citron, 51 CCPA 852, 325 F.2d 248, 139 USPQ 516 (companion decision appearing at 139 USPQ 520, decided same day, December 13, 1963). An inventor by the name of Citron made preparations by processing cancer tissue obtained from human and animal sources. He ground the tissues and extracted the ground tissue with organic solvent-water combinations. He recovered from the extract a solid component (allegedly anti-cancer in activity) by selective precipitation. Citron filed an application for a patent on this solid product. He also claimed serum preparations

formed by injecting cancer-free animals with his claimed anti-cancer precipitate, a solid product. The preparations according to the inventor would do other things than cure cancer. Citron had another patent application, a continuation-in-part of his first application. The PTO examiner rejected them, on the basis that his utility statement was improper, that it was based on "incredible" utility.

The matter was eventually appealed to the PTO Board of Appeals, which upheld the Examiner. A further appeal was taken to our former court, the Court of Customs and Patent Appeals, the predecessor court of our present court for such appeals, the Court of Appeals for the Federal Circuit (commonly referred to as the "CAFC"). This Court also sustained the examiner's original position that the asserted utility was incredible to those in the art, the rejection of the Citron application as not complying with 35 U.S.C. §101 was proper and Citron had not rebutted the presumption (if you will) of incredible or unbelievable utility. The opinion was written by one of our most highly regarded and respected judges in the patent field, Judge Giles Rich. And, inventions in this tremendously important field, including the great bulk of the inventors who would have legitimate and worthy inventions, have lived with the grief, the expenses and the time of struggling for issuance of patents on their inventions.

Judge Giles Rich wrote the opinion and held in a poor fact situation that the applicant had set forth little or no evidence of anti-cancer utility. The Court focused on the disclosure in the specification referring to the claimed compositions "as

materials employed in the cure of cancer". Judge Rich did acknowledge by reference that the specification did make other utility statements:

1) "exhibit marked endocrine effects on the ovaries of the respective animals";

2) "effective for use in manufacture of a new antiserum composition which may be used effectively to combat the growth of cancer and . . . ."; and

3) "effective in the treatment of at least some human cancer . . . ."

The Court in substance approved and followed the following language of the Board's opinion below:

> We are also in agreement with the examiner's rejection of all the claims as being based upon a disclosure containing allegations of utility, which cannot be accepted as operative absent clear and convincing proof thereof. The compositions have been alleged to be cures for cancer, including human cancer, and in view of the art knowledge of the lack of a cure for cancer and the absence of any clinical data to substantiate the allegation, the claims include compositions directed to an apparently inoperative utility. The compositions claimed are not, therefore, useful within the meaning of 35 U.S.C. §101.

* * *

> Since the disclosure of the cure of human cancer as a field of utility is incredible and misleading unless proven by statistically significant evidence, the rejection is deemed to be sound whether or not other stated utilities are valid.

The Court made the following key statement which still threads the problems encountered in prosecution of cancer utility applications today:

> We approve the board's decision affirming the rejection based on section 101 and the rationale that where claimed compounds are alleged in the specification to have a utility of as much public importance as is the effective treatment of cancer, which alleged utility appears to be incredible in the light of the knowledge of the art, or factually misleading, applicant must establish the asserted utility by acceptable proof.

The Court then quotes from its earlier opinion with approval, In re Novak and Hague, 134 USPQ 335, at 337, the following which applies a hard burden of proof to establish utility in cancer utility cases, especially in cancer therapeutic process claims:

> In our opinion, when an applicant bases utility for a claimed invention on allegations of the sort made by appellants here, unless

> one with ordinary skill in the art would accept those allegations as obviously valid and correct, it is proper for the examiner to ask for evidence which substantiates them.

Finally, the Court also, at page 520, referred to the requirement encountered today regarding deletion of cancer utility statements in specifications claiming novel compounds even though another stated utility is relied upon:

> One is that a rejection, as here, for the purpose of enforcing compliance with the requirement that statements of utility deemed incredible or misleading must be either removed or proved is proper notwithstanding there may also be present in the application other proper and acceptable assertions of utility.

The Court refers its to earlier opinion, Ex parte Moore, et. al., 128 USPQ 8 (1960), as precedence for that position.

However, the following conclusion of the Court, at page 520, is worthy of careful note:

> The defect here is that in spite of the somewhat grandiose claims of appellant's specification, purportedly based on actual tests or experiments, not one iota of evidence has been produced tending even to show that tests were actually conducted. We also note that the specification does not contain a

single specific experiment, of which the details are supplied, wherein any animal was actually benefited by treatment with the claimed precipitate or serum, . . . (latter emphasis added)

And, finally Judge Smith, in a concurring opinion stated as follows:

> The determinative issue in this appeal concerns the failure of appellant to supply proofs of asserted utility as requested by the examiner. The rejected claims cover a composition and a serum. The application contains assertions of utility for such composition and serum but these were not accepted by the examiner in the absence of proofs. Appellant neither filed proofs nor challenged the examiner's demand for proofs as being unreasonable in this case. Such a record requires affirmance on these grounds alone and does not require us to attempt an analysis of the utility asserted nor to consider any other issue. (Emphasis added.)

The PTO cites frequently the 1969 case of In re Buting, 163 USPQ 689 (CCPA 1969). This case involved an appeal of rejected claims, which were directed to a therapeutic process for treating humans having one of seven listed types of cancer, by

administering an effective amount of a compound coming within a group of compounds represented by a formula, set out in the claims.

Two compounds were tested in experimental animals, specifically mice. Evidence was submitted to the PTO that the two compounds were effective against leukemia and against certain kinds of tumors. Also, there had been submitted evidence of clinical testing of one compound in two humans. They had two different cancers (there was beneficial effect in both humans).

The only question on appeal was whether the animal evidence and human data which had been submitted had "adequately demonstrated efficacy, ..., is sufficient, under 35 U.S.C. §101, to support an allegation of utility in humans."

The rejection by the examiner was on the basis that one skilled in the art would not accept the human clinical evidence "as statistically significant evidence that all compounds" of the rejected claims would be "safe and effective in humans against the malignant disease specified in the claims". The Board took the position that the claims were directed to a method of treating humans "for conditions heretofore regarded as incurable or, at best, subject to remission, clear and convincing evidence of utility for the claimed purpose would be required."

In the Buting case, reference with approval was made to language of the Court's earlier opinion, In re Irons, 144 USPQ 351 (CCPA 1965), which said: "the proofs of utility should be convincing to one skilled in the art; . . ."

The Court also quotes with approval another of its earlier

cases, In re Krimmel, 130 USPQ 219 (CCPA 1961), that: "It is also our understanding that a demonstration that a compound has desireable or beneficial properties in the prevention, alleviation, or cure of some disease or manifestation of a disease in experimental animals does not necessarily mean that the compound will have the same properties when used with humans".

The court has some interesting language pertaining to animal tests as to their adequacy to established utility, as follows at page 691:

> While the court's consideration of tests demonstrating effectiveness of compounds in treating diseases in animals indicates that such are not to be disregarded, it is clear that such tests must be viewed with respect to the utility asserted. Here, applicant acknowledges that "the application on appeal is specifically directed towards the treatment of human subjects" and the utility asserted is essentially that expressed in the opening phrase of claim 6 reproduced previously.
>
> Claim 6 was specific to treating seven types of cancers in human patients.

The Court, thereafter, concludes that the submitted evidence on human patients involved only one compound and two patients, one having one kind of cancer and a second having a second kind of cancer, of the seven types of cancers listed in the appealed claim. The Court appeared to give no practical credit to the

animal data submitted.

The Court summarized as follows:

> We do not find such evidence, limited to one compound and two types of cancer to be commensurate with a broad scope of utility asserted and claimed, viz. that of treating seven types of cancer with several compounds. Rather we think it incumbent upon an applicant either to limit his claims to the area where utility has not been properly challenged or submit evidence refuting that challenge.

The court cited with approval, In re Harwood, 156 USPQ 673 (CCPA 1968).

It appears from the language of the Court's opinion that if the claim had been limited to the two types of cancers for which there was human evidence in the record, the Court might have found the claim patentable.

Another interesting case is the PTO Board of Appeals case, Ex parte Gordon H. Svoboda, decided April 14, 1981, in U.S. Patent 4,309,431, issued January 5, 1982. All of the claims of the application were rejected (4-7). The basic process claim was again a therapeutic process claim for treating humans for a specific cancer. Claim 4 was the basic process claim on appeal. It provided for treating humans having a specific cancer with an effective amount of a single named compound.

The sole basis of rejection was under 35 U.S.C. §101 that there was insufficient evidence of record to demonstrate the

effectiveness of the claimed methods and preparations.

In the record there were declarations by three physicians who had carried out clinical work:

1) The first physician - five case histories, one positive response,

2) The second physician - four case histories, three positive responses,

3) The third physician - one case history, it was a positive response.

In summary, there were five positive responses out of the ten case histories.

The specific type of cancer treated according to the claim language was known to be "uniformly fatal".

One of the bases for rejection by the Examiner was that he considered the clinical case histories "inadequate because he indicates that statistically significant data should be furnished".

The Board makes a very interesting and reasonable observation in evaluating a matter such as this:

> In evaluating the evidence here submitted, we have been guided by general, well-accepted principles. A medical method or preparation need not effect a complete cure of the disorder being treated; prolongation of life or improvement in the quality of life, such as reduction in pain or other distressing symptoms, is also a useful result. The

treatment need not be effective with every patient, provided a statistically significant number of patients do respond favorably. The medication need not be devoid of side effects, provided the beneficial results outweigh the side effects."

The physicians in some instances felt that the patients succumbed from the disease before there could be any positive response to the therapy.

The second physician reported that his fourth patient was initially "in a quite terminal state" when the treatment commenced. After undergoing treatment, she was able to be discharged from the hospital. In the physician's report, he made the comment that his patient was able to change "from a bed-ridden existence to a fairly active life in her home." A report dated five months later described the patient continuing "to have intermittent back pain, but ... able to get around well in her home ... able to perform a moderate amount of housework".

The Board reached the conclusion that from the physicians' reports that "positive results, to some degree, were achieved in three patients".

The Board further concludes as follows:

"There is no evidence of a cure . . . , nor were favorable effects observed with all patients. However, the modest results here demonstrated are considered sufficient to satisfy the "useful" requirement of 35 U.S.C.

§101. Accordingly, the Examiner's rejection of the appealed claims cannot be sustained.

Therefore, the Board accepted as sufficient the utility under 35 U.S.C. §101, the positive results in three of ten patients.

At a meeting in February of this year of the Subcommittee on Cancer Utility (a subcommittee of the Chemical Practice Committee of The American Intellectual Property Law Association, formerly The American Patent Law Association), which Subcommittee I had been asked to chair, one of the members called the Subcommittee's attention to a decision that he had received from the PTO Board of Appeals, dated January 1984.

The first rejected claim defined a "method of reducing tumor size in a tumor bearing mammal" by administering to the mammal an effective amount of a specific antibiotic. Five types of tumors are named.

The second rejected claim was the same except it defined the method as a "method of prolonging the survival time of a tumor bearing mammal."

The sole ground of rejection was under 35 U.S.C. §101 on the basis that there was insufficient evidence in the record to conclude that the antibiotic would be effective with respect to all of the five types of tumors recited in the claims on appeal. In addition, the examiner holds that the test results obtained in experiments on "lower animals" are not transferrable to humans.

The Board refers to In re Jolles, 206 USPQ 885 (CCPA 1980). The Board recognized that this case held that such tests on mice "cannot be disregarded and that such test are relevant to utility

in humans." It says, however, that "the test relied upon by the appellants are not sufficient for the breadth of the claims on appeal".

The Board held the following:

> The evidence relied upon in support of the patentability of the claims on appeal is limited to tumors which have been implanted in mice or certain types of tumors which have occurred spontaneously. There is no evidence to establish each of the types of tumors recited in the claims is responsive to treatment with (the antibiotic) when each of these tumors is spontaneously occurring as opposed to implants or transfers." (Actual name of antibiotic deleted since opinion not published.)

The basic holding of the Board seems to be that it did not reverse the Examiner on his rejection inasmuch as the test results submitted were on implanted tumors in mice whereas there is insufficient evidence in the record that the results from implanted tumors can be applied to spontaneously occurring tumors.

In 1983, The Court of Customs and Patent Appeals decided a significant case, In re Jolles, 206 USPQ 885. This case has been cited frequently by applicants for patents in the cancer field and it has been a matter of concern and some antagonism, it seems, by the PTO. It is evident from several subsequent cases and prosecution histories that the examining group of the PTO

responsible for the cancer utility applications makes every attempt to distinguish and water away the holding of In re Jolles.

In the Jolles application, there was an appeal to the Board of Appeals from final rejection of claims both to a pharmaceutical composition for use and treatment of leukemia as well as therapeutic process claims for the treatment of leukemia. The application was finally rejected on the basis of lack of proof of utility under 35 U.S.C. 101. The Board of Appeals sustained these rejections of the Examiner, but the Court of Customs and Patent Appeals reversed and found all the claims patentable and proof of utility submitted by Jolles to be adequate. The rejected claims defined chemical derivatives which the Court said had a close chemical structural relationship to the known antibiotics (adriamycin and daunorubicin) commercialized in the human cancer therapy field.

Evidence in the form of declarations by clinicians was submitted, one showed one of the compounds coming within the broad generic claim to be effective against leukemia in human patients. The first declaration showed results of treatment on 33 patients, remission of leukemia in 53% of the patients treated. Two declarations were filed by another expert showing activity in experimental mice against leukemia as well as against another type of cancer. Seven compositions were evaluated in these tests including the one composition that was tested against humans by the first investigator. An eighth composition was also tested and found to be active as an anti-cancer agent in the experimental mice. The Examiner as stated above, rejected the claims under 35

U.S.C. §101 and also under 35 U.S.C. §112 on the basis that there was lack of proof of utility. The Examiner cited the In re Citron case discussed previously.

The position of the Examiner in rejecting these claims is significant. The following language showing the position of the Examiner is quoted in the opinion, at pages 888-9: "It would not be reasonable for a person of ordinary skill in the art to presume that these novel compounds would be safe and effective for the incredible utility alleged in the absence of verified data substantiating the said allegations of use".

The Court found that the data in the declarations pertaining to testing on humans in which 53% of the patients showed remission of leukemia was sufficient to satisfy the requirements of utility under 35 U.S.C. §101 and §112. This finding was by the Board which reversed the Examiner on two claims pertaining to the specific compound tested and found active in humans. But, the Board sustained the Examiner in the rejection of all the other claims. The Examiner had used the key phrase that the cancer utility was "incredible utility". The Court took note of this and rejected such position. At page 890 the Court made the following statement:

> Such assertions have been readily rebutted by the Jacquillat evidence together with the known utility of daunorubicin and doxorubicin, which clearly establish that the medical treatment of a specific cancer is not such an inherently unbelievable undertaking or

involve such implausible scientific principles as to be considered incredible.

Additionally, on page 890, there is the following expression by the Court which is often quoted and relied upon by applicants for patents in the cancer utility field and is likewise distinguished frequently by the PTO:

> Evidence showing substantial activity against experimental tumors in mice in tests customarily used for the screening of anti-cancer agent of potential utility in the treatment of humans is relevant to utility in humans and is not to be disregarded. In re Buting, 57 CCPA 777, 418 F.2d 540, 163 USPQ 686 (1969).

The Court finally found that utility against cancer in humans was adequately established: "Considering these facts and the record before us, we conclude that one of ordinary skill in the art would accept appellants claimed utility in humans as valid and correct."

The Court came to this conclusion based upon the showing of activity in humans of one of the chemical derivatives. It also took into consideration the activity of eight derivatives including the derivatives found to have activity in humans and substantial activity against experimental cancer in mice. The Court also found that there was a close chemical structural relationship to two known compounds which both had known usefulness in cancer chemotherapy. Based upon this fact situation

the Court found in In re Jolles that the data in the experimental animal testing was sufficient coupled with the established activity of one of the compounds in humans to establish utility of the broad generic claim directed to treatment of leukemia in human patients.

Notwithstanding this case, the latest edition of the Manual of Patent Examining Procedure at section 608.01(p), pages 600-34, says the following under a portion entitled, "Guidelines for Considering Disclosures of Utility in Drug Cases":

> On the other hand, incredible statements (In re Citron, 51 CCPA 852, 325 F.2d 248, 139 USPQ 516; . . .) or statements deemed unlikely to be correct by one skilled in the art . . . in view of the comtemporary knowledge in the art will require adequate proof on the part of the applicants for patents.
>
> Proof of utility under this section may be established by clinical or in vito or in vitro data, or combinations of these, which would be convincing to those skilled in the art . . . More particularly, if utility relied on is directed solely to the treatment of humans, evidence of utility, if required, must generally be clinical evidence, . . . although animal tests may be adequate where the art would accept these as appropriately correlated with human utility . . . If there

is no assertion of human utility, . . . or if there is an assertion of animal utility, operativeness for the use on standard test animals is adequate for patent purposes.

In summary of the above discussion, patent applicants who assert cancer utility as a utility continue after all these years to face heavy burdens in many of their applications to satisfy rejection by the PTO Examiner that the utility asserted is inadequate. The Examiners continue to cite In re Citron for the proposition that alleged activity against cancer is "incredible", notwithstanding the specific language in the Jolles case. Also, the PTO was continuing in many cases to require a deletion of the assertion of cancer utility, even though there is one or more other utilities asserted for the claimed compounds or compositions, unless there is proof of the utility under 35 U.S.C. §101.

As a final note it would appear that certain matters should be considered by inventors with regard to the language and description contained in their patent applications:

1) It would seem adviseable to avoid language regarding "cure" for cancer;
2) Consider statements that the compounds, compositions and therapeutic process claims are directed to such things as "mammals" or "warm blooded animals". It provides the PTO an additional problem when the activity against humans, themselves, is asserted;
3) The claims or descriptions include utility statements

might best be expressed as effective against inhibiting growth or metabolism of tumors or cancer cells, rather than cure;

4) It is important when there is a rejection on the basis of lack of utility that there be evidence from experiments, preferrably some evidence of clinical activity against humans, particularly if the claims call for activity against humans, and also, in the event that the language, such as mammals is used, which includes humans. It is important to have statements by experts supporting the correlation of any experimental evidence such as in tissue culture (in vitro) and in experimental animals with activity against cancers in humans.

It is clear that there is a long way to go before the harsh burden now experienced by inventors asserting cancer utility will be reasonably in line with the burden experienced by most other inventors in the pharmaceutical and chemical fields.

Leroy G. Sinn

PATENT OPPOSITION SYSTEM IN JAPAN

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Abstract

The Japanese system for filing opposition is closely connected to its publication of application system, intending "to give an opportunity to publicly state an opinion against the examiner's decision on a patent application on which the examiner has made a tentative decision", as stated in the Seriatim Commentary of the Industrial Property Law editted by the Patent Office. In other words, the intention is to reexamine the application after its publication in order to prevent faulty registration. However, relating to the intention of this system, there are two major theories - the therory of examination by the public, and the theory of examination with cooperation. The Patent Office has expressed its position as being in favor of the theory of examination with cooperation. Moreover, this theory has been supported by a recent judgement of the Supreme Court. However, there has been strong debate over this judgement.

Comparing the Japanese system for filing opposition with that of the EPC (European Patent Convention), there are similarities as well as differences. Furthermore, there are also differences between the information offering and invalidation trial systems, and their corresponding systems in the EPC. These differences are an important characteristic of the Japanese law, and the system for filing opposition stands out in its uniqueness. We, as an enterprise, have a responsibility to fully understand these characteristics and use the system correctly. In reality, this system is mostly used as a means to exclude an application by another party after an earlier application has been published. Regarding provisional protection, since the right of demand for injunction was legalized by amendments to the law in 1970, resulting in the gradual increase in the number of applications, so-called "watching" has become one of the most important

controlling services for patents. Therefore, it seems that in reality the theory of examination by the public is more applicable than the theory of examination with cooperation. In any event, according to our investigation, the success rate in filing opposition has recently reached 39%, and the importance of utilizing this system should increase in the future.

System for Filing Opposition in Japan

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PATENT OPPOSITION SYSTEM IN JAPAN

1. The Reason for Choosing This Topic

In comparing the Japanese and American Patent Laws, there are several systems which the one country has but the other doesn't; for example, the Interference System in the U.S. and the Laying-Open System and the System for Filing Opposition in Japan. We have chosen the System for Filing Opposition as a research topic and will introduce the system's characteristics, its applicability, and recent theses relating to it.

2. What is the System for Filing Opposition?

2-1 The reason for existence of the system

Relating to the system for filing opposition, there are two major opposing theories - the theory of examination by the public, and the theory of examination with cooperation. In the theory of examination by the public, examiners are not considered all-powerful, so a complete examination cannot be carried out only by examiners. The public is given an opportunity to examine in order that only these inventions fulfilling the conditions of a perfect examination will be approved for patent rights. On the other hand, in the theory of examination with cooperation, the public cooperates fully in order to make examiners' judgements more accurate.

In the past the Patent Office seemed to express a position in favor of the theory of examination by the public, but now it seems to favor the theory of examination with cooperation.

2-2 The purpose of legislation

The filing of opposition to grant of patent is prescribed in Articles 55-61 of the Patent Law. First of all, in Article 55,

1) Within two months from the publication of an application, any person may file opposition to the grant of a patent, with the President of the Patent Office. However, opposition may not be made on the grounds that the invention claimed in the patent application does not fall under the inventions set forth in any paragraph of Article 31 or the application does not comply with the requirements of Article 36(6) or 38.

2) The opponent shall file a written opposition stating the grounds therefor, together with an indication of the supporting evidence.

a qualified person, period, and method for filing are provided.

This system for filing opposition is adopted by many countries which use examinations in their patent systems. Its purpose is to give an opportunity to publicly state an opinion against the examiner's decision on a patent application on which the examiner has made a tentative decision. Therefore, to make the system effective in practice, the contents of the relevant case should be known to the public, and for this purpose there is a publication of application system. Thus, it can be said that the publication of application system is closely connected to the system for filing opposition. The other provisions relating to opposition are described collectively in the next section 3.

Furthermore, in the U.S. there is a system of reexamination related to a third party. This system corresponds to the Japanese system of "Request for Trial for Invalidation". In the U.S. there is no corresponding system to the Japanese system for filing opposition.

3. The Outline of Provisions Relating to Filing of Opposition (compared with those of the EPC)

Here, we compare the system for filing opposition in Japan with that of the EPC and describe the Japanese system.

3-1 Opponent

Both the Japanese and EPC laws prescribe that "any person may file opposition" (Article 55). However, regarding his status, succession on the grounds of amalgamation or inheritance is not approved in Japan. Since the system for filing opposition was introduced to law in 1921, the Patent Office has decided against any opposition when the opponent dies or is extinguished due to amalgamation. This way of handling matters is based upon the following: (i) The essence of the system for filing opposition is information offering in order to secure a fair examination. (ii) The status of an opponent is not a legal right such as the subject of succession. (iii) Therefore, when the opponent dies, his opposition becomes invalid from the moment of his death. (For details, see attached material (a))

On the other hand, in the EPC the above succession is approved. Moreover, the EPC has a system called "intervention in opposition", and a third party (who

was warned by the patentee and used court measures to deal with this warning) can intervene.

Here, we will introduce a precedent clearly indicating the succession of status of the opponent. (For details see attached material (a)). This case was originally related to the application for registration of trademark, but its judgement can be applied to both, applications for patent and for utility model. In the trial, the party that filed opposition became a new company due to amalgamation, and the issue was whether the new company could succeed the previous procedure of filing opposition.

In the Tokyo District Court (1976(Gyo-U)174 Judgement of August 26, 1977) and the Tokyo High Court (1977(Gyo-Ko)59 Judgement of May 2, 1978), it was ruled that "the system for filing opposition to registration is a right guaranteed by public law, and this right includes the right to file the opposition and the right to receive a decision. It is difficult to find the grounds that this system is a strictly personal right. Therefore, it is reasonable that the right to file the opposition can be the subject of succession, at least in general succession including inheritance and amalgamation, apart from the necessity for independently making it the subject of limited succession, such as transfer," and handed down a decision to legalize the succession of the proceedings. However, the Supreme Court (1978(Gyo-Tsu)103 Judgement of June 19, 1981) overruled the decision of the previous trial and handed down a decision that the taking-over cannot be legalized, on the grounds that "the system for filing opposition is enacted from the public-interest point of view in order to eliminate faulty examinations of applications for trademark registration. Moreover, this system seeks fairness by allowing the filing of opposition by any

person with or without interests. When a company as an opponent is extinguished due to amalgamation, it is reasonable to assume that the opposition shall be invalidated and the status as the opponent shall not be succeeded by the existing company after amalgamation."

3-2 Time and term of filing opposition

In Japan opposition must be filed with the Patent Office (Article 55) within two months from the publication of an application; and the grounds and indications of evidence can be amended within 30 days from the date of filing (Article 56). In case of foreign opposition, two additional months are granted. The time limit - two months from the publication of an application - is not changed even for foreigners. Therefore, it seems that they have trouble using the system for filing opposition. In the EPC, opposition must be filed within nine months after the publication, and after this period no grounds can be amended.

3-3 The contents of the written opposition

Requirements mentioned for the written opposition include the opponent's address (residence) and name (title), number of publication of the relevant patent application, title of invention, applicant, attorney's name and address, grounds for opposition, and means of proof (Article 55(2) & Enforcement Regulation, Article 32(2)). In the EPC, the requirements are the same.

3-4 Grounds for opposition

As grounds for opposition, it is necessary to make clear how the application is in conformity with reasons for refusal. On this point, the Japanese and EPC systems are the same. Details of reasons for opposition in Japan are shown in a separate table (see Section 5). Opponents can attack the publicized patent application for any reason on the table, but actually the reasons of inventions without any novelty (Article 29(1)) or inventive steps (Article 29(2)) are the most common. The next most common reason is to show with a conflicting application that the application is not the first (Article 39). However, on applications after January 1, 1971, the grounds that inventions described in specifications or drawings originally attached to another application, were filed earlier than the application concerned but published after the application concerned (Article 29—2) has replaced the first to file reason.

On the other hand, in the EPC the grounds for opposition, prescribed in Article 100, are limited to the following:

(a) the subject-matter of the European patent is not patentable within the terms of Articles 52 to 57;

(b) the European patent does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art;

(c) the subject-matter of the European patent extends beyond the content of the application as filed, or, if the patent was granted on a divisional application or on a new application filed in accordance with Article 61, beyond the content of the earlier application as filed.

3-5 Examination for opposition

In Japan, an examiner will examine the opposition. (In general, he will be the same person who examined the original application.) In the EPC, there is the Opposition Division separate from the Examination Division, and the examination is carried out by a group of three people in a meeting style. One out of three will be the examiner for the patent application concerned; however, he can not be the examination chairman.

In Japan, when opposition to grant of a patent is filed, the examiner shall transmit a copy of the written opposition to the applicant (Article 57). Against this, the applicant shall submit a written reply (the first countermeasure of the applicant). The designated period shall be 40 days for Japanese and three months for foreigners.

Since the filing of opposition provided in Article 55 takes the position that the final decision shall not be given on the patent application concerned, material which is adverse to the patent applicant is constantly submitted. This Article tries to give the applicant an opportunity to defend this damaging material. Therefore, submitting a written reply in this Article is for the benefit of the patent applicant, and even if the applicant does not submit the written reply within the designated period, his case will not be prejudiced. If required, an amendment to the specifications can be submitted at the same time (the second countermeasure of the applicant). Under the Patent Law, an amendment is approved when the following requirements are fulfilled:

(1) Within the designated time limit that a written reply can be submitted;

(2) In the case that the objective the opposition is limited to one or more of the items from the list below:

a) a restriction of the claim or claims
b) the correction of errors in description
c) the clarification of an ambiguous description

The examiner can make a tentative judgement at this stage, but if he would like to ask the opponent's view again, he shall send the written replay (and he amendment) to the opponent and give him an opportunity to submit a refutation. In the EPC, most processes are the same except for the possible intervention of a third party while the decision is still pending.

The third countermeasure of the applicant is getting through by a conversion of the application. Coverage by the utility model shall be "devices so as to contribute to the development of industry, relating to the shape or construction of articles or a combination of articles", and the "device" shall be of the same quality as the "invention" in the Patent Law. Thus, devices can be covered by either law if they relate to the shape or construction of articles or a combination of articles. Relating to the judgement of inventive steps, in the Patent Law, there is no inventive step when "the invention could easily have been made" using the preceding technology before applying; and in the Utility Model Law, there is no inventive step when "the device could very easily have been made." In other words, the utility model right can

be more easily obtained than the patent right. Therefore, there can sometimes be a conversion from a utility model application to a patent application, but the conversion from a patent application to a utility model application is more common.

Here, we will describe only the conversion from a patent application to a utility model application. In a patent application, if opposition is filed against the application and the contents may possibly be covered by the utility model, fulfilling the requirement for inventive steps under the Utility Model Law, as described above, it is worth investigating a possible conversion of the application.

When a patent application is converted to an application for utility model registration, the application date shall be effective retroactively to the original date (the date for the patent application before the conversion), and the original application shall be regarded as withdrawn. By doing this, the progress of the examination is rarely delayed. Although there is the disadvantage that the term of the utility model right is five years shorter than that of the patent right, this is still better than the application being rejected following an opposition battle.

An application cannot be converted after 30 days from the transmittal of the examiner's first decision of refusal; however, it is different from an amendment, and a conversion is not limited to the period for submitting a written reply. Therefore, even after the final rejection, an application can be converted.

As a result, when there is no hurry to obtain the rights, it is all right to convert the application after the decision for opposition and final rejection. However, as a result of introducing the system of requests for examination, the application cannot be converted after four years from the original patent application. After four years from the original patent application, it is impossible to convert the application to the utility model registration without the final rejection on this patent application. The reason that such restrictions are imposed is to prevent conversion of the original "device" of the utility model. In the case of this conversion, great care should be taken because if the requests for examination for an application is not requested within 30 days from the conversion of the application, the application relating to the conversion is regarded as withdrawn.

3-6 Decision for opposition

As mentioned in Section 3-5, through the process of the written opposition--written reply--refutation, at the time when both applicant and opponent finished presenting their assertions, the examination shall be terminated (Article 58). In Japan, the examiner shall make a decision of a patent being either "granted" or "refused" (Article 60). When the published patent is refused for reasons of opposition, it will be given the "final rejection", and a copy of the final rejection, together with a copy of the decision on the opposition, will be sent to the party concerned. The applicant receiving a copy of the final rejection can request a trial on the grounds of dissatisfaction. Even in case of a granted patent, a copy of the

decision for opposition shall be sent to the party concerned. Later, the published patent which was the object shall be finally decided. Among the opponents who were defeated in filing opposition, the opponent with interests can request for a invalidation trial to make the patent invalid after the registration of the patent concerned, as his next countermeasure. Against the decision for opposition, no appeal can be made (Article 58(4)).

When the patent concerned is for a remarkable invention, more than two oppositions are sometimes filed. In that case, after examining one of the oppositions, if the examiner decides to reject the application because of opposition reasons, the rest of the oppositions need not be decided upon (Article 61). As a result, a copy of the decision for the opposition and a copy of the final rejection shall be sent to the applicant and the opponent whose reasons for the opposition were adopted, and a copy of only the final rejection shall be sent to the other opponents. If the final rejection was rendered due to any one of the oppositions, but as a result the final decision on patent has not been handed down, the objective of the opponent can still be said to have been achieved. Furthermore, the system is so simplified that the examination can be expedited. However the other opponents cannot learn immediately the reason for the rejection. Only when they inspect all the records of the application concerned, can they learn the reason.

Despite two or more oppositions, all the reasons for opposition may be too weak. In such a case, when the examiner makes the decision that an application is to be granted, he shall make a decision for each opposition as being insufficient. Then, all copies of the decisions for opposition shall be sent to the applicant,

and a copy only of the relevant decision for opposition shall be sent to each opponent. In the EPC, if there is a reason for opposition, a decision of withdrawal shall be reached on the patent. If it is judged that the patent, even without amendment, has no reason for withdrawal, the opposition is dismissed. When it is clear that the patent concerned and its invention fulfill the requirements of the Convention based on the amendment, a decision for patent sustainment shall be made. In the EPC, if the patent is withdrawn because of opposition, the road to the acquisition of patent rights in each designated country is closed. (In the EPC, Article 135(1), where domestic law provides, the EPC application can be converted to a domestic application. However, the domestic laws, for example, of England, Germany, France, and Switzerland, don't have such provisions, and in these countries there is no road to conversion to domestic application.) The patentee needs to do his best dealing with the opposition when it comes. When a disadvantageous decision is made for the party concerned, he can request a trial on the grounds of dissatisfaction. Article 62 provides that "where no opposition to the grant of a patent is filed within the time limit prescribed in Article 55(1), the examiner shall render a decision that a patent is to be granted on the application unless a decision of refusal is to be made"; that is, if there is no filing of opposition within the time limit, the examiner shall make a final decision in favor of a patent unless he discovers any reason of his own for refusal.

3-7 Handling of the facts and evidence after the time limit for filing opposition

In Japan, when new evidence is submitted after the time limit for filing opposition, it is accepted but cannot be used as evidence for the opposition. However, if that evidence is damaging, the examiner shall issue a notification of reasons for refusal to the applicant. After he gives the applicant an opportunity to submit a written opinion and amendment for procedure, he shall render the final rejection if the application is to be refused. However, during that period, the final rejection is reserved and when the time of final rejection has come, the decision for the opposition shall be made. Then, a copy of the decision and final rejection are each sent to the party concerned.

In the EPC, Article 114(2) provides that the Opposition Division can disregard the facts or evidence submitted after the designated period. Whether to refer to these facts and evidence or to disregard them is left to the Division's discretion.

3-8 Withdrawal of opposition

In Japan, when an opposition is withdrawn, a decision on that opposition is not rendered, just as if the opposition never existed in the first place. However, the examiner can issue a notification of reasons for rejection based upon evidence submitted by that withdrawn opponent, and he can come to a decision of final rejection. In the EPC, whether or not to use damaging withdrawn material is up to the discretion of the opposition Division.

4. Merits and Demerits of the System for Filing Opposition

4-1 From the opponent's point of view

1) Merits

i. In the event of refusal, the invention can be freely implemented, and the main purpose for filing opposition is achieved.

ii. Even in the event of non-refusal, by written reply or amendment, the scope of the right can sometimes be made clear, or claims can sometimes be restricted.

iii. At an earlier stage before the patent registration, the patent can be refused.

2) Demerits

i. When the patent is refused, all competing companies can freely implement the invention.

ii. When the supplement to the opposition is submitted, the documents relating to the opposition are sent to the applicant, and he becomes aware of the name of the opponent. At this point, the applicant may wonder whether the opponent has actually implemented the invention or if he just intends to execute the invention.

iii. In order to find material more damaging than the quoted examiner's literature, opponents have to be burdened.

iv. When a patent cannot be rejected in spite of filing opposition, the opponent has to determine whether he will give up his working, terminate his business, or start negotiations in order to obtain a license, even through paying an expensive royalty.

4-2 From the applicant's point of view

1) Merits

i. Because of the principle of examination by the public, after the other competing companies have submitted material and it has been denied, the patent right will be granted. Therefore, it is a powerful right with great stability.

ii. It is possible to find out the degree of a competing company's interest in the patent concerned.

2) Demerits

It takes a long time to exchange replies and usually takes one to three years to acquire the right.

5. Comparison with the Other Relevant Systems - The Information Offering System and the Invalidation Trial System

There are three means, including the filing of opposition, to obstruct the grant of a patent by a third party.

(1) Information offering
(from laying-open of applications to publication of applications)

(2) Filing of opposition to grant of patent
(within two months from publication of applications)

(3) Trial for invalidation
(after the patent registration, and even after the extinguishment of a patent right)

5-1 Information Offering System
(Patent Law Enforcement Regulation, Article 13-2)

Information offering is that any person may offer information on the inventions or devices layed-open to the public that they cannot be granted on the grounds of provisions of the Patent Law, Article 29, 29-2, & 39, by submitting publications to the Patent Office.

An application which is to be the subject for information offering shall be the one layed-open for the public inspection, and at the time of publication of the application, it will be ruled out from the subject.

The difference from the filing of opposition is that the information will be only reference material for the examiner, without any reply from the applicant nor any decision.

Therefore, the choice between the information offering or filing of opposition demands careful consideration. When an application is published, powerful rights shall arose. Therefore, if any person has damaging publications, offering the same is highly important.

With difference from the invalidation trial, two means, (1) and (2), can be taken by any person, not only by any interested party. Therefore, if any corporation considers that it is unfavorable to be known its name by the applicant although it hopes to file the opposition, occasionally the opposition is filed by a name of an individual.

The Patent Office promoted the information offering system in the "Notice" in April 1983, and in trial it has carried out the following i) to iii):

i) It is possible to offer information by easier methods, including facsimile, mail, telephone, and bringing-in, etc. However, the Patent Office has requested for the information offering by these methods after a request for examination.

ii) For an informant who expects feedback, the Patent Office informs the applicability of information offered in the examination. However, the information is limited to the applicability in the first notification of reasons for refusal and does not include the final result of the examination after the second.

iii) The Form for information offering, "Presentation of Publications and Others", is provided at two places in the Patent Office, and at the counters of the Patent Association, Board of Patent Attorneys, and Association for Inventions.

5-2 Invalidation Trial System (Patent Law, Article 123 to 125)

(Patent Law, Article 123 to 125)

When a patent application which is not to be legally granted is registered, an invalidation trial shall be requested to the Patent Office.

With difference from the filing of opposition (excluding the opposition to a publication on trial) to grant of patent, this trial is heard by a group of three or five trial examiners appointed by the President of the Patent Office.

As a general opinion, a demandant may be an interested party, not any person.

This trial can be requested even after the extinguishment of a patent right. However, the trial cannot be requested after five years (three years in a utility model) from the establishment of registration of a patent right when the trial is sought on the grounds of the evidence being a publication distributed outside Japan (Patent Law, Article 124; Utility Model Law, Article 38).

An invalidation trial is usually demanded when a party received a warning of the infringement from a patentee, or a suit is filed at the court.

The invalidation trial is different from the filing of opposition in the sense that counterargument and attitudes of patentees are generally strong. Moreover, patentees may sometimes demand a correction trial, so the invalidation trial will probably take a long time. Therefore, as a countermeasure to the

other company, it is desirable to impede the grant of a patent right in the stage of filing opposition.

Comparison of three systems - Information Offering System, System for Filing Opposition, and Invalidation Trial System - are shown in Table 1. Comparison of each reason in these three systems are shown in Table 2, with their reasons for rejection.

Table 1 Comparison of Three Systems —Information Offering System, System for filing Opposition and Invalidation Trial System

	Information Offering	Filing of Opposition	Invalidation Trial
Opponent (or Demandant)	Anyone	Anyone (an applicant is only a party concerned)	Interested party (a party concerned)
Defendant (or Demandee)	President of the Patent Office	President of the Patent Office	Patentee (or one who owns the right of the utility model)
Structure for Filing ①Reasons	①Patentability (Art.29, 29-2), First-to file rule (Art.39(1)to(4)) (See Table 2)	①Final rejection (Art.49), Special cases in reasons for refusal (Art. 184-14). However, excluding requirements for an additional patent, description of the scope of claims, or one invention per application (Art.55) (See Table 2)	①In additon to each reason for opposition, succession of the right of the patent (Art.123 (1) (iv)), Invalidation Trial of the patent for reasons proper to the international application (Art. 184-15) (See Table 2)
②Evidence	②Publication or its copy. A copy of specification (or drawings) of a patent application (a utility model application)	②Anything	②Anything
Object and Term for Filing (or Demanding)	A patent (utility model) application layed-open, excluding an application after publication or no pending. The Patent Office hopes the application requested for examination as much as possible.	Within two months after publication of the application	Possible to file even after the expiration of the right (Art.123 (2)). With a five-year, time limit from the registration of the establishment of the patent right in the case of publications distributed outside Japan. (Art.124)
Change of Reason for Filing (or Demanding)	No provisions	When the opposition is filed within the above term, and as far as the contents are not changed, description of reasons and evidence can be changed only within 30 days in case of a Japanese and within more two months in case of a foreigner.	As far as the contents are not changed, reasons for requesting the trial can be changed throughout the trial in pending until notification of the termination of the trial

	Information Offering	Filing of Opposition	Invalidation Trial
Submission of Evidence or Others	No provisions	①When the indication of evidence is stated on the written opposition, evidence can be submitted until shortly before the decision (of opposition) . ②If reasons for refusal are discovered by the authority's inquiry, examination is carried out in the application route . Therefore, such reasons are to be informed the applicant, but not the opponent. ③An applicant can submit the evidence as a means of defense. ④Inquiry and perpetuation of evidence can be carried out (Art.59, 150 & 151) .	①Both, demandant and demandee, can submit evidence until a notification of the termination of the trial (with a restriction of Art.124) . ②Reason by the authority's inquiry are to be informed interested parties and intervener, and an opportunity to submit opinions. These can be used as the trial material. ③Inquiry and perpetuation of evidence can be carried out (Art.150 & 151) .
Existence of Provisions for Intervention	No provisions	No provisions	Interested parties can intervene (Art.148 & 149)
Organization of Examination and Judgement	Examiner	Examiner (Art.47(1)& 161-2) A group of trial examiners (Art.136, 137&159)	A group of trial examiners (Art.136 & 137)
Dispatch of a Duplicate to Applicant & Opportunity of Reply by Applicant	No provisions	Art.57	Art.134
Decision of the Case	No provisions However, for one who expects feedback, only the applicability in the notice of reasons for refusal before information offering and in the first notice of resons for refusal after information offering is informed.	Decision of existence of reasons for opposition (Art.58) However, if more than two oppositions are filed, and the patent is rejected by one of these, the decision on the others is not rendered (Art.61(1)) . Even if the patent is finally rejectd as a result of decision for the opposition, and the applicant requests for a trial of dissatisfaction against the final rejection, the opponent is not informed such matter.	Trial decision (Art.157)

	Information Offering	Filing of Opposition	Invalidation Trial
Appeal against decision	None	Any appeal cannot be filed (Art.58(4)). However, in practical use, the opponent can request for invalidation trial (Art.123), and the applicant can appeal, against the final rejection in pending. (Art. 121)	It is possible to bring an action to the Tokyo High Court (Art.178). As an urgent remedy, one may demand a retrial against the final and final conclusive trial decision (Art. 171).
Miscellaneous Cost for filing (Fee)	No provisions	Patent 5,800 yen Utility model 2,900 yen	Patent 14,500+ (number of inventions×14,500) yen Utility model 29,000 yen

Table 2 Comparison of Reasons for Information Offering, Filing of Opposition, Refusal and Invalidation

A : Information Offering (Patent Law Enforcement Regulation, Art.13-2)

B : Filing of Opposition (Patent Law, Art.55)

C : Refusal (Patent Law, Art.49)

D : Invalidation (Patent Law, Art.123)

(○— approved as a reason, ×— not approved as a reason)

Reasons	A	B	C	D
Application from aliens who cannot enjoy a patent right (Patent Law, Art.25)	×	○	○	○
Inventions which cannot contribute to the development of industry (Patent Law, Art.29)	×	○	○	○
Inventions without novelty (Patent Law, Art.29(1))	○ Note 1	○	○	○
Inventions without intensive steps (difficulty of creation) (Patent Law, Art.29(2))	○	○	○	○
Inventions described in specifications or drawings originally attached to another, earlier application which was published after the one concerned (Patent Law, Art.29-2)	○	○	○	○
Without requirements for a patent of addition (Patent Law, Art.31)	×	×	○	× Note 2
Unpatentable Inventions (Patent Law, Art.32)	×	○	○	○
The application cocerned should be a joint application, but not written or submitted jointly (Patent Law, Art.37)	×	○	○	○
Not the first applicant (Patent Law, Art.39(1)to(4))	○	○	○	○
Applications which infringe provisions of a treaty (Patent Law, Art.49 (ii) , 123 (ii))	×	○	○	○

Reasons	A	B	C	D
Imperfection of detailed explanation of the invention in the specification (Patent Law, Art.36(4))	×	○	○	○
Imperfection of description of "claim or claims" as "detailed explanation of the invention" (Patent Law, Art.36(5))	×	○	○	○
Description of "claim or claims" infringes provisions of the Enforcement Regulation. (Patent Law, Art.36(6))	×	×	○	×
Infringe the one invention per application rule, or fail to fulfull the reguirements for consolidation (Patent Law, Art.38)	×	×	○	×
Although the applicant is not an inventor, he has not succeeded to the right to obtain a patent. (patent Law, Art.49 (iv) ,123 (iv))	×	○	○	○
After the grant of the patent, the foreign patentee has no longer been able to enjoy a patent right, or the patent no longer has complied with a treaty due to the amendments of the treaty (Patent Law, Art. 123 (v))	×	×	×	○
An international application written in a foreign language does not coinside with the invention described in both the original and translated documents received on the filing-date. (Patent Law, Art. 184-14, 184-15)	×	○ Note 3	×	○ Note 4
International applications written in Japnanese is not for the invention described on documents on the filing date (Patent Law, Art. 184-15)	×	×	×	○ Note 4

Note 1. Since only publications, specifications and drawings can be submitted, reasons are, of curse, limited.

Note 2. Before the amendments in 1975, this was a reason for invalidation.

Note 3. In this case, only when opposition is filed, the patent will be finally rejected. (Patent Law, Art. 184-14)

Note 4. A reason peculiar to the PCT application

6. Present Situation of Filing Opposition

6-1 Collection and arrangement of data

(Decision of opposition to a patent application)

(1) Japanese applicant (1983)

Industrial Classification (International Classification)	Success No. of cases	(%)	Fail No. of cases	(%)	Dismissal of Opposition	Rejection by Examiner	Total
A. Human necessities	131	(38.9)	181	(53.7)	24	1	337
B. Performing operation	336	(36.7)	516	(56.3)	58	6	916
C. Chemistry, Metallurgy	431	(38.7)	603	(54.1)	81		1115
D. Textile, Paper	84	(35.1)	141	(59.0)	12	2	239
E. Mechanical engineering	39	(39.8)	49	(50.0)	10		98
F. Fixed constructions	94	(34.8)	143	(53.0)	26	7	270
G. Physics	261	(37.7)	363	(52.4)	64	5	693
H. Electricity	291	(44.2)	310	(47.1)	50	7	658
Total of cases	1667		2306		325	28	4326
(%)		(38.6)		(53.3)	(7.5)	(0.7)	(100)

(2) Foreign applicant (1983)

Industrial Classification (International Classification)	Success No. of cases	(%)	Fail No. of cases	(%)	Dismissal of Opposition	Rejection by Examiner	Total
A. Human necessities	13	(56.5)	8	(34.8)	2		23
B. Performing operation	41	(37.3)	63	(57.3)	4	2	110
C. Chemistry, Metallurgy	87	(49.4)	75	(42.6)	14		176
D. Textile, Paper	7	(31.8)	13	(59.1)	1	1	22
E. Mechanical engineering		(-)	2	(-)	1		3
F. Fixed constructions	11	(31.4)	19	(54.3)	5		35
G. Physics	25	(41.7)	32	(53.3)	3		60
H. Electricity	32	(54.1)	23	(39.0)	4		59
Total of cases (%)	216	(44.3)	235	(48.1)	34 (7.0)	3 (0.6)	488 (100)

Note) "Dismissal of Opposition" relates to the disposition in such a case that examination cannot be carried out substantially because of a lack of reason for opposition or necessary evidence in a written opposition.

Note) "Rejection by Examiner" relates to the disposition with final rejection by a new reason for rejection, differing from the reasons for opposition

Note) The above data were collected from the Patent News (the Industrial Investigation Board), but approximately 1.3% of the whole data remain uncollected.

6.2 Comment

(1) Relating to the success rate of opposition (the percentage with reasons for opposition), in the above table, the value in H tends to be higher, and those in D and F, to be lower.

This tendency is probably caused by the difference in specification forms, preparation of claims, and conditions of preceding technology, and difficulty of investigation thereof.

(2) While the rate of publication cases to that of application's is almost the same in foreign applicants and Japanese applicants according to the Statistical Yearbook released by the Patent Office, the result in the above table investigated by our group revealed that in the rate with reasons for opposition (the success rate of opposition) the rate of foreign applicants is considerably higher than that of Japanese, 44.3% and 38.5% respectively.

There are various reasons why the rate with reasons for opposition is so high in the event that an opposition to application by the foreign applicants is filed, but the main reasons are as follows.

(a) Foreign applicants do not fully understand the filing of opposition procedures.

(b) Communication between foreign applicants and their Japanese attorneys is insufficient.

(c) In translating foreign languages into Japanese and vice versa, and interpreting translations, foreign applicants sometimes have slight unconscious misunderstandings.

7. Introduction of Report

"Utilization of the System for Filing Opposition by an Enterprise"

(1) Watching over the publication of application

The publication of application, compared with the laying-open of application, is more characterized with powerful right in terms of disclosure of the rights and when the application by the other interested party is published, an urgent countermeasure should be considered. Therefore, so-called "watching" over the application published is one of the most important controlling services for patents.

Especially when an opportunity for filing opposition is lost due to failure in discovering the application against which opposition should be filed, it may become an irrecoverable error because even after the grant of patent, it is possible to attack by means of invalidation trial, but it takes much longer time to be concluded; moreover, it is easily attacked by a patent right granted.

Therefore, each enterprise has prepared for watching appropriate to their own organization and characteristics, so a great number of the publications have been watched. Due to an introduction of the laying-open system, an important application may possibly be discovered at an early stage, which makes the pursuit of an application up to its publication easier. Of course, it is necessary to prepare for watching over the publication of application by other enterprises, but the most important thing is the technology of their own enterprise. If the level of their own technology

is low, the importance of the application published may not be recognized at the time of its publication. Furthermore, depending on the size of an enterprise, it is not favorable nor possible to keep enough personnel for watching. It is reasonable to use a reliable organization outside.

(2) Filing of opposition or license negotiation?

When an important patent which has great effect on the industry is published, enterprises are forced to face the alternatives; filing opposition in order to confront, or negotiating for a license.

In deciding on one of these alternatives, the most important factor is to judge the patentability, whether this patent is to be granted or rejected. In order to this, it may be necessary to consider various factors, such as the present and future relationships between the applicant enterprise and an interested enterprise, technical and business estimation of the application concerned, strategies to cope with the relevant industry.

When lincense negociation is failed, opposition should be inevitably filed. Moreover, as a secondary choice, the research or working of their own is to be suspended or changed. The filing of opposition shall be carried out within two months from the date of the publication of application. It is quie difficult for an enterprise to make a decision within such a short period of time. However, since the laying-open system was introduced to applications on and after January 1, 1971, now there is enough time for investigation.

(3) Importance of the filing of opposition for an enterprise

Filing opposition by an enterprise is not cooperation with the examination. They spend a lot of time and bear expense in order to obtain necessary evidence for excluding any threat by an application of another party. Moreover, they have to pay fee to file the opposition. The filing of opposition means practically a conflict between an applicant and a party who files the opposition. In other words, an enterprise files opposition, not because of the social justice against a faulty application which is to be rejected (there may exists such a case), but because the restrained application has been published, and they are forced to obtain the reasons for refusal. Therefore, the purpose of the system for filing opposition is not cooperation with the examination, but the examination by the public (through examiners). For this purpose, under the Patent Law, a person who files opposition is given an opportunity to state his opinion, while an applicant is given an opportunity to submit the written replay, and both are equally treated (even if it is not perfectly equal).

Note: A recent judgement of the Supreme Court supported the theory of examination with cooperation, same as the Patent Office. See attached material (a) "Introduction of a Leading Case").

(4) Refrainment of opposition and second amendment

Regarding the amendment, an applicant confronts the difficulty in judging the possibility of the refrainment of opposition without any amendment, more than the difficulty in deciding the way of amending. Even when the opposition can be eliminated without any amendment, if the applicant amends and reduces the application, such amendment is totally unnecessary and forces great loss. When a part amended causes no actual loss, no serious problem does not occur, but in other cases the applicant has to face the alternatives.

When the application is rejected because of a reply without amendment, is there possibility of a second amendment? By the Amendments of the Patent Law in 1975, Article 17,3 was enacted, and under this provision, the amendment as mentioned above shall be accepted within 30 days from the request for an appeal against the final rejection. As a result, the application on and after January 1, 1976 has been given one more opportunity to submit amendment. Therefore, if there is no hurry to obtain a patent right, it is possible to request for an appeal after the final rejection and carry out the amendment, without any amendment at the time when opposition was filed. However, with regard to the application applied by the end of 1975, if the opportunity for the amendment was lost at the time of filing opposition, there is no way to amend, except at the time of notification of reasons for refusal. Therefore, it is a very difficult choice for such applicant.

(From Practice of Patent Conflicts by Kazuhiko Takeda)

8. Conclusion

As mentioned above, the recent success rate of filing opposition has reached 39%, which thoroughly proves the importance of utilizing this system. We, an enterprise, are now responsible for the technological protection and the development of enterprise, by utilizing this system effectively.

This report by our working-group was so made as to be of some practical aid. Regarding the system of filing opposition, APLA JOURNAL Vol. 14 1976 Nos. 2 & 3 can be also referred to.

Notes:

1. Books quoted in this report

° The Patent Office (edited)
"A Seriatim Commentary of the Industrial Property:

° Motoaki Kuki
"Practical Guide to European Patents"

° Kazuhiko Takeda
"Practice of Patent Conflict"

° Genzo Ando
"Construction of Filing Opposition to Patent"
(Control of Patent Vol.31 No.5 pp.474-478)

° Ko Hirose
"Presentation of Information"
(Control of Patent Vol.22 No.2 p.97)

° The Patent Office, General Affairs Dept.,
Administrative Appeal c/o General Affiars Section
"A Case of the Conflict of Propriety of Succession
of the Status as an Opponent" (Patent 556 October 109)

2. Reference books

° APLA JOURNAL Vol.14 1976 Nos.2 & 3

° Ko Hirose
"Presentation of Information"
(Control of Patent Vol.31 No.5 pp.39-102)

° Ko Aoki
"What is the Legal Character of a Opposition Right?"
(Control of Patent Vol. 28 No.6 pp.635-645)

° Genzo Ando
"Construction of Filing Opposition to Patent"
(Control of Patent Vol.31 No.5 pp.469-473)

° Genzo Ando
"Reasons for Filing Opposition"
(Control of Patent Vol.31 No.6 pp.623-630)

° Yutaka Kosaka
"Succession of the Status of an Opponent to Trademark Registration"
(Control of Patent Vol.32 No.12 pp.1437-1442)

° Osamu Uchida
"Status of Opponent"
(Control of Patent Vol.32 No.9 pp.1091-1107)

° Yoshitsugu Harima
"Reason of the Existence of the System for Filing Opposition 1 & 2"
(Invention Vol.75 No.1 & 2)

° Ryuichi Murabayashi
"System for Filing Opposition"
(Study of Industrial Law May 1975 pp.20-25)

° Shinnihon Hoki Publishing Co. (edited)
"Cases, Patent & Utility Model Law"
(pp.1499-1515)

Attached Material (a)

Introduction of a Leading Case, "Daiei Case"

1) Preface

We have described the present condition of the system for filing opposition and its contents, as well as compared this system with the invalidation trial and information offering systems. Here, we introduce a Supreme Court judgement in a notable case disputing both the approval of the succession of opponent's status and the intention of the system for filing opposition itself. We hope this will be helpful in understanding the Japanese system for filing opposition.

This case was related to a trademark, not a patent or utility model; however, it stands to reason that the gist of the judgement can be applied to a patent or utility model.

2) Outline of the Case

A third party, S company, filed the opposition to 19 trademark applications and was in the process of examination. Later, the plaintiff, D company, merged with S company, and took the motion for succession of these opposition procedures to the Patent Office (defendant). However, the defendant did not accept the plaintiff's motion. Then, the plaintiff filed the opposition based upon the Administrative Appeal Law (different from the filing of opposition already mentioned); however, his opposition was dismissed. Therefore, the plaintiff filed this suit in the Tokyo District Court to request revocation of the Patent Office disposition.

3) Assertions of Parties Concerned

(i) Assertion of plaintiff

a. The grounds of this decision lie in that the status of an opponent who objects to trademark registration cannot be the subject of succession. However, clearly an opponent enjoys the right to protect his legal status against injunctions on the use of the same or similar trademark, and to make his legal right secure, by impeding the registration of a trademark relating to the application concerned. Therefore, such status should be succeeded by inheritance or amalgamation.

b. It can be said that the purpose of opposition to trademark registration is not limited to the presentation of information relating to examination. Its intention is also to file opposition on behalf of the interests of the general public. There is no reason that such an economically-oriented right should be regarded as a strictly personal one.

c. The fact that there are no provisions relating to succession of the status of opponent in the Trademark Law cannot be the reason to deny such succession.

d. The argument that since any person enjoys the right to file opposition to trademark registration, it is unreasonable or unnecessary to approve succession, is, itself, unreasonable because it disregards the fact that, if no opposition is filed during the proper period, the trademark will be registered and the registration will go into effect.

(ii) Assertion of defendant

The status of the opponent to trademark registration cannot be the subject of succession as for the reasons mentioned below:

a. The system of publication of application seems to have the intention of increasing examination accuracy and securing objectivity in the decision of registration, by giving an opportunity to file opposition to trademark registration to any person. Therefore, the purpose of opposition to trademark registration is to offer information relating to examination. Moreover, the right to opposition to trademark registration is approved from a public viewpoint in order to eliminate a faulty examination, so it is not a property right nor any right derived from it. It should be regarded, rather, as a kind of non-transferable personal right of every member of the public. Therefore, the status as an opponent is a strictly personal right and is not succeeded.

b. In the Trademark Law and Patent Law, there are no provisions relating to the succession of status of an opponent, such as can be found in the Administrative Appeal Law, Article 37. This fact can support the previously mentioned conclusion.

c. Any person enjoys the right to file opposition to trademark registration as his unique right; therefore, it is unreasonable and unnecessary to approve succession. Moreover, no disadvantage will occur from the denial of the right of succession. Even when an opponent dies or is extinguished by amalgamation after filing opposition, information offered earlier becomes automaitcally the subject of

the examiner's investigation on his own authority and contributes to his final determination on the case. Therefore, even if succession of the status is not approved, the purpose of filing opposition is fully achieved. If the succession of proceedings is not approved for filing opposition to trademark registration, decision for the opposition is not made, but this does not change the outcome because that decision has only the nature of expressing the examiner's opinion of the information offered by the opponent.

4. Judgement of the Court

(1) Judgement of the Tokyo District Court
(1976(Gyo-U)174 Judgement of August 26, 1977)

Regarding the purpose of the system for filing opposition, from the point of view of guaranteeing the legal status of the opponent, the Tokyo District Court acknowledged the succession of the opponent's status, with a judgement approving such a status, due to the period and purpose of filing opposition being limited.

"According to the provisions of the Patent Law, Article 55(1) and 58(4) applied mutatis mutandis by the Trademark Law, Article 17, an opposition to trademark registration can be filed by any person, and against the decision for opposition thereto, and any appeal can not be filed. However, from this, it is premature to conclude that the purpose of the system thereof is to offer the information related to the examination, or the right to opposition is only approved from the public-interest point of view to exclude faulty

decision of registration. It is rather reasonable to understand that the purpose of the system for filing opposition to trademark registration is not limited on the above, but is to acknowledge the benefit for securing the legal status as well as to guarantee a right to protect such benefit and receive a judgement on opposition, by impeding the registration of a trademark concerned and by extinguishing the threat of demand for injunction from the other party regarding to the use of the same or similar trademark. Therefore, from the fact that a right to file opposition to registration has such nature and the period for filing opposition is limited (Trademark Law, Art. 17, Patent Law, Art.55(1)), the right to file opposition to registration is a lack of grounds to be a strictly personal right; instead, it is automatically succeeded by inheritance or amalgamation. Then, it is reasonable to understand that one who succeeded such a right may succeed the status of an opponent."

Moreover the benefit of receiving the decision for opposition is also acknowledged.

"According to the whole intention of pleading, it can be recognized that, without decision for opposition to the registration filed by Shufu-no-Mise, Daiei, Ltd., 12 trademark applications out of 19, asserted by the defendant in this case, have already been registered. However, there is no reason that the opponent is deprived of his benefit of receiving a decision due to the registration. Furthermore, the status of an opponent was succeeded by the plaintiff from the said company as mentioned in the preceding paragraph; therefore, the plaintiff

still has the benefit of receiving decisions for opposition to the registration on the said 12 cases.

(2) Judgement of the Tokyo High Court
(1977(Gyo-Ko)59 Judgement of May 2, 1978)

Relating to the purpose of the system for filing opposition and the succession of status of the opponent, the judgement of the Tokyo High Court is basically the same as that of the Tokyo District Court. However, it revised and somewhat supplemented the judgement of the Tokyo District Court.

"Under the Trademark Law, Art. 17 and Patent Law, Art. 55~61, the proceedings of filing opposition to trademark registration are provided, based upon the conflicting structure of the parties concerned; for example, for filing opposition, the reasons therefor and indications of necessary evidence shall be submitted, the period of time for filing or amending is limited,and an opportunity to submit the written reply is given to an applicant. From these proceedings, it is reasonable to understand that the system for filing opposition is enacted not only for the presentation of information but also for the use as a means to impede the registration by one who is affected by the registration of trademark in order to protect his own right, as a part of examination procedures, without waiting until the proper time for requesting an invalidation trial."

"The system for filing opposition to registration is a right guaranteed by public law, and this right includes the right to file the opposition and the right to receive a decision. It is difficult to

find the grounds that this system is a strictly personal right. Therefore, it is reasonable that the right to file the opposition can be the subject of succession, at least in general succession including inheritance and amalgamation, apart from the necessity for independently making it the subject of limited succession, such as transfer."

The court did not judge specifically as to the benefit of receiving a decision for opposition.

(3) Judgement of the Supreme Court
(1978(Gyo-Tsu)103 Judgement of June 19, 1981)

Regarding the purpose of the system for filing opposition, the Supreme Court adopted the assertion of the appelant (the President of the Patent Office) and ruled as follows:

"Under the system for filing opposition to trademark registration provided by the Patent Law, Art. 55 applied mutatis mutandis by the Trademark Law, Art. 17, the inquiry and indications of evidence and perpetuation of evidence can be carried out only after the opponent requests a decision on the merits of his opposition. Given that many provisions of the Code of Civil Procedure, premised on the conflicting structure of parties concerned, are applied mutatis mutandis to the system for filing opposition (See Trademark Law, Art. 17 & Patent Law, Art. 59, 150, & 151), it seems that there is enough ground for seeing the purpose of the system as one of protecting and securing the economic benefit of the opponent. Since this system for filing opposition seeks fairness by

allowing the filing of opposition by any person with or without interests," under the Trademark Law, Art. 17 and Patent Law, Art. 55(1), this system is enacted from the public-interest point of view in order to eliminate faulty examinations of applications for trademark registration. The Supreme Court ruled on the purpose of the system as the above and denied the succession of the status of the opponent; that is, "when a company as an opponent is extinguished due to amalgamation, it is reasonable to assume that the opposition shall be invalidated and the status as the opponent shall not be succeeded by the existing company after amalgamation."

Moreover, relating to the benefit of receiving a decision for opposition, the Court also denied this on the grounds of no "legal benefit".

"Since the applications described on the attached list, taken from the applications for trademark registration in this case, have already been finished all examination procedures and registered as trademark rights, it is reasonable to understand that the part requesting for withdrawal of the disposition, non-acceptance of the motion for succesion of opposition procedures, does not have legal benefit anymore."

Conclusion

The Patent Office has maintained the viewpoint that, when an opponent dies or is extinguished due to amalgamation, the decision for opposition is not made, since the system for filing opposition was introduced in the law in 1921.

This way of handling matters is based upon the following interpretations:

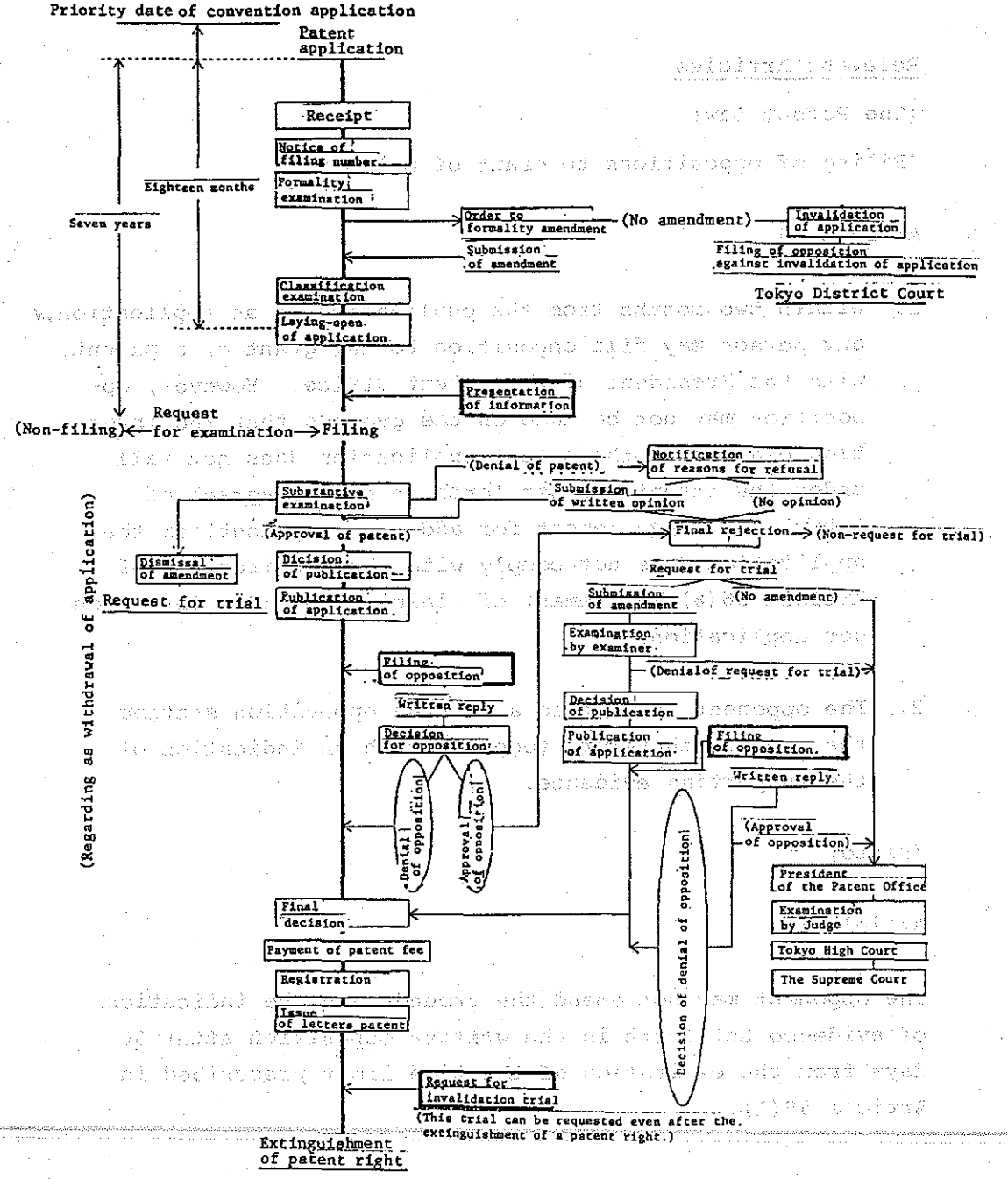
(i) the essence of the system for filing opposition is to offer information in order to secure a fair examination, (ii) the status of an opponent is not a legal right such as the subject of succession, (iii) therefore, when the opponent dies, his opposition becomes invalid from the moment of his death. The judgement of the Supreme Court supported these interpretations.

As is commonly known, there are two conflicting themes regarding succession of the status of filing opposition. One is in favor of the right of succession, and the other is against. However, there are hardly any theories regarding limited succession; the above two theories apply only to general succession.

It is obvious that the judgement of the Supreme Court and the viewpoint of the Patent Office stand against the right of succession, and the judgements of the first and second trial, in favor. Presumably, due to this judgement of the Supreme Court, the above conflict has come to a kind of "conclusion".

Attached Material (b)

Chart of Process from Patent Application to Patent Right



Attached Material (c)

Relevant Articles

[The Patent Law]

(Filing of oppositions to grant of patent)

Article 55

1. Within two months from the publication of an application, any person may file opposition to the grant of a patent, with the President of the Patent Office. However, opposition may not be made on the grounds that the invention claimed in the patent application does not fall under the inventions set forth in any paragraph of Article 31 (Requirement for additional patent) or the application does not comply with the requirements of Article 36(6) (Statement of claim) or 38 (One invention per application).

2. The opponent shall file a written opposition stating the grounds therefor, together with an indication of the supporting evidence.

(Ditto)

Article 56

The opponent may not amend the grounds and the indication of evidence set forth in the written opposition after 30 days from the expiration of the time limit prescribed in Article 55(1).

(Ditto)

Article 57

When opposition to the grant of a patent is filed, the examiner shall transmit a copy of the written opposition to the applicant for the patent, giving him an opportunity to submit a written reply, designating an adequate time limit.

(Ditto)

Article 58

1. After the expiration of the time limit for amending the written opposition under Article 56 (Amendment of written opposition) and the time limit designated in accordance with Article 57, the examiner shall render a ruling on the opposition.

2. The ruling shall be in writing and shall state the reasons therefor.

3. When a ruling under paragraph 1. has been rendered, a copy shall be sent to the opponent by the President of the Patent Office.

4. No. appeal shall lie from a ruling under paragraph 1.

(Ditto)

Article 59

Article 146 (Interpreters), 150, 151 (Investigation of evidence & preservation thereof), 169(3) to (6) (Costs of trial) and 170 (Executory force of ruling on amount of costs) shall apply mutatis mutandis to the examination of oppositions to the grant of a patent.

(Ditto)

Article 60

After rendering a ruling under Article 58(1) (Decision for opposition), the examiner shall make a decision as to whether a patent is to be granted or refused with respect to the application.

(Ditto)

Article 61

1. Where two or more oppositions to the grant of a patent have been filed and the examiner, after examine one of the oppositions, intends to render a decision that the patent application is to be refused, he shall not be required to render a ruling under Article 58(1) (Decision for opposition) on the other oppositions, notwithstanding that paragraph.

2. Where a ruling under Article 58(1) is not required by virtue of the preceding paragraph, a copy of the examiner's decision that the patent application is to be refused shall be sent to the opponent by the President of the Patent Office.

(Decision in the absence of opposition)

Article 62

Where no opposition to the grant of a patent is filed within the time limit prescribed in Article 55(1), the examiner shall render a decision that a patent is to be granted on the application unless a decision of refusal is to be made.

(Trial for invalidation of patent)

Article 123

1. In the following cases, a trial may be demanded for the invalidation of a patent. In this comtext, if there are two or more inventions claimed, a trial may be demanded for each invention.

(i) where the patent has been granted contrary to Article 25 (Enjoyment of rights by aliens), 29, 29-2 (Requirement for patent), 32 (Unpatentable inventions), 37 (Joint application), or 39(1) to (4) (First-to-file):

(ii) where the patent has been granted contrary to the povisions of a treaty:

(iii) where the patent has been granted on a patent application which does not comply with the requirements of Article 36(4) or (5) (Patent application):

(iv) where the patent has been granted on a patent application filed by a person who is not the inventor and has not succeeded to the right to obtain a patent for the invention concerned:

(v) where, after the grant of the patent, the patentee has become a person who can no longer enjoy a patent right under Article 25 (Enjoyment of rights by aliens), or the patent no longer complies with a treaty.

2. Even after the extinguishment of a patent right, a trial under the preceding paragraph may be demanded.

3. Where a trial under paragraph (1) has been demanded, the trial examinerin-chief shall notify the exclusive license with respect to the patent right and other persons who have any registered rights relating to the patent.

(Ditto)

Article 124

Where a patent has been granted for an invention which was described in a publication distributed in a foreign country prior to the filing of the patent application or for an invention which could easily have been made on the basis of such invention by a person with ordinary skill in the art to which such invention pertains, a trial on the patent under Article 123(1) may not be demanded after five years from the registration of the establishment of the patent right.

(Ditto)

Article 125

Where a trial decision that a patent is to be invalidated has become final and conclusive, the patent right shall be deemed never to have existed. However, where a patent falls under paragraph (v) of Article 123(1) (Reasons for invalidation after the grant of the patent) and a trial decision that the patent is to be invalidated has become final and conclusive, the patent right shall be deemed not to have existed from the time when the patent first fell under that paragraph.

[The Patent Law Enforcement Regulation]

(Presentation of Information)

Article 13-2

If a laying-open of application was made, any person may, to the President of the Patent Office, submit, according to Form No. 7-2, a publication or a copy thereof, or copy of the specifications or drawings attached to the written application of the patent application or the utility model registration application, and thus present information to the effect that the invention pertaining to said laying-opened patent application is the one ineligible for patent by virtue of the provision of Article 29, 29-2 (Requirement for patent) or Article 39(1) to (4) (First-to-file) of the Patent Law. Provided, that this shall not apply if said laying-opened patent application was published or the case has no more been pending in the Patent Office.

(Matters to be stated in ruling on opposition)

Article 34

The following matters shall be stated in a ruling under Article 58(1) (Decision for opposition) of the Patent Law, and the examiner who has rendered the ruling shall write down his name, to which his seal shall be affiexed:

(1) Patent application number;

(2) Name of invention;

(3) Names or trade names of a patent applicant and an opponent as well as their attorneys;

(4) Conclusion of ruling and reason thereof;

(5) Date of ruling.

(Matters to be stated in final decision)

Article 35

The following matters shall be stated in a final decision, and the examiner who has rendered the decision shall write down his name, to which his seal shall be affixed. Provided that, in the case where a decision to the effect that the rejection should be made, is rendered, such matter as mentioned in item (3) need not be stated:

(1) Patent application number;

(2) Name of invention;

(3) Number of inventions stated in the scope of claim for patent;

(4) Names or tradenames of a patent applicant and an attorney;

(5) Conclusion of decision and reason therefor;

(6) Date of decision.

(Transmittal of copy of decision)

Article 37

Unless otherwise provided for in laws and orders, the President of the Patent Office shall, if a decision on an examination has been rendered, send the copy thereof to the patent applicant and the opponent.

REMARKS ON PATENT TERM RESTORATION
FOR MEETING OF PIPA, SENDAI, JAPAN

NOVEMBER 8, 1984

Rudolph J. Anderson, Jr.
General Patent Counsel
Monsanto Company

In previous PIPA meetings, I have reported to you on the progress of legislation in the United States to restore to the patent owner a period of time of his patent life which would compensate him for delays due to premarketing regulatory review of the products of his invention.

I can now report to you that such legislation has been passed in both the United States Senate and the House of Representatives and has been signed into law by the President. The text of the Bill is attached hereto as Exhibit 1. Exhibit 2 is a general description of the provisions of the Bill.

As you can see from the attachments, the Patent Term Restoration Bill now law in the United States relates only to pharmaceutical inventions. As indicated in Exhibit 2, the patent legislation was accepted by Congress when coupled with a generic drug approval scheme favorable to the generic drug industry. The legislation is a compromise between the interests of the generic drug industry and the research intensive industry. As is the norm, neither side is 100% happy with the benefits they receive. However, the generic industry does have the ability to rapidly introduce generic copies of patented

drugs when the patent expires; and the research intensive industry does have the benefit of added patent term to compensate for their suffering of regulatory delay before they have the ability to market their inventions.

You will recall from earlier presentations that the Patent Term Restoration legislation originally included an extension of patent related to agricultural products, i.e., animal health products, herbicides, etc. Separate legislation was before Congress for patent term restoration applicable to those products and it failed to be enacted by either chamber of the United States Congress. The reason for the failure is not considered to be a lack of merit in the legislation. Near the end of the current Congressional Session, groups concerned with the environment interjected opposition to the passage of the agricultural patent term restoration legislation without some modification of the environmental protection laws in the United States of interest to those groups. Efforts to reach a compromise between the affected parties started, but there was insufficient time in the congressional session to reach agreement. It is anticipated that this legislation will be reintroduced in the next Congress and, within the two year period of the next session, accommodation will be reached and patent term restoration legislation of the nature outlined in Exhibit 3 will be enacted.

time by the way in opposition to the FSLIC had a very constructive and positive effect trying to help out some of our institutions that were engaged in loans that affected real estate and were caught I say through no basic fault of their own except the fast-rising interest rates.

The measure that I have just caused to be printed and will call up for debate and vote at an appropriate time does the same thing, does the same thing, I emphasize, for agricultural banks in serious straits today. My amendment would effectively make commercial banks eligible for net worth assistance and would add an agricultural loan commitment test to the existing residential mortgage test. Commercial banks which have a ratio of primary capital to adjusted total sales equal to less than 5.5 percent and which have at least 20 percent of their loans in agriculture would qualify for the net worth assistance program.

The 5.5-percent capital requirement is equivalent to the 3-percent net worth requirement for thrift institutions that was adopted in 1982.

The amendment would provide the FDIC with the additional tool for assisting troubled banks as an alternative to a merger or liquidation. A significant number of banks that are committed to agricultural lending face severe straits due to high real interest rates, the high value of the U.S. dollar, and the very weak market currently for farmland. These institutions face the difficult choice of foreclosing on farmers or risking their own liquidation or merger by the FDIC.

Making these institutions eligible for the Net Worth Assistance Program would buy them some time to work through these difficult economic times and provide an alternative to more drastic measures, such as liquidation or merger.

S. 2581 extends the Net Worth Assistance Program for 3 years. My amendment would simply make it possible for institutions with a commitment to agriculture to qualify for the same program. As a matter of equity and in recognition of the difficult times that many agriculture lenders are facing, this amendment should be adopted.

Mr. President, I yield the floor.

Mr. GARN. Mr. President, the Senator from Nebraska did, a few moments ago, bring me a copy of this amendment. I appreciate the fact that he is not offering it at this point—at least that was my understanding—because we are taking a look at it. It is new to us and we are trying to check it out and will continue to do that. I will notify the Senator from Nebraska when I have an answer as to whether it is something we can consider or whether it is something we do not desire to enter into and press to a vote.

Mr. EXON. I thank my friend, the manager of the bill. He has adequately described the situation. That is why I presented it to him at this time and made the brief remarks so that we could get it out on the floor. If it is necessary to debate it further, I will do so and call it up for a vote at an appropriate time if we cannot reach an agreement, which I hope we can, because I think it is a significant step in the right direction. It merely builds upon the constructive actions taken by the manager of the bill a couple of years ago when we faced similar circumstances in another banking area.

Mr. GARN. Mr. President, I thank the Senator from Nebraska for his consideration and also indicate to him that in this bill, S. 2851, is an extension of that program. So whether or not we accept his amendment or adopt it on a vote, the amendment would be moot unless we are able to adopt this bill. The section he wishes to amend would die at the end of next year. That is one of the things I continue to talk about when we become so focused on the security powers and regional banking. There are those who would try to kill everything in the bill because of those particular issues. There are a lot of items in the bill that need to be passed and the extension of that assistance program is one of them.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HATCH. Mr. President, I ask unanimous consent that the order for the quorum be rescinded.

The PRESIDING OFFICER (Mr. HUMPHREY). Without objection, it is so ordered.

Mr. HATCH. Mr. President, I send a number of amendments to the desk.

The PRESIDING OFFICER. The amendments will be received.

Mr. HATCH. I suggest the absense of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GARN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GARN. Mr. President, I send to the desk a series of amendments.

The PRESIDING OFFICER. The amendments will be received.

Mr. GARN. Mr. President, I suggest the absence of a quorm.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HATCH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HATCH. Mr. President, I send some additional amendments to the desk.

The PRESIDING OFFICER. The amendments will be recieved.

Mr. HATCH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HATCH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

DRUG PRICE COMPETITION AND PATENT TERM RESTORATION ACT

Mr. HATCH. Mr. President, I intend at this time to ask that the Chair lay before the Senate a message from the House on S. 1538, the patent law amendments of 1984.

Mr. BYRD. Mr. President, will the distinguished Senator yield?

Mr. HATCH. I am delighted to yield.

Mr. BYRD. Can the Senator or Senators give me assurance there will be no amendments to or pertaining to any aspect of the message, and that there will be no motions?

Mr. HATCH. That is certainly the intent of this side. I do not believe there are any amendments on this side or any motions contemplated.

Mr. BYRD. Mr. President, would the distinguished Senator ask unanimous consent that there be no amendments in any manner, shape, or form, and no motion except the motion to concur in the House amendments?

Mr. HATCH. I ask unanimous consent, Mr. President, that there be no further amendments to S. 1538 nor any motions permitted other than the motion that the Senator concur.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD. I thank the distinguished Senator.

Mr. HATCH. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on S. 1538.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the bill from the Senate (S. 1538) entitled "An Act to amend the patent laws of the United States", do pass with the following amendments: Strike out all after the enacting clause and insert:

That this Act may be cited as the "Drug Price Competition and Patent Term Restoration Act of 1984".

TITLE I—ABBREVIATED NEW DRUG APPLICATIONS

Src. 101. Section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355) is amended by redesignating subsection (j) as subsection (k) and inserting after subsection (i) the following:

"(j)(1) Any person may file with the Secretary an abbreviated application for the approval of a new drug.

"(2)(A) An abbreviated application for a new drug shall contain—

"(i) information to show that the conditions of use prescribed, recommended, or suggested in the labeling proposed for the

new drug have been previously approved for a drug listed under paragraph (6) (hereinafter in this subsection referred to as a 'listed drug');

"(ii)(I) if the listed drug referred to in clause (i) has only one active ingredient, information to show that the active ingredient of the new drug is the same as that of the listed drug;

"(II) if the listed drug referred to in clause (i) has more than one active ingredient, information to show that the active ingredients of the new drug are the same as those of the listed drug, or

"(III) if the listed drug referred to in clause (i) has more than one active ingredient and if one of the active ingredients of the new drug is different and the application is filed pursuant to the approval of a petition filed under subparagraph (C), information to show that the other active ingredients of the new drug are the same as the active ingredients of the listed drug, information to show that the different active ingredient is an active ingredient of a listed drug or of a drug which does not meet the requirements of section 201(p), and such other information respecting the different active ingredient with respect to which the petition was filed as the Secretary may require;

"(iii) information to show that the route of administration, the dosage form, and the strength of the new drug are the same as those of the listed drug referred to in clause (i) or, if the route of administration, the dosage form, or the strength of the new drug is different and the application is filed pursuant to the approval of a petition filed under subparagraph (C), such information respecting the route of administration, dosage form, or strength with respect to which the petition was filed as the Secretary may require;

"(iv) information to show that the new drug is bioequivalent to the listed drug referred to in clause (i), except that if the application is filed pursuant to the approval of a petition filed under subparagraph (C), information to show that the active ingredients of the new drug are of the same pharmacological or therapeutic class as those of the listed drug referred to in clause (i) and the new drug can be expected to have the same therapeutic effect as the listed drug when administered to patients for a condition of use referred to in clause (i);

"(v) information to show that the labeling proposed for the new drug is the same as the labeling approved for the listed drug referred to in clause (i) except for changes required because of differences approved under a petition filed under subparagraph (C) or because the new drug and the listed drug are produced or distributed by different manufacturers;

"(vi) the items specified in clauses (B) through (F) of subsection (b)(1);

"(vii) a certification, in the opinion of the applicant and to the best of his knowledge, with respect to each patent which claims the listed drug referred to in clause (i) or which claims a use for such listed drug for which the applicant is seeking approval under this subsection and for which information is required to be filed under subsection (b) or (c)—

"(I) that such patent information has not been filed,

"(II) that such patent has expired,

"(III) of the date on which such patent will expire, or

"(IV) that such patent is invalid or will not be infringed by the manufacture, use, or sale of the new drug for which the application is submitted; and

"(viii) if with respect to the listed drug referred to in clause (i) information was filed under subsection (b) or (c) for a method of use patent which does not claim a use for which the applicant is seeking approval under this subsection, a statement that the method of use patent does not claim such a use.

The Secretary may not require that an abbreviated application contain information in addition to that required by clauses (i) through (viii).

"(B)(i) An applicant who makes a certification described in subparagraph (A)(vii)(IV) shall include in the application a statement that the applicant will give the notice required by clause (ii) to—

"(I) each owner of the patent which is the subject of the certification or the representative of such owner designated to receive such notice, and

"(II) the holder of the approved application under subsection (b) for the drug which is claimed by the patent or a use of which is claimed by the patent or the representative of such holder designated to receive such notice.

"(ii) The notice referred to in clause (i) shall state that an application, which contains data from bioavailability or bioequivalence studies, has been submitted under this subsection for the drug with respect to which the certification is made to obtain approval to engage in the commercial manufacture, use, or sale of such drug before the expiration of the patent referred to in the certification. Such notice shall include a detailed statement of the factual and legal basis of the applicant's opinion that the patent is not valid or will not be infringed.

"(iii) If an application is amended to include a certification described in subparagraph (A)(vii)(IV), the notice required by clause (ii) shall be given when the amended application is submitted.

"(C) If a person wants to submit an abbreviated application for a new drug which has a different active ingredient or whose route of administration, dosage form, or strength differ from that of a listed drug, such person shall submit a petition to the Secretary seeking permission to file such an application. The Secretary shall approve or disapprove a petition submitted under this subparagraph within ninety days of the date the petition is submitted. The Secretary shall approve such a petition unless the Secretary finds—

"(i) that investigations must be conducted to show the safety and effectiveness of the drug or of any of its active ingredients, the route of administration, the dosage form, or strength which differ from the listed drug; or

"(ii) that any drug with a different active ingredient may not be adequately evaluated for approval as safe and effective on the basis of the information required to be submitted in an abbreviated application.

"(3) Subject to paragraph (4), the Secretary shall approve an application for a drug unless the Secretary finds—

"(A) the methods used in, or the facilities and controls used for, the manufacture, processing, and packing of the drug are inadequate to assure and preserve its identity, strength, quality, and purity;

"(B) information submitted with the application is insufficient to show that each of the proposed conditions of use have been previously approved for the listed drug referred to in the application;

"(C)(i) if the listed drug has only one active ingredient, information submitted with the application is insufficient to show that the active ingredient is the same as that of the listed drug;

"(ii) if the listed drug has more than one active ingredient, information submitted with the application is insufficient to show that the active ingredients are the same as the active ingredients of the listed drug, or

"(iii) if the listed drug has more than one active ingredient and if the application is for a drug which has an active ingredient different from the listed drug, information submitted with the application is insufficient to show—

"(I) that the other active ingredients are the same as the active ingredients of the listed drug, or

"(II) that the different active ingredient is an active ingredient of a listed drug or a drug which does not meet the requirements of section 201(p),

or no petition to file an application for the drug with the different ingredient was approved under paragraph (2)(C);

"(D)(i) if the application is for a drug whose route of administration, dosage form, or strength of the drug is the same as the route of administration, dosage form, or strength of the listed drug referred to in the application, information submitted in the application is insufficient to show that the route of administration, dosage form, or strength is the same as that of the listed drug, or

"(ii) if the application is for a drug whose route of administration, dosage form, or strength of the drug is different from that of the listed drug referred to in the application, no petition to file an application for the drug with the different route of administration, dosage form, or strength was approved under paragraph (2)(C);

"(E) if the application was filed pursuant to the approval of a petition under paragraph (2)(C), the application did not contain the information required by the Secretary respecting the active ingredient, route of administration, dosage form, or strength which is not the same;

"(F) information submitted in the application is insufficient to show that the drug is bioequivalent to the listed drug referred to in the application or, if the application was filed pursuant to a petition approved under paragraph (2)(C), information submitted in the application is insufficient to show that the active ingredients of the new drug are of the same pharmacological or therapeutic class as those of the listed drug referred to in paragraph (2)(A)(i) and that the new drug can be expected to have the same therapeutic effect as the listed drug when administered to patients for a condition of use referred to in such paragraph;

"(G) information submitted in the application is insufficient to show that the labeling proposed for the drug is the same as the labeling approved for the listed drug referred to in the application except for changes required because of differences approved under a petition filed under paragraph (2)(C) or because the drug and the listed drug are produced or distributed by different manufacturers;

"(H) information submitted in the application or any other information available to the Secretary shows that (i) the inactive ingredients of the drug are unsafe for use under the conditions prescribed, recommended, or suggested in the labeling proposed for the drug, or (ii) the composition of the drug is unsafe under such conditions because of the type or quantity of inactive ingredients included or the manner in which the inactive ingredients are included;

"(I) the approval under subsection (c) of the listed drug referred to in the application under this subsection has been withdrawn or suspended for grounds described in the first sentence of subsection (e), the Secretary has published a notice of opportunity for hearing to withdraw approval of the listed drug under subsection (c) for grounds described in the first sentence of subsection (e), the approval under this subsection of the

listed drug referred to in the application under this subsection has been withdrawn or suspended under paragraph (5), or the Secretary has determined that the listed drug has been withdrawn from sale for safety or effectiveness reasons;

"(J) the application does not meet any other requirement of paragraph (2)(A); or

"(K) the application contains an untrue statement of material fact.

"(4)(A) Within one hundred and eighty days of the initial receipt of an application under paragraph (2) or within such additional period as may be agreed upon by the Secretary and the applicant, the Secretary shall approve or disapprove the application.

"(B) The approval of an application submitted under paragraph (2) shall be made effective on the last applicable date determined under the following:

"(i) If the applicant only made a certification described in subclause (I) or (II) of paragraph (2)(A)(vii) or in both such subclauses, the approval may be made effective immediately.

"(ii) If the applicant made a certification described in subclause (III) of paragraph (2)(A)(vii), the approval may be made effective on the date certified under subclause (III).

"(iii) If the applicant made a certification described in subclause (IV) of paragraph (2)(A)(vii), the approval shall be made effective immediately unless an action is brought for infringement of a patent which is the subject of the certification before the expiration of forty-five days from the date the notice provided under paragraph (2)(B)(i) is received. If such an action is brought before the expiration of such days, the approval shall be made effective upon the expiration of the thirty-month period beginning on the date of the receipt of the notice provided under paragraph (2)(B)(i) or such shorter or longer period as the court may order because either party to the action failed to reasonably cooperate in expediting the action, except that—

"(I) if before the expiration of such period the court decides that such patent is invalid or not infringed, the approval shall be made effective on the date of the court decision,

"(II) if before the expiration of such period the court decides that such patent has been infringed, the approval shall be made effective on such date as the court orders under section 271(e)(4)(A) of title 35, United States Code, or

"(III) if before the expiration of such period the court grants a preliminary injunction prohibiting the applicant from engaging in the commercial manufacture or sale of the drug until the court decides the issues of patent validity and infringement and if the court decides that such patent is not invalid or not infringed, the approval shall be made effective on the date of such court decision.

In such an action, each of the parties shall reasonably cooperate in expediting the action. Until the expiration of forty-five days from the date the notice made under paragraph (2)(B)(i) is received, no action may be brought under section 2201 of title 28, United States Code, for a declaratory judgment with respect to the patent. Any action brought under section 2201 shall be brought in the judicial district where the defendant has its principal place of business or a regular and established place of business.

"(iv) If the application contains a certification described in subclause (IV) of paragraph (2)(A)(vii) and is for a drug for which a previous application has been submitted under this subsection containing such a certification, the application shall be made effective not earlier than one hundred and eighty days after—

"(I) the date the Secretary receives notice from the applicant under the previous application of the first commercial marketing of the drug under the previous application, or

"(II) the date of a decision of a court in an action described in clause (iii) holding the patent which is the subject of the certification to be invalid or not infringed,

whichever is earlier.

"(C) If the Secretary decides to disapprove an application, the Secretary shall give the applicant notice of an opportunity for a hearing before the Secretary on the question of whether such application is approvable. If the applicant elects to accept the opportunity for hearing by written request within thirty days after such notice, such hearing shall commence not more than ninety days after the expiration of such thirty days unless the Secretary and the applicant otherwise agree. Any such hearing shall thereafter be conducted on an expedited basis and the Secretary's order thereon shall be issued within ninety days after the date fixed by the Secretary for filing final briefs.

"(D)(i) If an application (other than an abbreviated new drug application) submitted under subsection (b) for a drug, no active ingredient (including any ester or salt of the active ingredient) of which has been approved in any other application under subsection (b), was approved during the period beginning January 1, 1982, and ending on the date of the enactment of this subsection, the Secretary may not make the approval of an application submitted under this subsection which refers to the drug for which the subsection (b) application was submitted effective before the expiration of ten years from the date of the approval of the application under subsection (b).

"(ii) If an application submitted under subsection (b) for a drug, no active ingredient (including any ester or salt of the active ingredient) of which has been approved in any other application under subsection (b), is approved after the date of the enactment of this subsection, no application may be submitted under this subsection which refers to the drug for which the subsection (b) application was submitted before the expiration of five years from the date of the approval of the application under subsection (b), except that such an application may be submitted under this subsection after the expiration of four years from the date of the approval of the subsection (b) application if it contains a certification of patent invalidity or noninfringement described in subclause (IV) of paragraph (2)(A)(vii). The approval of such an application shall be made effective in accordance with subparagraph (B) except that, if an action for patent infringement is commenced during the one-year period beginning forty-eight months after the date of the approval of the subsection (b) application, the thirty-month period referred to in subparagraph (B)(iii) shall be extended by such amount of time (if any) which is required for seven and one-half years to have elapsed from the date of approval of the subsection (b) application.

"(iii) If an application submitted under subsection (b) for a drug, which includes an active ingredient (including any ester or salt of the active ingredient) that has been approved in another application approved under subsection (b), is approved after the date of enactment of this subsection and if such application contains reports of new clinical investigations (other than bioavailability studies) essential to the approval of the application and conducted or sponsored by the applicant, the Secretary may not make the approval of an application submitted under this subsection for the conditions of approval of such drug in the subsection (b) application effective before the expiration of three years from the date of the approval of the application under subsection (b) for such drug.

"(iv) If a supplement to an application approved under subsection (b) is approved after the date of enactment of this subsection and the supplement contains reports of new clinical investigations (other than bioavailability studies) essential to the approval of the supplement and conducted or sponsored by the person submitting the supplement, the Secretary may not make the approval of an application submitted under this subsection for a change approved in the supplement effective before the expiration of three years from the date of the approval of the supplement under subsection (b).

"(v) If an application (or supplement to an application) submitted under subsection (b) for a drug, which includes an active ingredient (including any ester or salt of the active ingredient) that has been approved in another application under subsection (b), was approved during the period beginning January 1, 1982, and ending on the date of the enactment of this subsection, the Secretary may not make the approval of an application submitted under this subsection which refers to the drug for which the subsection (b) application was submitted or which refers to a change approved in a supplement to the subsection (b) application effective before the expiration of two years from the date of enactment of this subsection.

"(5) If a drug approved under this subsection refers in its approved application to a drug the approval of which was withdrawn or suspended for grounds described in the first sentence of subsection (e) or was withdrawn or suspended under this paragraph or which, as determined by the Secretary, has been withdrawn from sale for safety or effectiveness reasons, the approval of the drug under this subsection shall be withdrawn or suspended—

"(A) for the same period as the withdrawal or suspension under subsection (e) or this paragraph, or

"(B) if the listed drug has been withdrawn from sale, for the period of withdrawal from sale or, if earlier, the period ending on the date the Secretary determines that the withdrawal from sale is not for safety or effectiveness reasons.

"(6)(A)(i) Within sixty days of the date of the enactment of this subsection, the Secretary shall publish and make available to the public—

"(I) a list in alphabetical order of the official and proprietary name of each drug which has been approved for safety and effectiveness under subsection (c) before the date of the enactment of this subsection;

"(II) the date of approval if the drug is approved after 1981 and the number of the application which was approved; and

"(III) whether in vitro or in vivo bioequivalence studies, or both such studies, are required for applications filed under this subsection which will refer to the drug published.

"(ii) Every thirty days after the publication of the first list under clause (i) the Secretry shall revise the list to include each drug which has been approved for safety and effectiveness under subsection (c) or approved under this subsection during the thirty-day period.

"(iii) When patent information submitted under subsection (b) or (c) respecting a drug included on the list is to be published by the Secretary the Secretary shall, in revisions

made under clause (ii), include such information for such drug.

"(B) A drug approved for safety and effectiveness under subsection (c) or approved under this subsection shall, for purposes of this subsection, be considered to have been published under subparagraph (A) on the date of its approval or the date of enactment, whichever is later.

"(C) If the approval of a drug was withdrawn or suspended for grounds described in the first sentence of subsection (e) or was withdrawn or suspended under paragraph (5) or if the Secretary determines that a drug has been withdrawn from sale for safety or effectiveness reasons, it may not be published in the list under subparagraph (A) or, if the withdrawal or suspension occurred after its publication in such list, it shall be immediately removed from such list—

"(i) for the same period as the withdrawal or suspension under subsection (e) or paragraph (5), or

"(ii) if the listed drug has been withdrawn from sale, for the period of withdrawal from sale or, if earlier, the period ending on the date the Secretary determines that the withdrawal from sale is not for safety or effectiveness reasons.

A notice of the removal shall be published in the Federal Register.

"(7) For purposes of this subsection:

"(A) The term 'bioavailability' means the rate and extent to which the active ingredient or therapeutic ingredient is absorbed from a drug and becomes available at the site of drug action.

"(B) A drug shall be considered to be bioequivalent to a listed drug if—

"(i) the rate and extent of absorption of the drug do not show a significant difference from the rate and extent of absorption of the listed drug when administered at the same molar dose of the therapeutic ingredient under similar experimental conditions in either a single dose or multiple doses; or

"(ii) the extent of absorption of the drug does not show a significant difference from the extent of absorption of the listed drug when administered at the same molar dose of the therapeutic ingredient under similar experimental conditions in either a single dose or multiple doses and the difference from the listed drug in the rate of absorption of the drug is intentional, is reflected in its proposed labeling, is not essential to the attainment of effective body drug concentrations on chronic use, and is considered medically insignificant for the drug.".

SEC. 102. (a)(1) Section 505(b) of such Act is amended by adding at the end the following: "The applicant shall file with the application the patent number and the expiration date of any patent which claims the drug for which the applicant submitted the application or which claims a method of using such drug and with respect to which a claim of patent infringement could reasonably be asserted if a person not licensed by the owner engaged in the manufacture, use, or sale of the drug. If an application is filed under this subsection for a drug and a patent which claims such drug or a method of using such drug is issued after the filing date but before approval of the application, the applicant shall amend the application to include the information required by the preceding sentence. Upon approval of the application, the Secretary shall publish information submitted under the two preceding sentences.".

(2) Section 505(c) of such Act is amended by inserting "(1)" after "(c)", by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively, and by adding at the end the following:

"(2) If the patent information described in subsection (b) could not be filed with the submission of an application under subsection (b) because the application was filed before the patent information was required under subsection (b) or a patent was issued after the application was approved under such subsection, the holder of an approved application shall file with the Secretary the patent number and the expiration date of any patent which claims the drug for which the application was submitted or which claims a method of using such drug and with respect to which a claim of patent infringement could reasonably be asserted if a person not licensed by the owner engaged in the manufacture, use, or sale of the drug. If the holder of an approved application could not file patent information under subsection (b) because it was not required at the time the application was approved, the holder shall file such information under this subsection not later than thirty days after the date of the enactment of this sentence, and if the holder of an approved application could not file patent information under subsection (b) because no patent had been issued when an application was filed or approved, the holder shall file such information under this subsection not later than thirty days after the date the patent involved is issued. Upon the submission of patent information under this subsection, the Secretary shall publish it.".

(3)(A) The first sentence of section 505(d) of such Act is amended by redesignating clause (6) as clause (7) and inserting after clause (5) the following: "(6) the application failed to contain the patent information prescribed by subsection (b); or".

(B) The first sentence of section 505(e) of such Act is amended by redesignating clause (4) as clause (5) and inserting after clause (3) the following: "(4) the patent information prescribed by subsection (c) was not filed within thirty days after the receipt of written notice from the Secretary specifying the failure to file such information; or".

(b)(1) Section 505(a) of such Act is amended by inserting "or (j)" after "subsection (b)".

(2) Section 505(c) of such Act is amended by striking out "this subsection" and inserting in lieu thereof "subsection (b)".

(3) The second sentence of section 505(e) of such Act is amended by inserting "submitted under subsection (b) or (j)" after "an application".

(4) The second sentence of section 505(e) is amended by striking out "(j)" each place it occurs in clause (1) and inserting in lieu thereof "(k)".

(5) Section 505(k)(1) of such Act (as so redesignated) is amended by striking out "pursuant to this section" and inserting in lieu thereof "under subsection (b) or (j)".

(6) Subsections (a) and (b) of section 527 of such Act are each amended by striking out "505(b)" each place it occurs and inserting in lieu thereof "505".

SEC. 103. (a) Section 505(b) of such Act is amended by inserting "(1)" after "(b)", by redesignating clauses (1) through (6) as clauses (A) through (F), respectively, and by adding at the end the following:

"(2) An application submitted under paragraph (1) for a drug for which the investigations described in clause (A) of such paragraph and relied upon by the applicant for approval of the application were not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted shall also include—

"(A) a certification, in the opinion of the applicant and to the best of his knowledge, with respect to each patent which claims the drug for which such investigations were conducted or which claims a use for such drug for which the applicant is seeking approval under this subsection and for which information is required to be filed under paragraph (1) or subsection (c)—

"(i) that such patent information has not been filed,

"(ii) that such patent has expired,

"(iii) of the date on which such patent will expire, or

"(iv) that such patent is invalid or will not be infringed by the manufacture, use, or sale of the new drug for which the application is submitted; and

"(B) if with respect to the drug for which investigations described in paragraph (1)(A) were conducted information was filed under paragraph (1) or subsection (c) for a method of use patent which does not claim a use for which the applicant is seeking approval under this subsection, a statement that the method of use patent does not claim such a use.

"(3)(A) An applicant who makes a certification described in paragraph (2)(A)(iv) shall include in the application a statement that the applicant will give the notice required by subparagraph (B) to—

"(i) each owner of the patent which is the subject of the certification or the representative of such owner designated to receive such notice, and

"(ii) the holder of the approved application under subsection (b) for the drug which is claimed by the patent or a use of which is claimed by the patent or the representative of such holder designated to receive such notice.

"(B) The notice referred to in subparagraph (A) shall state that an application has been submitted under this subsection for the drug with respect to which the certification is made to obtain approval to engage in the commercial manufacture, use, or sale of the drug before the expiration of the patent referred to in the certification. Such notice shall include a detailed statement of the factual and legal basis of the applicant's opinion that the patent is not valid or will not be infringed.

"(C) If an application is amended to include a certification described in paragraph (2)(A)(iv), the notice required by subparagraph (B) shall be given when the amended application is submitted.".

(b) Section 505(c) of such Act (as amended by section 102(a)(2)) is amended by adding at the end the following:

"(3) The approval of an application filed under subsection (b) which contains a certification required by paragraph (2) of such subsection shall be made effective on the last applicable date determined under the following:

"(A) If the applicant only made a certification described in clause (i) or (ii) of subsection (b)(2)(A) or in both such clauses, the approval may be made effective immediately.

"(B) If the applicant made a certification described in clause (iii) of subsection (b)(2)(A), the approval may be made effective on the date certified under clause (iii).

"(C) If the applicant made a certification described in clause (iv) of subsection (b)(2)(A), the approval shall be made effective immediately unless an action is brought for infringement of a patent which is the subject of the certification before the expiration of forty-five days from the date the notice provided under paragraph (3)(B) is received. If such an action is brought before the expiration of such days, the approval may be made effective upon the expiration of the thirty-month period beginning on the date of the receipt of the notice provided under paragraph (3)(B) or such shorter or longer period as the court may order because

either party to the action failed to reasonably cooperate in expediting the action, except that—

"(I) if before the expiration of such period the court decides that such patent is invalid or not infringed, the approval may be made effective on the date of the court decision,

"(II) if before the expiration of such period the court decides that such patent has been infringed, the approval may be made effective on such date as the court orders under section 271(e)(4)(A) of title 35, United States Code, or

"(III) if before the expiration of such period the court grants a preliminary injunction prohibiting the applicant from engaging in the commercial manufacture or sale of the drug until the court decides the issues of patent validity and infringement and if the court decides that such patent is not invalid or not infringed, the approval shall be made effective on the date of such court decision.

In such an action, each of the parties shall reasonably cooperate in expediting the action. Until the expiration of forty-five days from the date the notice made under paragraph (3)(B) is received, no action may be brought under section 2201 of title 28, United States Code, for a declaratory judgment with respect to the patent. Any action brought under such section 2201 shall be brought in the judicial district where the defendant has its principal place of business or a regular and established place of business.

"(D)(i) If an application (other than an abbreviated new drug application) submitted under subsection (b) for a drug, no active ingredient (including any ester or salt of the active ingredient) of which has been approved in any other application under subsection (b), was approved during the period beginning January 1, 1982, and ending on the date of the enactment of this subsection, the Secretary may not make the approval of another application for a drug for which the investigations described in clause (A) of subsection (b)(1) and relied upon by the applicant for approval of the application were not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted effective before the expiration of ten years from the date of the approval of the application previously approved under subsection (b).

"(ii) If an application submitted under subsection (b) for a drug, no active ingredient (including any ester or salt of the active ingredient) of which has been approved in any other application under subsection (b), is approved after the date of the enactment of this clause, no application which refers to the drug for which the subsection (b) application was submitted and for which the investigations described in clause (A) of subsection (b)(1) and relied upon by the applicant for approval of the application were not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted may be submitted under subsection (b) before the expiration of five years from the date of the approval of the application under subsection (b), except that such an application may be submitted under subsection (b) after the expiration of four years from the date of the approval of the subsection (b) application if it contains a certification of patent invalidity or noninfringement described in clause (iv) of subsection (b)(2)(a). The approval of such an application shall be made effective in accordance with this paragraph except that, if an action for patent infringement is commenced during the one-year period beginning forty-eight months after the date of the approval of the subsection (b) application, the thirty-month period referred to in subparagraph (c) shall be extended by such amount of time (if any) which is required for seven and one-half years to have elapsed from the date of approval of the subsection (b) application.

"(iii) If an application submitted under subsection (b) for a drug, which includes an active ingredient (including any ester or salt of the active ingredient) that has been approved in another application approved under subsection (b), is approved after the date of the enactment of this clause and if such application contains reports of new clinical investigations (other than bioavailability studies) essential to the approval of the application and conducted or sponsored by the applicant, the Secretary may not make the approval of an application submitted under subsection (b) for the conditions of approval of such drug in the approved subsection (b) application effective before the expiration of three years from the date of the approval of the application under subsection (b) if the investigations described in clause (A) of subsection (b)(1) and relied upon by the applicant for approval of the application were not conducted by or for the applicant and if the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted.

"(iv) If a supplement to an application approved under subsection (b) is approved after the date of enactment of this clause and the supplement contains reports of new clinical investigations (other than bioavailability studies) essential to the approval of the supplement and conducted or sponsored by the person submitting the supplement, the Secretary may not make the approval of an application submitted under subsection (b) for a change approved in the supplement effective before the expiration of three years from the date of the approval of the supplement under subsection (b) if the investigations described in clause (A) of subsection (b)(1) and relied upon by the applicant for approval of the application were not conducted by or for the applicant and if the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted.

"(v) If an application (or supplement to an application) submitted under subsection (b) for a drug, which includes an active ingredient (including any ester or salt of the active ingredient) that has been approved in another application under subsection (b), was approved during the period beginning January 1, 1982, and ending on the date of the enactment of this clause, the Secretary may not make the approval of an application submitted under this subsection and for which the investigations described in clause (A) of subsection (b)(1) and relied upon by the applicant for approval of the application were not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted and which refers to the drug for which the subsection (b) application was submitted effective before the expiration of two years from the date of enactment of this clause.".

SEC. 104. Section 505 of such Act is amended by adding at the end the following:

"(l) Safety and effectiveness data and information which has been submitted in an application under subsection (b) for a drug and which has not previously been disclosed to the public shall be made available to the public, upon request, unless extraordinary circumstances are shown—

"(1) if no work is being or will be undertaken to have the application approved,

"(2) if the Secretary has determined that the application is not approvable and all legal appeals have been exhausted,

"(3) if approval of the application under subsection (c) is withdrawn and all legal appeals have been exhausted,

"(4) if the Secretary has determined that such drug is not a new drug, or

"(5) upon the effective date of the approval of the first application under subsection (j) which refers to such drug or upon the date upon which the approval of an application under subsection (j) which refers to such drug could be made effective if such an application had been submitted.

"(m) For purposes of this section, the term 'patent' means a patent issued by the Patent and Trademark Office of the Department of Commerce.".

SEC. 105. (a) The Secretary of Health and Human Services shall promulgate, in accordance with the notice and comment requirements of section 553 of title 5, United States Code, such regulations as may be necessary for the administration of section 505 of the Federal Food, Drug, and Cosmetic Act, as amended by sections 101, 102, and 103 of this Act, within one year of the date of enactment of this Act.

(b) During the period beginning sixty days after the date of the enactment of this Act and ending on the date regulations promulgated under subsection (a) take effect, abbreviated new drug applications may be submitted in accordance with the provisions of section 314.2 of title 21 of the Code of Federal Regulations and shall be considered as suitable for any drug which has been approved for safety and effectiveness under section 505(c) of the Federal Food, Drug, and Cosmetic Act before the date of the enactment of this Act. If any such provision is inconsistent with the requirements of section 505(j) of the Federal Food, Drug, and Cosmetic Act, the Secretary shall consider the application under the applicable requirements of such section. The Secretary of Health and Human Services may not approve such an abbreviated new drug application which is filed for a drug which is described in sections 505(c)(3)(D) and 505(j)(4)(D) of the Federal Food, Drug, and Cosmetic Act except in accordance with such section.

SEC. 106. Section 2201 of title 28, United States Code, is amended by inserting "(a)" before "In a case" and by adding at the end the following:

"(b) For limitations on actions brought with respect to drug patents see section 505 of the Federal Food, Drug, and Cosmetic Act.".

TITLE II—PATENT EXTENSION

SEC. 201. (a) Title 35 of the United States Code is amended by adding the following new section immediately after section 155A:

"§ 156. Extension of patent term

"(a) The term of a patent which claims a product, a method of using a product, or a method of manufacturing a product shall be extended in accordance with this section from the original expiration date of the patent if—

"(1) the term of the patent has not expired before an application is submitted under subsection (d) for its extension;

"(2) the term of the patent has never been extended;

"(3) an application for extension is submitted by the owner of record of the patent or its agent and in accordance with the requirements of subsection (d);

"(4) the product has been subject to a regulatory review period before its commercial marketing or use;

"(5)(A) except as provided in subparagraph (B), the permission for the commercial marketing or use of the product after such regulatory review period is the first permitted commercial marketing or use of the product under the provision of law under which such regulatory review period occurred; or

"(B) in the case of a patent which claims a method of manufacturing the product which primarily uses recombinant DNA technology in the manufacture of the product, the permission for the commercial marketing or use of the product after such regulatory review period is the first permitted commercial marketing or use of a product manufactured under the process claimed in the patent.

The product referred to in paragraphs (4) and (5) is hereinafter in this section referred to as the 'approved product'.

"(b) The rights derived from any patent the term of which is extended under this section shall during the period during which the patent is extended—

"(1) in the case of a patent which claims a product, be limited to any use approved for the approved product before the expiration of the term of the patent under the provision of law under which the applicable regulatory review occurred;

"(2) in the case of a patent which claims a method of using a product, be limited to any use claimed by the patent and approved for the approved product before the expiration of the term of the patent under the provision of law under which the applicable regulatory review occurred; and

"(3) in the case of a patent which claims a method of manufacturing a product, be limited to the method of manufacturing as used to make the approved product.

"(c) The term of a patent eligible for extension under subsection (a) shall be extended by the time equal to the regulatory review period for the approved product which period occurs after the date the patent is issued, except that—

"(1) each period of the regulatory review period shall be reduced by any period determined under subsection (d)(2)(B) during which the applicant for the patent extension did not act with due diligence during such period of the regulatory review period;

"(2) after any reduction required by paragraph (1), the period of extension shall include only one-half of the time remaining in the periods described in paragraphs (1)(B)(i), (2)(B)(i), and (3)(B)(i) of subsection (g);

"(3) if the period remaining in the term of a patent after the date of the approval of the approved product under the provision of law under which such regulatory review occurred when added to the regulatory review period as revised under paragraphs (1) and (2) exceeds fourteen years, the period of extension shall be reduced so that the total of both such periods does not exceed fourteen years; and

"(4) in no event shall more than one patent be extended for the same regulatory review period for any product.

"(d)(1) To obtain an extension of the term of a patent under this section, the owner of record of the patent or its agent shall submit an application to the Commissioner. Such an application may only be submitted within the sixty-day period beginning on the date the product received permission under the provision of law under which the applicable regulatory review period occurred for commercial marketing or use. The application shall contain—

"(A) the identity of the approved product and the Federal statute under which regulatory review occurred;

"(B) the identity of the patent for which an extension is being sought and the identity of each claim of such patent which claims the approved product or a method of using or manufacturing the approved product;

"(C) information to enable the Commissioner to determine under subsections (a) and (b) the eligibility of a patent for extension and the rights that will be derived from the extension and information to enable the Commissioner and the Secretary of Health and Human Services to determine the period of the extension under subsection (g);

"(D) a brief description of the activities undertaken by the applicant during the applicable regulatory review period with respect to the approved product and the significant dates applicable to such activities; and

"(E) such patent or other information as the Commissioner may require.

"(2)(A) Within sixty days of the submittal of an application for extension of the term of a patent under paragraph (1), the Commissioner shall notify the Secretary of Health and Human Services if the patent claims any human drug product, a medical device, or a food additive or color additive or a method of using or manufacturing such a product, device, or additive and if the product, device, and additive are subject to the Federal Food, Drug, and Cosmetic Act, of the extension application and shall submit to the Secretary a copy of the application. Not later than 30 days after the receipt of an application from the Commissioner, the Secretary shall review the dates contained in the application pursuant to paragraph (1)(C) and determine the applicable regulatory review period, shall notify the Commissioner of the determination, and shall publish in the Federal Register a notice of such determination.

"(B)(i) If a petition is submitted to the Secretary under subparagraph (A), not later than one hundred and eighty days after the publication of the determination under subparagraph (A), upon which it may reasonably be determined that the applicant did not act with due diligence during the applicable regulatory review period, the Secretary shall, in accordance with regulations promulgated by the Secretary determine if the applicant acted with due diligence during the applicable regulatory review period. The Secretary shall make such determination not later than ninety days after the receipt of such a petition. The Secretary may not delegate the authority to make the determination prescribed by this subparagraph to an office below the Office of the Commissioner of Food and Drugs.

"(ii) The Secretary shall notify the Commissioner of the determination and shall publish in the Federal Register a notice of such determination together with the factual and legal basis for such determination. Any interested person may request, within the sixty-day period beginning on the publication of a determination, the Secretary to hold an informal hearing on the determination. If such a request is made within such period, the Secretary shall hold such hearing not later than thirty days after the date of the request, or at the request of the person making the request, not later than sixty days after such date. The Secretary shall provide notice of the hearing to the owner of the patent involved and to any interested person and provide the owner and any interested person an opportunity to participate in the hearing. Within thirty days after the completion of the hearing, the Secretary shall affirm or revise the determination which was the subject of the hearing and notify the Commissioner of any revision of the determination and shall publish any such revision in the Federal Register.

"(3) For the purposes of paragraph (2)(B), the term 'due diligence' means that degree of attention, continuous directed effort, and timeliness as may reasonably be expected from, and are ordinarily exercised by, a person during a regulatory review period.

"(4) An application for the extension of the term of a patent is subject to the disclosure requirements prescribed by the Commissioner.

"(e)(1) A determination that a patent is eligible for extension may be made by the Commissioner solely on the basis of the representations contained in the application for the extension. If the Commissioner determines that a patent is eligible for extension under subsection (a) and that the requirements of subsection (d) have been complied with, the Commissioner shall issue to the applicant for the extension of the term of the patent a certificate of extension, under seal, for the period prescribed by subsection (c). Such certificate shall be recorded in the official file of the patent and shall be considered as part of the original patent.

"(2) If the term of a patent for which an application has been submitted under subsection (d) would expire before a certificate of extension is issued or denied under paragraph (1) respecting the application, the Commissioner shall extend, until such determination is made, the term of the patent for periods of up to one year if he determines that the patent is eligible for extension.

"(f) For purposes of this section:

"(1) The term 'product' means:

"(A) A human drug product.

"(B) Any medical device, food additive, or color additive subject to regulation under the Federal Food, Drug, and Cosmetic Act.

"(2) The term 'human drug product' means the active ingredient of a new drug, antibiotic drug, or human biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Public Health Service Act) including any salt or ester of the active ingredient, as a single entity or in combination with another active ingredient.

"(3) The term 'major health or environmental effects test' means a test which is reasonably related to the evaluation of the health or environmental effects of a product, which requires at least six months to conduct, and the data from which is submitted to receive permission for commercial marketing or use. Periods of analysis or evaluation of test results are not to be included in determining if the conduct of a test required at least six months.

"(4)(A) Any reference to section 351 is a reference to section 351 of the Public Health Service Act.

"(B) Any reference to section 503, 505, 507, or 515 is a reference to section 503, 505, 507, or 515 of the Federal Food, Drug, and Cosmetic Act.

"(5) The term 'informal hearing' has the meaning prescribed for such term by section 201(y) of the Federal Food, Drug, and Cosmetic Act.

"(6) The term 'patent' means a patent issued by the United States Patent and Trademark Office.

"(g) For purposes of this section, the term 'regulatory review period' has the following meanings:

"(1) (A) In the case of a product which is a human drug product, the term means the period described in subparagraph (B) to which the limitation described in paragraph (4) applies.

"(B) The regulatory review period for a human drug product is the sum of—

"(i) the period beginning on the date an exemption under subsection (i) of section 505 or subsection (d) of section 507 became effective for the approved human drug product and ending on the date an application was initially submitted for such drug product under section 351, 505, or 507, and

"(ii) the period beginning on the date the application was initially submitted for the approved human drug product under section 351, subsection (b) of section 505, or section 507 and ending on the date such application was approved under such section.

"(2)(A) In the case of a product which is a food additive or color additive, the term means the period described in subparagraph (B) to which the limitation described in paragraph (4) applies.

"(B) The regulatory review period for a food or color additive is the sum of—

"(i) the period beginning on the date a major health or environmental effects test on the additive was initiated and ending on the date a petition was initially submitted with respect to the product under the Federal Food, Drug, and Cosmetic Act requesting the issuance of a regulation for use of the product, and

"(ii) the period beginning on the date a petition was initially submitted with respect to the product under the Federal Food, Drug, and Cosmetic Act requesting the issuance of a regulation for use of the product, and ending on the date such regulation became effective or, if objections were filed to such regulation, ending on the date such objections were resolved and commercial marketing was permitted or, if commercial marketing was permitted and later revoked pending further proceedings as a result of such objections, ending on the date such proceedings were finally resolved and commercial marketing was permitted.

"(3)(A) In the case of a product which is a medical device, the term means the period described in subparagraph (B) to which the limitation described in paragraph (4) applies.

"(B) The regulatory review period for a medical device is the sum of—

"(i) the period beginning on the date a clinical investigation on humans involving the device was begun and ending on the date an application was initially submitted with respect to the device under section 515, and

"(ii) the period beginning on the date an application was initially submitted with respect to the device under section 515 and ending on the date such application was approved under such Act or the period beginning on the date a notice of completion of a product development protocol was initially submitted under section 515(f)(5) and ending on the date the protocol was declared completed under section 515(f)(6).

"(4) A period determined under any of the preceding paragraphs is subject to the following limitations:

"(A) If the patent involved was issued after the date of the enactment of this section, the period of extension determined on the basis of the regulatory review period determined under any such paragraph may not exceed five years.

"(B) If the patent involved was issued before the date of the enactment of this section and—

"(i) no request for an exemption described in paragraph (1)(B) was submitted,

"(ii) no major health or environmental effects test described in paragraph (2) was initiated and no petition for a regulation or application for registration described in such paragraph was submitted, or

"(iii) no clinical investigation described in paragraph (3) was begun or product development protocol described in such paragraph was submitted,

before such date for the approved product the period of extension determined on the basis of the regulatory review period determined under any such paragraph may not exceed five years.

"(C) If the patent involved was issued before the date of the enactment of this section and if an action described in subparagraph (B) was taken before the date of the enactment of this section with respect to the approved product and the commercial marketing or use of the product has not been approved before such date, the period of extension determined on the basis of the regulatory review period determined under such paragraph may not exceed two years.

"(h) The Commissioner may establish such fees as the Commissioner determines appropriate to cover the costs to the Office of receiving and acting upon applications under this section.".

(b) The analysis for chapter 14 of title 35 of the United States Code is amended by adding at the end thereof the following:

"156. Extension of patent term.".

SEC. 202. Section 271 of title 35, United States Code, is amended by adding at the end the following:

"(e)(1) It shall not be an act of infringement to make, use, or sell a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913)) solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs.

"(2) It shall be an act of infringement to submit an application under section 505(j) of the Federal Food, Drug, and Cosmetic Act or described in section 505(b)(2) of such Act for a drug claimed in a patent or the use of which is claimed in a patent, if the purpose of such submission is to obtain approval under such Act to engage in the commercial manufacture, use, or sale of a drug claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.

"(3) In any action for patent infringement brought under this section, no injunctive or other relief may be granted which would prohibit the making, using, or selling of a patented invention under paragraph (1).

"(4) For an act of infringement described in paragraph (2)—

"(A) the court shall order the effective date of any approval of the drug involved in the infringement to be a date which is not earlier than the date of the expiration of the patent which has been infringed,

"(B) injunctive relief may be granted against an infringer to prevent the commercial manufacture, use, or sale of an approved drug, and

"(C) damages or other monetary relief may be awarded against an infringer only if there has been commercial manufacture, use, or sale of an approved drug.

The remedies prescribed by subparagraphs (A), (B), and (C) are the only remedies which may be granted by a court for an act of infringement described in paragraph (2), except that a court may award attorney fees under section 285.".

SEC. 203. Section 282 of title 35, United States Code, is amended by adding at the end the following: "Invalidity of the extension of a patent term or any portion thereof under section 156 of this title because of the material failure—

"(1) by the applicant for the extension, or

"(2) by the Commissioner,

to comply with the requirements of such section shall be a defense in any action involving the infringement of a patent during the period of the extension of its term and shall be pleaded. A due diligence determination under section 156(d)(2) is not subject to review in such an action.".

TITLE III—AMENDMENTS TO THE TEXTILE FIBER PRODUCTS IDENTIFICATION ACT AND THE WOOL PRODUCTS LABELING ACT OF 1939

SEC. 301. Subsection (b) of section 4 of the Textile Fiber Products Identification Act (15 U.S.C. 70b) is amended by adding at the end thereof the following new paragraph:

"(5) If it is a textile fiber product processed or manufactured in the United States, it be so identified.".

SEC. 302. Subsection (e) of section 4 of the Textile Fiber Products Identification Act (15 U.S.C. 70b) is amended to read as follows:

"(e) For purposes of this Act, in addition to the textile fiber products contained therein, a package of textile fiber products intended for sale to the ultimate consumer shall be misbranded unless such package has affixed to it a stamp, tag, label, or other means of identification bearing the information required by subsection (b), with respect to such contained textile fiber products, or is transparent to the extent it allows for the clear reading of the stamp, tag, label, or other means of identification on the textile fiber product, or in the case of hosiery items, this section shall not be construed as requiring the affixing of a stamp, tag, label, or other means of identification to each hosiery product contained in a package if (1) such hosiery products are intended for sale to the ultimate consumer in such package, (2) such package has affixed to it a stamp, tag, label, or other means of identification bearing, with respect to the hosiery products contained therein, the information required by subsection (b), and (3) the information on the stamp, tag, label, or other means of identification affixed to such package is equally applicable with respect to each textile fiber product contained therein.".

SEC. 303. Section 4 of the Textile Fiber Products Identification Act (15 U.S.C. 70b) is amended by adding at the end thereof the following new subsections:

"(i) For the purposes of this Act, a textile fiber product shall be considered to be falsely or deceptively advertised in any mail order catalog or mail order promotional material which is used in the direct sale or direct offering for sale of such textile fiber product, unless such textile fiber product description states in a clear and conspicuous manner that such textile fiber product is processed or manufactured in the United States of America, or imported, or both.

"(j) For purposes of this Act, any textile fiber product shall be misbranded if a stamp, tag, label, or other identification conforming to the requirements of this section is not on or affixed to the inside center of the neck midway between the shoulder seams or, if such product does not contain a neck, in the most conspicuous place on the inner side of such product, unless it is on or affixed on the outer side of such product, or in the case of hosiery items on the outer side of such product or package.".

SEC. 304. Paragraph (2) of section 4(a) of the Wool Products Labeling Act of 1939 (15 U.S.C. 68b(a)(2)) is amended by adding at the end thereof the following new subparagraph:

"(D) the name of the country where processed or manufactured.".

SEC. 305. Section 4 of the Wool Products Labeling Act of 1939 (15 U.S.C. 65b) is amended by adding at the end thereof the following new subsections:

"(e) For the purposes of this Act, a wool product shall be considered to be falsely or

deceptively advertised in any mail order promotional material which is used in the direct sale or direct offering for sale of such wool product, unless such wool product description states in a clear and conspicuous manner that such wool product is processed or manufactured in the United States of America, or imported, or both.

"(f) For purposes of this Act, any wool product shall be misbranded if a stamp, tag, label, or other identification conforming to the requirements of this section is not on or affixed to the inside center of the neck midway between the shoulder seams or, if such product does not contain a neck, in the most conspicuous place on the inner side of such product, unless it is on or affixed on the outer side of such product or in the case of hosiery items, on the outer side of such product or package.".

SEC. 306. Section 5 of the Wool Products Labeling Act of 1939 (15 U.S.C. 68c) is amended—

(1) by striking out "Any person" in the first paragraph and inserting in lieu thereof "(a) Any person";

(2) by striking out "Any person" in the second paragraph and inserting in lieu thereof "(b) Any person"; and

(3) by inserting after subsection (b) (as designated by this section) the following new subsection:

"(c) For the purposes of subsections (a) and (b) of this section, any package of wool products intended for sale to the ultimate consumer shall also be considered a wool product and shall have affixed to it a stamp, tag, label, or other means of identification bearing the information required by section 4, with respect to the wool products contained therein, unless such package of wool products is transparent to the extent that it allows for the clear reading of the stamp, tag, label, or other means of identification affixed to the wool product, or in the case of hosiery items this section shall not be construed as requiring the affixing of a stamp, tag, label, or other means of identification to each hosiery product contained in a package if (1) such hosiery products are intended for sale to the ultimate consumer in such package, (2) such package has affixed to it a stamp, tag, label, or other means of identification bearing, with respect to the hosiery products contained therein, the information required by subsection (4), and (3) the information on the stamp, tag, label, or other means of identification affixed to such package is equally applicable with respect to each hosiery product contained therein.".

SEC. 307. The amendments made by this title shall be effective ninety days after the date of enactment of this Act.

Amend the title so as to read: "An Act to amend the Federal Food, Drug, and Cosmetic Act to revise the procedures for new drug applications, to amend title 35, United States Code, to authorize the extension of the patents for certain regulated products, and for other purposes.".

Mr. HATCH. Mr. President, I bring to the floor S. 1538, the Drug Price Competition and Patent Term Restoration Act of 1984. This is the successor to S. 2926, which the Senate passed on August 10, 1984. When S. 2926 was received by the House, Representative HENRY WAXMAN, the House sponsor, took up the House version, H.R. 3605, brought it into conformity with the Senate bill, with a few minor additional amendments, and substituted H.R. 3605 for the text of S. 1538, a separate Senate bill. That bill was passed by the House and is now before us.

Perhaps the most significant difference between the House and Senate bills is the change in the 5-year moratorium on abbreviated new drug application or [ANDA] filings after the approval of a new chemical entity NDA. As now modified by the House, a prospective competitor could file its ANDA after 4 years, but only if it filed a patent challenge under the statute at the same time. Nevertheless, the competitor could not get its ANDA made effective during the pendency of the litigation until 7½ years had passed from the NDA approval, the same result as under S. 2926. Still, this provision as changed offers some relief to those concerned about patent challenges during the 5 years. And I would add that nothing would prevent a prospective competitor from taking the same steps to set up an infringement action—where it could challenge the patent—as it could under current law. In no case would the ability of a generic manufacturer to challange a patent be less than it is now.

I would also note that the House added as title III of the bill a measure earlier passed by the Senate, dealing with the labeling of textiles. I am unaware of any objection to this step, and understand that Senator THURMOND, the sponsor, is willing to accept the House changes.

Finally, I would like to address the matter of the release of information submitted to FDA by manufacturers. In the debate on S. 2926, I engaged in a colloquy on the floor with Senator DECONCINI confirming that the intent of the bill is simply to continue current FDA policy and procedures in this area. I would simply like to reaffirm that colloquy to make plain that it refers to this bill—whose language is identical on this point with S. 2926—just as it did to S. 2926:

Mr. DECONCINI. I would like to engage in a colloquy with my friend, Senator HATCH. I understand that S. 2926, as amended statutorily codifies FDA's current regulation and practice with reference to standards for the release of trade secret, confidential commercial and financial information contained in NDA files, is that correct?

Mr. HATCH. Yes, the bill carries over from the existing regulation the provision that information is releasable—if other requirements are met—unless extraordinary circumstances are shown. Under current practice, which will be the practice under this bill, extraordinary circumstances are present for example when the information is trade secret or confidential commercial or financial information. As one specific example, release would not be permitted if the information has never been previously released and would support the application of a competitor for approval before a foreign regulatory agency. As another example, safety and efficacy data contained in an application that was not approved will not be released if the data retains possible commercial, competitive value. In short, the provision retains the applicability of the (b)(4) exemption under the Freedom of Information Act.

Mr. DECONCINI. That is my understanding also.

Further, I would like to read at this point a letter I received today from the Food and Drug Administration confirming its current treatment of this issue. Again, it is our intent to ratify FDA's present interpretation of the extraordinary circumstances regulation.

PUBLIC HEALTH SERVICE,
FOOD AND DRUG ADMINISTRATION,
Rockville, MD, September 12, 1984.

Hon. ORRIN G. HATCH,
U.S. Senate,
Washington, DC.

DEAR SENATOR HATCH: Thank you for your September 4 letter requesting comment on section 104 of S. 1538, the Drug Price Competition and Patent Term Restoration Act of 1984. Section 104 would amend section 505 of the Federal Food, Drug, and Cosmetic Act to require, unless "extraordinary circumstances" were shown, the disclosure of safety and effectiveness data if any of the following five conditions were met:

1. if no work is being or will be undertaken to have the application approved.

2. if the Secretary has determined that the application is not approvable and all legal appeals have been exhausted,

3. if approval of the application under subsection (c) is withdrawn and all legal appeals have been exhausted,

4. if the Secretary has determined that such drug is not a new drug, or

5. upon the effective date of the approval of the first application under subsection (j) which refers to such drug or upon the date upon which the approval of an application under subsection (j) which refers to such drug could be made effective if such an application had been submitted.

Section 104 essentially restates FDA's current regulations governing the disclosure of information in new drug application files where the data are no longer important to the marketing status of the drug in the United States. See, e.g., 21 C.F.R. 314.14(f).

During testimony on S. 1538, FDA Chief Counsel Tom Scarlett testified that the agency interprets the term "extraordinary circumstances" as including a situation in which safety and effectiveness data have commercial value as confidential business information, even though their submission is not required as a condition to the approval of a marketing application by FDA. As you know, that interpretation is set forth explicitly in a pending proposal to revise FDA's new drug approval regulations. Mr. Scarlett noted that the agency's interpretation of the term "extraordinary circumstances" had not been judicially tested, and suggested that clarification of the intended meaning of the term as it appeared in the bill would be useful.

In the colloquy between you and Senator DeConcini, you stated that the term "extraordinary circumstances" as used in the bill is intended to retain the applicability of exemption (b)(4) of the Freedom of Information Act, relating to confidential commercial or financial information. The proposed revision in FDA's regulations would eliminate the term "extraordinary circumstances" in 21 C.F.R. 314.14(f), and provide that safety and effectiveness data in new drug application files are subject to disclosure in the events described unless they continue to represent trade secret or confidential commercial or financial information, which is the standard for exemption under section (b)(4) of the FOIA. Thus, the understanding expressed in the colloquy about the meaning of "extraordinary circumstances" in the bill is the same as the proposed revision in FDA's regulations. That

Patent Term Restoration -- Drugs.

A. General.

The pharmaceutical industry has a new law entitled "The Drug Price Competition and Patent Term Restoration Act of 1984 (Public Law 98-417). It is otherwise known as the "ANDA-Patent Extension Law." [S.2926 and H.R.3605; amend Sect. 505 of 21 USC and adding new Sect. 156 to 35 USC.] It should have a significant impact on manufacturers of those products regulated by the FDA under the Food, Drug and Cosmetic Act, 21 USC 321 et seq.

The law has two distinct goals:

1. To lower unnecessary FDA regulatory barriers to generic competition for drugs not on patent and thereby reduce drug prices.

2. To encourage research and development by extending the patent term for those innovative human and animal drugs, medical devices, and food and color additives whose patent "life" has been curtailed by the regulatory review process.

The ANDA-Patent Extension law may be regarded as a Congressional response to FDA's unsatisfactory procedures for clearing drugs, food and color additives, and medical devices. Currently, ANDA's are available only for generic copies of those pioneer drugs approved by the FDA prior to 1962.

As more and more post-1962 drugs go off patent, the pressure mounted to allow abbreviated procedures for post-1962 generics. The inadequacy of FDA procedures for reviewing newly-discovered drugs, food and color additives, and medical devices also provided impetus for the patent extension provision of this legislation.

Moreover, Congress was apparently dissatisfied with the Roche v. Bolar decision* which in Congressional circles was viewed as a "judicial patent restoration." In this case, the court held that a manufacturer of clinical and other studies using a patented compound for purposes of preparing an ANDA submission constituted infringement under the Patent Act [35 USC 271(a)].

*572 F Supp 255 (EDNY 1983) reversed 733 F 2nd 858 (Fed. Circ., April 23, 1984).

The proposed legislation (H.R.6034 and S.2950) that would have provided the patent extensions for agricultural products failed to make it through Congress before they adjourned on October 4. The "Agricultural Patent Reform Act of 1984," as it was entitled, would have encouraged renewed emphasis on innovative research and development in agricultural chemicals.

B. Pharmaceutical Products Law.

1. Scope (Products Eligible).

This law provides patent term extension for patented:

a. food additives,

b. color additives,

c. human or animal prescription drugs,

d. biologics or antibiotics,

subject to review and approval under:

a. The Federal Drug and Cosmetics Act,

b. The Public Health Service Act, or

c. The Virus-Serum Toxin Act.

2. Criteria for Assessing Time Lost.

In general, the patent may be extended once for the period of regulatory review occurring after the issuance of the patent.

The patent holder must formally apply for a patent extension and the application must be filed with the Patent Commissioner within sixty (60) days of the FDA or USDA approval of the product.

The testing and approval periods are defined according to the specific procedures employed by the FDA or USDA in reviewing drugs, food and color additives, and medical devices, but the relevant regulatory review period is only that which occurs after the patent has issued.

The Commissioner then notifies either the Secretary of Agriculture (for drugs under the Virus Serum Toxin Act) or the Secretary of Health and Human Services and requests that: (1) an examination be made of the dates of the regulatory review period in the application, and (2) a determination be made of the appropriate review period.

The determination is published in the Federal Register and third parties have the opportunity to challenge on the grounds that "due diligence" was not exercised by the applicant in completing the regulatory review process.

3. Operative Period of Extension.

After any reduction for lack of due diligence, one-half of the testing period is added to the approval period, and the total represents the period of patent extension; however, the period of patent extension when added to the effective patent life may not exceed 14 years.

Other Limitations:

a. Patent issued after the date of enactment may not be extended for more than five years.

b. Those products which were not involved in testing prior to the date of enactment are also limited to a five-year extension.

c. A two-year limitation applies to patents issued prior to enactment where the product testing was completed but the product was not approved for commercial marketing.

4. Generic Drug Fallout.

The law generally limits the ANDA procedure to those generic drugs which are precise copies of pioneer drugs, i.e., that they are "bioequivalent."

The ANDA petitioner must provide a certification as to the patent status of the originally approved drug that is being copied. One other item of interest is the requirement that ANDA applicants seeking clearances of generic versions of the drugs covered by "unexpired patents," who certify that the patents covering the drug are either invalid or not infringed by the generic product, must also notify the patent owner and NDA holder that an application has been made to seek approval of a generic version that would be "effective" and thus permit marketing prior to expiration of the patent.

Declaratory judgment actions by the generic applicant may not be brought until 45 days from the date the ANDA applicant's notice is received. Furthermore, the action can only be brought in the judicial district where the defendant has its principal place of business or a regular and established place of business (usually a home court of the patent holder). Thus, the patent holder may take the initiative to file suit or wait to be sued in a favorable jurisdiction.

Patent Term Restoration - Agricultural Products.

Several attempts were made in 1984 to extend the term of patents covering agrichemicals. The objective was similar to the pharmaceutical products law, i.e., to encourage a renewed emphasis on innovative research and development in the agrichemical field. In 1983 and early 1984, the Patent Term Restoration bills included both pharmaceutical and animal drugs and agrichemicals chemicals included within the ambit of the Toxic Substances Control Act (TOSCA).

The latest version was entitled the "Agricultural Patent Reform Act of 1984" (H.R.6034). Its primary objective was to encourage R&D in the agrichemical field with the hoped for result of (a) less costly and more competitive new products that will benefit all farmers and consumers alike, and (b) help for American farmers to maintain their preeminent role as the leading food producers of the world.

H.R.6034 is worth reviewing since similar legislation will be introduced in the 99th Congress.

1. Scope.

The bill defines the term "product" to include any machine, manufacture or composition of matter for which a patent may be obtained and then limits it to:

a. New animal drugs and animal antibiotics
b. Veterinary biologicals
c. Pesticides
d. Chemical substances and mixtures regulated under TOSCA

Of course, (a) and (b) are covered by the pharmaceutical law, so these will be dropped from future bills. H.R.6034 provides that the term of a product patent, use patent or process patent that includes within its scope a product that is subject to a statutorily mandated regulatory review prior to its commercial marketing or use shall be extended if it meets certain conditions, and they are:

a. The product sponsor must give proper notice to the Commissioner of Patents and Trademarks before the expiration of the original term.

b. The product must have been approved for commercial marketing for the first time.

There is one exception to the first commercial marketing exception and that relates to an "approved Product" made under a patented process that primarily uses recombinant-DNA technology. Such a product could have received its second approval for commercial marketing but it must be the first time the product made by the claimed process has been approved.

Numerous limitations are set forth which affect the rights of patent holders during the restoration period. Some of these are:

a. The rights of holders of patents are confined to the scope of any claim which relates to the product subject to the regulatory review on which the restoration bill has been based.

b. Another provides that the rights of holders of patents do not extend beyond the process used to make the approved product.

c. Another extends the rights of holders of product patents and use patents to all the uses of the underlying product which may be regulated by the statute governing regulatory review of that particular product.

This latter provision is best explained by an example:

Suppose an inventor of a herbicide product, first obtains approval to use his product on corn, and later obtains approval to use the product on soybeans, and still later on rice. The period of patent extension would be measured by the time spent in testing and seeking regulatory approval for the use on corn. The extended patent rights would be violated by anyone who sought to manufacture, use or sell the chemical for herbicidal use, whether it was for corn, rice, soybeans, or any other crop. For compound-per-se patents, it could extend to any other pesticide use under FIFRA.

2. Criteria for Assessing Time Lost. The bill defines the term "regulatory review period" for each class of product. For agrichemicals it means the total of:

a. The period beginning on the earlier of the dates the product sponsor

1) initiates a major health or environmental effects test on such pesticide (defined as one which requires at least six months to conduct not including any period for analysis or conclusions), and

2) requests an experimental use permit

and ending on the date an application is submitted for registration.

Plus

b. The period beginning on the date the application is submitted for registration, and ending on the date such pesticide is first registered either conditionally or fully.

3. Operative Period of Extension.

Full restoration is allowed for any part of the regulatory review period that occurs during the first ten years after the earliest patent application is filed. Fifty percent restoration is allowed for any part that occurs during the next ten years. Other qualifications are:

a. Overall Limitations.

It is crucial to note that the bill plans an absolute maximum of five years on any patent restoration granted. Also, no term of any extended patent may exceed 25 years from the date of the earliest filed U.S. patent application.

Only one patent may be extended for the same regulatory review period for any product.

b. Formulations.

The bill also mandates that "all formulations of a pesticide that contain the same active ingredient shall be considered the same pesticide and no pesticide may be the subject of more than one patent extension."

c. Notice.

The product sponsor has 90 days after the termination of the regulatory review period to file an extension notice with the Commissioner of Patents. The Commissioner then notifies the appropriate regulatory agency of the extension notice.

In the case of a pesticide, the EPA Administrator is charged with reviewing the dates contained in the notice and making a determination of the applicable regulatory review period. It should be emphasized that the Administrator's responsibility is purely ministerial or pro forma involving nothing more than a simple compilation of the restoration period. Later on, a petition may be submitted which presents fact which would support a determination that the product sponsor did not act with "due diligence." Once this determination is made, a notice is published in the Federal Register and any interested party may request an information hearing. Then, the Administrator has 90 days to make such a determination.

d. Lack of "Due Diligence" Not a Defense to Infringement. One last point, the bill specifically provides that failure of a product sponsor to act with due diligence during the regulatory review period shall not be a defense in any patent infringement action.

The Role of the Patent Department in a Corporation
(panel discussion)

1. Panelists

American Group

William S. Thompson - Catapillar Tractor
Jeffrey J. Hawley - Eastman Kodak
Frederick W. Padden - AT & T

Japanese Group

Hirohisa Suzuki - Nippon Steel
Itaru Nakamura - Toray Ind.
Koshiro Matsuoka - Fujitsu LTD

2. Moderators

Alfred E. Hirsch, Jr. - AT & T
Michio Nishi - Sumitomo Electric Ind.

(Report by Mr. W. S. Thompson)

PIPA COMMITTEE NO. 1 - PANEL DISCUSSION

THE PATENT DEPARTMENT AT CATERPILLAR TRACTOR CO.

Organization

1. Department reports to Vice President of Research & Engineering.

2. Department is fully centralized offering staff services on the broadest range of intellectual property rights for all operating facilities and controlled subsidiary companies worldwide.

3. Currently the department is comprised of five sections. Three sections termed Patent Obtaining Groups are assigned responsibility for specific products or technology. For example, at the product level, one group may be assigned wheel-type vehicles and another track-type vehicles. At the technology level, specialist assignments are electronics and hydraulics which cut across all product lines. Certain subcomponents may also form an assigned technology area; for example, transmission technology. A fourth section is the Licensing and Foreign Patents section which also keeps track of department records. A fifth group specializes in Trademark and Copyright matters.

4. Staffing consists of 9 Patent Attorneys, 13 Patent Agents, and 5 paralegals. Ratio of Patent Agents to Patent Attorneys is high for a typical U.S. company. This is in part historical since, until ten years ago, the internal department did only liaison work with outside patent firms. Since that time, attorneys were gradually added to the staff and the existing staff were trained and upgraded to Patent Agents.

5. Department coordinates with other corporate staff groups such as Legal, Accounting, Tax, etc. as needed.

Functions

1. Detect patentable ideas.

2. Determine importance and patentability of ideas and obtain Management filing approval.

3. Prepare and obtain patents, directly in the U.S. through agents abroad.

4. Obtain rights to any needed outside technology through license agreements.

5. Provide design around advice to avoid infringing patents of others.

6. Prepare agreements with consultants.

7. Negotiate and prepare joint development agreements where Company works with other companies, usually potential suppliers, to develop new components.

8. Register trademarks and copyrights worldwide as required.

9. Conduct enforcement actions, usually in cooperation with outside counsel, to enforce patent, trademark, and other intellectual property rights.

Authority

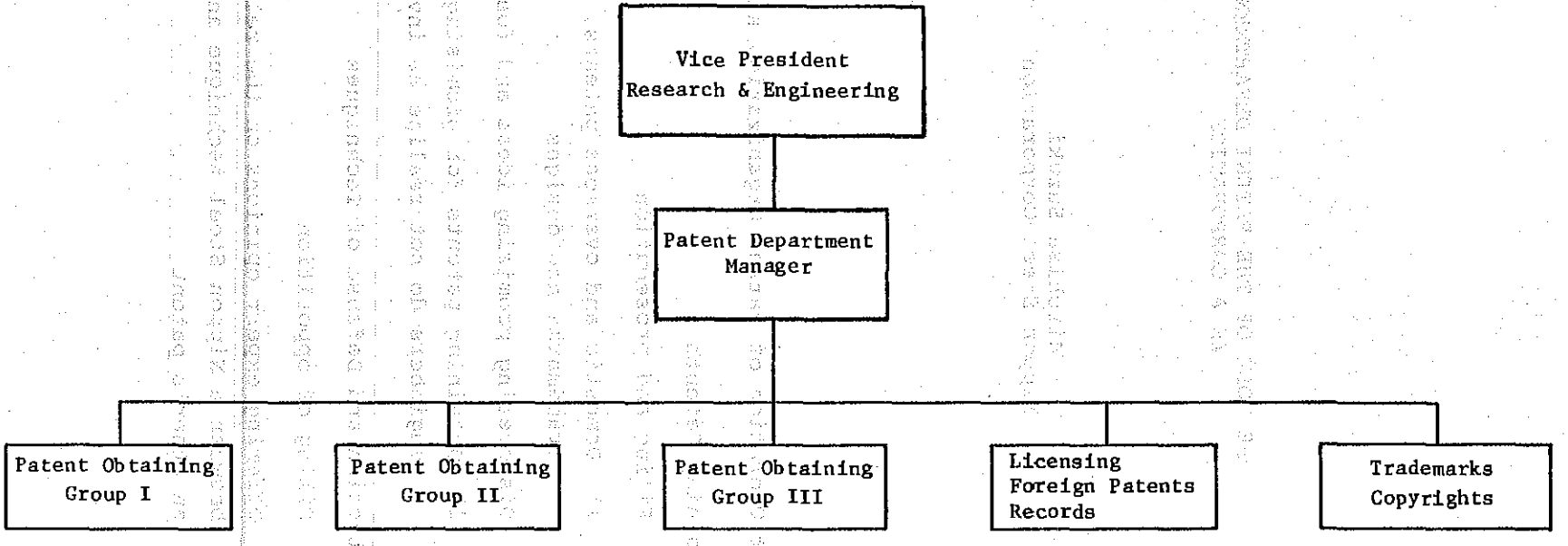
1. Positive authority to file patents, bring litigations, enter into license agreements, etc. rests with Management (officer level) based on information and recommendations supplied by Patent Department.

2. Patent Department has negative authority without the necessity to consult Management to drop cases or not present ideas for consideration based either on evaluation of patentability or change in commercial significance.

3. Patent Department has an obligation to coordinate matters with Legal, Tax, Accounting, and other affected departments. It is Patent Department's judgement when another department is affected. For example, agreements involving payments or royalties would be reviewed with Tax and Accounting, those not having such provisions would not.

4. Patent Manager works directly with top Management on patent litigation and would only involve Legal Department if litigation involved counterclaims of a commercial nature. Tend to work more closely with Legal Department on trademark litigations (except counterfeiting actions) which usually have commercial implications.

CATERPILLAR TRACTOR CO.



Committee No. 1

THE ROLE OF THE PATENT DEPARTMENT IN A CORPORATION

Hirohisa Suzuki
Nippon Steel Corporation

I. Major Operation of Patent Organization at Nippon Steel

1. Obtaining Patents

(1) Filing and prosecution

1) Domestic and overseas patents, utility models, trademarks and designs

(2) Discovering promising ideas and fostering thereof

1) Obtaining patents for promising ideas which engineers do not realize as inventions

2. Protection and Defense of Techniques

(1) Filing of opposition

(2) Offering expert opinions on the relationship between a Nippon Steel technique and that of an other's patent

3. Maintenance and Administration of Industrial Properties

(1) Abandonment

(2) Annuity payment

4. Patent Search

(1) Starting point of new technical development

(2) Operation stage of modified technique

5. Conventional Furnishing of Patent Information

Relevant Information of Japanese Patent Office publication are extracted, classified, compiled, and distributed to technical departments.

6. Compensation

(1) Compensation for fruit of patent

(2) Compensation for royalty

7. Education

(1) Training courses

1) for patent specialists

2) for general staff members

(2) Lecture meetings

8. Contracts

(1) Co-ownership contracts

(2) License contracts

(3) License obtainment contracts

(4) Ownership assignment/obtainment contracts

II. Basic Views on the Execution of Business

We understand the purpose of patent administration to be "the practical use of the patent system for social contribution by industry and the actualization of the most

proper methods for gaining profits."

We are of the opinion that patent administration serves as one link in industrial management policy. We, therefore, set out definite patent administration policy, break down the policy into a concrete plan for execution, and then make the plan known to all the employees for implementation.

Nippon Steel's patent administration policies are:

(1) rightful evaluation of inventions and patents, and high regard for pioneering technical idea,

(2) establishment of company-wide patent administration system,

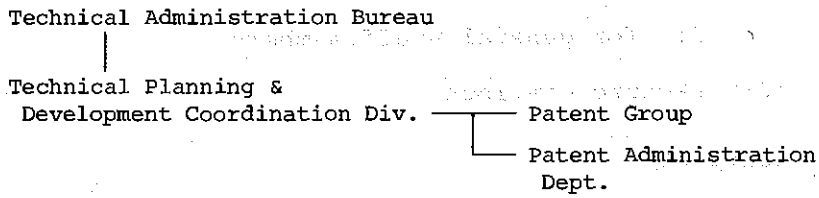
(3) obtaining patents for promising ideas and formating patent networks, and

(4) development of strategic patent activities.

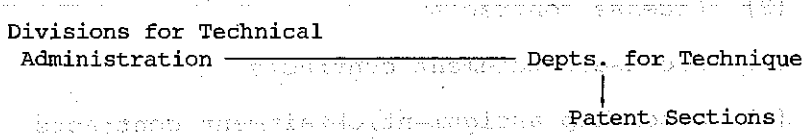
III. Organization and Operation

1. Organization

[Head Office]



[Units[1)]]



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1) Steelworks, Engineering Business Organization, and Corporative Organization

2. Engineers Responsible for Patents

Nippon Steel nominates about 550 engineers from our technical organizations as "Engineers responsible for patents" who are in charge of

i) notification of inventions and

ii) patent watching and posing of patent problems.

3. Operations and Cooperation

(1) Responsibility for patent operations is shared by the head office and the units

Patent organizations are located in the head office and units.

The patent organization at the head office administrates company-wide patent operations.

The patent organizations of individual units function mainly as liaison services for maintaining intimate communication with the head office.

(2) Cooperation between patent organizations and technical organizations

The patent organizations and technical organizations work in close cooperation, and communicate with each other regarding the trends and current progress in technical development and the patent situation.

In the development of a technique for which it is judged necessary to take patent action, a project team is established with members of both parties to promote a patent search, make application, offer expert opinion on the relationship between Nippon Steel's technique and the other's patent, and the filing of oppositions.

(Report by Mr. J. J. Hawley)

PIPA COMMITTEE NO. 1 - PANEL DISCUSSION

THE PATENT DEPARTMENT AT EASTMAN KODAK COMPANY

The Patent Department of the Eastman Kodak Company is a Corporate Staff organization. The Director of the Patent Department reports to the General Counsel of the company, who is also a vice president. In addition, the Eastman Chemicals Division, located in Kingsport, Tennessee, also has a small Patent Department which reports to the General Counsel of that division.

Within the Patent Department in Rochester, New York, there are four separate sections located in three different locations. The largest section is in the Research Laboratories. Also located at the Research Laboratories is the Copy Products Section. This section, as its name implies, is responsible for the patent matters arising out of a particular line of business of the company. Another section is located in the company's largest manufacturing facility, referred to as Kodak Park. This facility manufactures, for example, photographic film and paper. Another section is located at our apparatus division which manufactures products such as cameras, photofinishing equipment and medical products.

In addition to the patent functions which are performed in Rochester and Tennessee, the company also maintains patent departments at its associated manufacturing companies located in Europe. There are small Patent Departments located in Stuttgart, Germany; another in Paris, France; and another in London, England. These European patent departments are responsible for the patent matters arising out of their respective manufacturing plants and also are in Europe. To handle our patent applications in other countries, for example Japan, we use local law firms. The two law firms that we use in Japan are Yuasa and Hara and Aoki et al, also known as the Seiwa firm. In addition, when the need arises, we retain expert consultants. We have one consultant in Japan and a full-time consultant located in Munich, Germany.

The function of the Patent Department is basically to obtain patents and to give advice on validity and infringement. It should be noted that the patent licensing and litigation functions are performed outside of the Patent Department. In the General Legal Department there is one person responsible for patent litigation full time. It is his function to manage the litigation which

is being handled by outside counsel. The licensing function is handled by a group which reports to a non-attorney businessperson who is a vice president of the company. The Director of patent litigation in the General Legal Department as well as all of the members of the licensing group are formerly from the Patent Department. Thus, the working relationship between the Patent Department and these people is excellent.

The function of each section within the Patent Department varies to a certain extent based on the type of work that it receives. For example, the Research Laboratories Section of the Patent Department receives invention reports which are the result of basic research as well as invention reports which are directly product related. Patent clearance is also a function of the Research Laboratories Section. The Copy Products Section is highly product oriented in a very highly competitive and crowded field. Thus, product clearance work is somewhat more important than in the Research Section. However, in each case, each section gets a variety of patent procurement and clearance work.

Until early this year, the Rochester Patent Department had a separate International Section which was responsible for all of the foreign filing and prosecution. In addition to including several U.S. attorneys who specialized in international practice, the section included a European patent attorney (a German national) and a Japanese benrishi. Practitioners in the International Section would revise cases for filing abroad and would respond to office actions, oppositions, etc., as well as giving general advice to U.S. practitioners on international matters. With the increasing emphasis being placed on the European Patent Office and the resulting decrease in the number of applications needed to protect a given invention, the foreign responsibility was transferred back to the other sections of the Patent Department and the International Section was disbanded.

Now, for a particular technology, an individual attorney will handle not only the United States filing and prosecution but also all other applications. Each of the sections received at least one and sometimes several of the former international specialists and these individuals now act as consultants and advisors to the sections in addition to handling U.S. patent procurement and clearance matters. Also, this group of international prosecution

specialists meets periodically to discuss matters of mutual interest. Within the department, there are individuals that are assigned responsibility for keeping current on the laws of individual countries. For Japan, there are now two such individuals--an Associate Manager for Japanese Patent Operations, Chemical and a corresponding one for Electrical and Mechanical.

Within each section in Rochester there is a division of responsibility. Each section has a Managing Attorney who is responsible for personnel, facilities, expense reports, and the many other procedural details that need to be managed in a large organization. We also have what are called Patent Technology Directors. These senior attorneys are assigned a particular technology and are responsible for the substantive aspects of that technology. For example, they are ultimately responsivle for the quality of our applications and accuracy of the advice in a particular field. Incidentally, the Managing Attorneys are also assigned a technology as Patent Technology Directors and thus serve two functions. Each Patent Technology Director has about four attorneys working in his particular technology.

Our Department functions much the same way a private firm functions with the corporation, or a part of it, being the client. Foreign filing decisions in the Research Labs, for example, are made by a committee which includes the patent attorney and middle and high level management. While the patent attorney has a great deal of input in making the decision on whether to foreign file and in which countries, the ultimate decision is with the Research Laboratories Management. Similarly, decisions on whether to seek a license are made by Manufacturing or Research Management after careful consultation with the Patent Department regarding the alternatives.

Regarding patent procurement decisions, the patent attorney has a certain amount of authority, however, the ultimate decision on, for example, abandonment or significant reduction in claim scope is made by Manufacturing or Research Management. Generally, the patent attorney is assigned to a particular technology and after a period of time comes to know that technology and the company's interests quite well. Thus, the advice that he gives is from a well informed position and more often than not is followed closely by the Manufacturing or Research Management.

November 7, 1984

The 15th International Congress, held at Sendai, Japan
PIPA Japanese Group, Committee No. 1

The Role of Patent Department of Industrial Companies, Relationship with the Inventors: a Case at Toray

Itaru Nakamura

Toray Industries, Inc.
Patent Department

My staffs and I meet the inventors almost everyday. They ask for our advices as to how their invention should be defined, to what extent the scope should be extended, how the difference between prior art and theirs should be explained, what is the special feature of the invention, how a plurality of inventions are strategically handled, etc. None of them is easy to answer.

Under the Japanese Law wherein first file policy prevails, we have to solve these in a very limited time. Entry of amendments is becoming very hard in this country also, making to originally write a good specification a much more important matter than ever.

A significant number of my staffs are located in laboratory area rather than in our Tokyo office. Such patent representatives play tennis with scientific people, play mah-jong or drink "sake" with them and, in the daytime, work together. Our participation does not necessarily start after the invention is made. Sometimes the consultation begins while researchers are still

unsure of their success. Copies of monthly reports of every laboratory are available. Thus, our patent representatives in the laboratory area are already familiar with the inventions even before the Notice of Invention is sent to us.

Efficiency of the consultation depends largely upon the basic patent knowledge of the inventor. Seasoned inventors write down the specification himself. How can anyone else know the invention better than the inventor? Undoubtedly he is the best person to draft the specification. Properly written papers by inventors not only save our load very much, but are superior in quality.

Few research people are familiar with patent system, however. Some of them are enthusiastic enough to study it, but others are not. Without basic knowledge on patent system, inventors would be puzzled as to how the claims, specifications and drawings should be prepared or how they can check the prior arts to see if the invention is novel.

We have set up an education course, in which a participant not only hears the lecture, but explains his own and actual invention, learns how to search for relevant prior arts, finds out the difference and writes the specification. At the end, he finishes with a specification almost ready for filing. The course consists of four sessions each ~~one day~~ one or half day long. Between the sessions, both the participants and the lecturers have home tasks, of course.

We suggested managers of production factories as well as of

laboratories to let their less-experienced people attend the course. It was rather a surprise that factory engineers have also so many good ideas worth for patent protection, but never considered to contact our department before. Quite a few of them have lost the novelty before we heard of them, to our sorrow.

All in all, 576 took the course, which needed lecturers of 1144 man-hour, not including the home-tasks. It was a hard work indeed, but the reward was remarkable. More than 240 new applications are direct result of these educations. Having learned the pleasure of patent writing and of receiving some money from the company, our new customers will continue to bring us a lot of work.

MORALS

1. Place your patent staffs as closely to inventors as possible.
2. Let them educate the research and technical people.
3. Relax in your arm-chair.

(Report by Mr. F. W. Padden)

PIPA COMMITTEE NO. 1 - PANEL DISCUSSION

THE PATENT DEPARTMENT AT AT&T - BELL LABORATORIES

Organization

The Patent Department of AT&T-Bell Laboratories is under the direction of the General Patent Attorney who, in turn, reports to the Vice President and General Counsel. There are four patent centers, each headed by a Patent Attorney - Director, responsible for patent and related matters originating in the various research centers of Bell Laboratories.

Attorneys are concentrated in four major laboratory locations, three in New Jersey and one in Illinois. Individual attorneys are at Manufacturing locations in Indiana, Ohio and Massachusetts.

Function

Each patent center is responsible for reviewing technical disclosures from one or more research organizations to determine if patent or other protection is warranted. U.S. patents are prepared and prosecuted by attorneys within the center, programs for protecting proprietary information are established, and the company's right to use the products of others and to make, use and sell the company's own products is determined.

Attorneys within each center also cooperate with other AT&T groups involved in patent litigation, in patent licensing and in obtaining and licensing patents outside of the United States.

Authority

Attorneys are given wide lattitude in authorizing the filing of patent applications to cover inventions from the assigned research organization. Guidelines are issued by the General Attorney, but final decisions for filing are made in each patent center. Prosecution is the responsibility of the attorney (no agents are employed).

PIPA COMMITTEE NO. 1 - PANEL DISCUSSION

THE PATENT DEPARTMENT AT AT&T - BELL LABORATORIES

Foreign filing decisions are made jointly with a separate foreign patent group, with technology licensing representatives, and with technical personnel. Maintenance of U.S. and foreign patents is jointly determined with other organizations. Final authority on other intellectual property matters is with the General Patent Attorney.

ONE METHOD OF PATENT ADMINISTRATION

By Matsuoka Koshiro
Fujitsu Limited

1. The Standard Way of Using the Patent System in Corporations

Companies have special administration divisions for using the patent system. The standard patent administration system is as follows.

1) Acquisition of patent rights

The patent division prepares to make an application for a firm patent right on an invention as requested by the business division (which means all the sections including the laboratories where inventions are made). The following methods are also considered.

(1) Overall or partial use of outside patent attornies when necessary

(2) Others

2) Use of secured patent rights

Exercising of the exclusive right or sanctioning of a use of the patent.

3) Prevention of infringing on other companies' patents

A system for surveying other companies' patents is maintained and infringements are checked.

4) Patent information control

2. Different Ways of Patent Administration due to Technological Fields

1) Chemical field

Considering the characteristics of current research and development activities, the patent administration in the chemical field corresponds to the standard patent administration as mentioned in the previous section, and there is generally no problem therein. In other words, it is clear that development of chemical materials and medicines is preceded by thorough research on the prior technologies and all inventions which are related to the obtained materials are carefully selected to establish a patent network.

This situation in the chemical field is naturally understandable, because an invention can become a mainstay of the company's business and therefore, there seem to be many cases in which the working of an invention must be given up in the event that it was made by a rival company as little as one day earlier. Therefore, it is very natural that the researchers should assume a strict attitude toward their survey of prior technologies and inventions. This way, the patent division needs to concentrate only on the standard patent administration.

2) Electronic field

In Japanese companies working this field, researchers and engineers have been striving long and hard to develop new technologies and are now producing good products as a result. This is not in any way objectionable. Indeed, the production of quality products is directly attributable to technological creativity. However, there seem to be many problems related to patent administration.

The main factor which inhibits execution of patent administration is the lack of recognition by the executives of the companies and the managers of the research and development devisions how to use the patent system. There are several reasons for such problems and the main reason is that electronic products are generally composed of many technologies. In other words, since combined technologies lead to many inventions, the researchers and engineers do not clearly recognize each invention. Therefore, the ultimate problem is based on insufficient recognition of what constitutes an invention by the researchers and engineers.

Looking at in another way, researchers and engineers are obsessed with the idea of achieving their given objectives, before having the intention of making inventions.

In other words, the researchers' and engineers' primary objectives are to implement new characteristics, higher performance and new uses of products and new products which are given as their targets. Since this challenges them to create products, technologically creative activity results. In addition, the engineers are required to be involved in many items such as systems, units, circuits, and elements which require many inventions because the items are based on combined technologies. The researchers think that their jobs have finished when their targeted data goals have been obtained; development engineers feel that their objectives have been achieved when their targeted units, circuits, or components have been implemented. If an invention which is made just for the sake of completing a project is satisfactory enough to achieve the target, the researchers and engineers think that they do not have to upgrade their machine-specific, utilitarian invention to the level of a full-fledged general concept.

Then they tend to start technical development activities for the next target without completely compiling the results. Their attitude toward patent information is also a problem.

Since the development of combined technologies requires a great variety of surveys, patent information is not sufficiently surveyed before or during technical development in many cases. I would even go so far as to say that such people regard patent information checking as irrelevant when they are developing new products because they believe that what they are thinking is being thought of for the first time.

I think that this illustrates a big difference between what researchers and engineers of the electronic technology field think, and what people in the chemical technology field, called a "single technology", think with regard to patent information and the results of technical research and development.

3. Problematic Technological Development from the Viewpoint of Patent Administration

I want to conclude the present technical development situation has the following problems from the viewpoint of patent administration; as mentioned before, the technical survey activities are incomplete due to insufficient recognition of the importance of patent information and technical development is carried out without clarifying the relationships between the results and the inventions.

4. Patent Administration at Fujitsu

1) Basic concept

Only incomplete inventions can be produced in a technical development situation which has problems from the viewpoint of patent administration, just as undernourished crops are grown on lean land. Incomplete inventions do not warrent strong patent rights however hard the patent devision may try. Therefore, a very important step toward standard patent administration is to make the development situation as ideal as possible for the encouragement of good, solid inventions, just as good produce is grown by farming on fartile land.

2) A method for adapting the basic concept.

Since15 years ago, we have been gradually adopting a method to make the laboratories and business divisions clearly recognize the importance of the use of the patent system.

The basic element of the method is to make the laboratories and business divisions fully realize that inventions should be the results of research or technical development in themselves and that the creation of good inventions is the matter what is required to themselves. In addition, the laboratories and business divisions must always keep in mind methods of not infringing on other companies' patents from the start. In this way, it becomes clear that inventions should be results in themselves and research and technical development should always be conducted keeping the other companies' patents in mind. These are the essential responsibilities and jobs of laboratories and business divisions. Therefore, it is necessary to establish such a system that this idea is clarified and realized.

With the above in mind, Fujitsu has established a technical creation movement organization for research and business divisions. This organization has promotional supervisors positioned in the business headquarters, business division, and technical division. It comprises of a headquarters committee headed by the business headquarters manager and a business committee headed by the business manager. One purpose of the movement is to encourage the business department to make an effort to produce inventions equal to the development results, as well as products which do not infringe on other companies' patents.

The Day When The Term "Patent Administration" Disappears

by Koshiro Matsuoka

A certain Mr. I (the manager of the patent department at a chemical company) made an observation that left a strong impression on me. He said this in private after some of the problems with regard to patent administration were discussed in the committee of the Japan Patent Association. "Even though the term patent administration isn't easily understood, everybody seems to have problems relating to it."

I have known Mr. I for some time. His company is a well established general chemical company. Although the patent department is small, it is always in close contact with the research department.

Although I responded by saying "I think a company like yours, which doesn't have to bother with patent administration, is on the right track," I remember that Mr. I's words gave me a certain insight.

I am sure that at Mr. I's company it is normal for researchers and engineers to consider patenting all research results. I am also sure that when research and development begins on a certain project his company thoroughly studies all patent information and takes measures to make sure that its work is productive. Mr. I, the manager of the patent department, has a doctorate and is a patent attorney as well. He is a seasoned veteran with over 20 years experience.

Under such conditions, I am sure that at Mr. I's company all research results are thoroughly covered by patents, and that those patent rights are fully utilized to bring maximum profits to the company. Problems relating to other companies' patents are discussed before research and development begins, and are solved by the time the research is completed. It goes without saying that in order to have such a system thorough patent information control is necessary. Under those circumstances, I do not believe there is a need for what is commonly known as "patent administration." Mr. I's company's system for R&D and for utilizing the patent system would seem to be logical from anyone's point of view.

In recent years, however, the system of patent administration has become a problem that is being analyzed in Japanese corporations. Even corporations which are thought to have no connection with patents are studying methods of patent administration.

This is probably a result of Japanese companies having more and more confidence in their technology. Thus, they are studying ways to effectively utilize the patent system. It seems, however, that although Japanese companies are studying the patent system, they are having problems in implementing patent administration.

Patent administration in large companies is not new. However, the companies which started patent administration after World War II must be regarded as "recent starters" having at most 40 or 50 years of experience. Even companies such as these are targets of the Patent Office's "rationalization" policy concerning patent applications and examination requests. As a result, they are under tremendous pressure to reform their patent administration systems.

Just what is it that is wrong with the present systems of patent administration?

The 1981 activity report of the Patent Administration Policy Committee entitled "Contributions of Patents in Research and Development Management," was released as reference No. 105. In this report, the following factors were set forth as explaining why patents are not fully contributing to the management of R&D:

- Insufficient understanding by top management and the managers of R&D departments
- Disorganized structure within companies in relation to patent administration activities
- Insufficient efforts by patent department managers

The report points a critical finger at the managers of corporations for their lack of recognition of the patent system. In other words, it claims that if top management and R&D managers fully recognized the importance of the patent system, patent administration would be easier. It also states that patent administration would be helped if the patent departments were given a fixed position within the organization of a company.

Let us take a look at the factors involved in the utilization of the patent system. The patent system can be broken down into four factors: the acquisition of patent rights for inventions; the utilization of patent rights; the measures taken in relation to patents held by other companies; and patent information control. Of these, which would be aided by greater recognition by top management and/or by the integration of the patent department into the headquarters' structure?

Before going into that, let us examine these factors further. The acquisition of patent rights for inventions can be broken down further into two points. One is the creation of inventions corresponding to the results obtained by the technical and research departments. The other is the patenting of those inventions.

In relation to the utilization of patent rights, there are also two factors. One is the utilization of monopoly rights, and the other is the sanctioning of the use of those rights. In other words, the four factors have now become six.

1. Creating inventions
2. Patenting inventions or the acquisition of patent rights corresponding to results
3. Utilization of monopoly rights obtained through patents
4. Sanctioning the use of the patent monopoly rights
5. Measures taken in relation to patents held by other companies
6. Patent information control

Of these, factor 2, the patenting of inventions, is a problem which the patent departments can handle on their own. If their efforts are not sufficient, they should try to improve themselves, or jointly work with a successful patent attorney.

In relation to factors 3 and 4, which involve the utilization of patent rights, factor 5, which concerns measures taken in relation to patents held by other companies, and factor 6, which relates to patent information control, the patent departments are responsible. This is especially true concerning the monitoring of results. These factors are not influenced to a great extent by the recognition of top management or the position of the patent department in the company.

The factor that is largely influenced by top management is the creation of inventions corresponding to the results of research. This is an integral part of the patenting of such results. What this means is that engineers and researchers are not aggressively creating inventions which are on a par with the results of research.

In other words, as a result of the lack of recognition of the patent system by the technical and research departments, these departments are not creating inventions which correspond to research results. The problem is how to overcome this lack of recognition of the patent system.

This is, however, an unusual circumstance. R&D inherently involves technological creativity, because it is concerned with new methods in technology. To put it a different way, the results of technological development activities are, in themselves, inventions. Therefore, researchers and engineers should have a greater interest in inventions and the patent system than the patent department has. If their confidence in their results is great, their interest in the patent system should be just as great. This is not an ideal. This is how things should be. Things, however, are not as they should be. The R&D departments have little interest in the patent system.

The situation in Japan is often compared with that of the advanced nations of Europe and the United States. Researchers and engineers in those countries fully understand the patent systems and use them effectively. The difference may lie in the reasons for establishing a patent system.

The patent systems in the United States and Europe were created because of the need to protect technological acheivements. A keen interest is shown in the patent system because it is a means to protect one's own activities. The patent system was born from a very natural human instinct, and in the U.S. and Europe, the system is used in what could be called a "natural" way. The problem Japan faces of researchers and engineers not understanding the system has not occurred frequently in other countries.

The circumstances giving rise to the patent system in Japan were totally different. The main reason for creating the patent system in Japan was to facilitate the import of new technology from the U.S. and Europe. For example, if certain technology was introduced into Japan and a foreign firm had the patent rights to that technology, a Japanese firm would acquire the rights to the patent so as to protect the exclusive rights to that technology in Japan. A Japanese company would do this on its own and at its own expense. Many companies in Japan had their first experience with patents in this manner. Thus, patent departments were not deeply involved in studying the patent system. Moreover, as far as researchers and engineers were concerned, they showed little interest in patent rights because a large part of the technology they were using was not their own, but borrowed from abroad.

Up until about 1965, this type of introduction of foreign technology in Japan was common. After that time, however, the age of technological development started in Japan and companies began developing their own technology. The results were their own. The attitude toward the patent system, however, remained the same as when technology was being imported. The realization that one had to protect his own work with patents never caught on.

There are some other reasons, however. I remember one reason very well, because it came up in another discussion with Mr. I. He made me realize that the methods of R&D, utilization of the patent system, and the attitude towards patent information differed between the chemical industry and the electrical product and machinery industries.

I believe it was in 1970 that we were talking. We were discussing the new system of laying-open of applications made for patents that was to be started in 1971. I remember saying that I thought a public bulletin of patents would be important for its technological information concerning the electronic technology field. In response, Mr. I strongly started, "In the chemical industry it will really be information concerning rights." Mr. I elaborated further: "Say that you are working on a new drug. If another company started their development even a day before you did, the race ends right there. Therefore, if you see in the public bulletin that another company applied for a patent a year and a half earlier, you will have to stop your research. This is true regardless of the phrasing and claims made in the patent application. How much money you have spent on research doesn't matter, either."

In a hypothetical case concerning the chemical and pharmaceutical fields, it seems that if one company were to mass produce a certain drug it would be able to meet the demand of the entire would. Therefore, in chemical and drug research, it is only natural that the exclusive right to one's results comes first. The party who invents something first acquires the patent for it. Next, the protection of that something is complete when you acquire patents for every possible way to manufacture and use it.

It is because of this type of situation that thorough research is done in connection with patent information. If a vital fact is overlooked in this investigation and research begins, or if that fact is discovered when research is completed, it would lead to a large loss. In some cases, the company may go bankrupt. It is easy to understand that in such a case, investigation of patent information is a very important part of R&D activities.

The situation is different in the electronics and machinery fields. If chemicals are based on a single technology, electrical products and machinery are based on combined technologies. The exclusive rights to a patent cannot be asserted as strongly as they are in the chemical field. Furthermore, there are few cases where a single patent affects the activities of an entire company.

Patent information in the electrical product and machinery fields has not been considered as important a part of R&D as it is in the chemical field. It might even be said that it is an afterthought.

The reasons for the differences in how the patent system is utilized in top ranking industries, for example, the electronics industry, is a very interesting subject. This is especially true when their budgets for R&D, and the number of personnel involved in R&D, are considered. In the electronics industry new materials or new elements may have an effect similar to that of the chemical industry. Examples are the transistor which became the basic of today's semiconductor industry, the Josephson-junction element, which is a very high-speed logic circuit and may be used in tomorrow's computers. The occurrences of this type of basic invention, and the monopolizing of the rights to this kind of newly invented element, are rare. This is true because unless this type of technology becomes widely used, the inventor will be the one to lose. Today's semiconductor industry developed because the owner of the patent rights of transistors, Western Electric of the United States, authorized the licensing of production to many companies at reasonable cost. Using this basic patent for transistors as a foundation, many improvements were made and further inventions occurred. Since then new semiconductors have been invented, and now semiconductors are the most important components in many industries.

In the electronics field, however, a basic invention of this type, and a single-technology product, are rare. Most electrical products are based on combined technologies. For example, computers are made up of an arithmetic unit, control unit, memory unit, and an input/output unit. Even the names of these units are a generalization of all the components inside. For example, in the logic circuits within the arithmetic unit, there is a basic logic circuit, numerous deviations, combinations of these, and numerous other circuits.

There are also many different inventions involved in the electronic components used in the layout, and in the methods of wiring, the various components. If a printed circuit board is used in the wiring, this also involves many materials, production methods, and structural inventions. If transistors alone are examined, there are discrete transistors, ICs, LSIs, VLSIs, bipolar transistors, MOS transistors, etc. and all of these involve thousands of inventions in chemistry, physics, electronics, and machinery. This is true even of the machinery for producing transistors which includes many inventions. In other words, in order to create the product desired, there are many possible combinations of many inventions. This situation in the electronics industry is also true of the machinery industry. What does this situation indicate? It indicates the differences in the number of patents, the methods in which patent rights are used, and the value and utilization of patent information.

Based on the foregoing, it is apparent that there is a basic difference in the manner in which the patent system is used in the electronics and machinery industries and in the chemical industry and that the difference does not mean to say the manner of using the patent system is ideal in electronics and machinery industries. Because electronics and machinery industries involve combined technologies and inventions in electronics, machinery, chemistry, and physics, which are large, medium, and small in size, investigations of patent information cannot be perfect. It might even be said that there are so many inventions involved that the result is to make it more difficult to recognize inventions. This, in turn results in the weakening of recognition of the patent system.

Furthermore, electronic and machinery inventions are troublesome because many are "one-step" inventions. That is, in relation to electronics and machinery, not only researchers and engineers are involved in technological inventions, but we also have design engineers and production engineers who actually do the design work and manufacturing. These design engineers are in charge of certain areas, such as parts, circuits, or structures, and have certain goals and functions to build into these areas, so that the finished product meets all the requirements. The design engineer must be creative in order to achieve his goals. When the goals for the various parts, circuits, and structures are achieved, they are combined to create the finished product.

When the engineer finishes the "part" of which he was in charge, his job is over. To put it a different way, even if the engineer's work, as one step of the whole process, was a new invention, his job is finished when the task of which he was in charge is completed. If we were to be ridiculous, we might say that the design engineer has no intention of inventing something new, he only wants to be creative enough to meet the goal given him. This trend is most often seen in design engineers, but it is also seen in development engineers. It is believed that this is the reason engineers are said to be lacking in their recognition of patents. This is because his "goal" is not to create a single technological product, as in the chemical industry or pharmaceutical industry, nor is it to create a mainstream product which will affect the company. It seems, therefore, that making a combined technology product lowers the ability to recognize the results of creative activity as an invention. With more companies concentrating on self-development of technology, however, they must be able to fully recognize an invention as such. For this reason, patent administration is being analyzed and developed.

The goal is to recognize the results of development as inventions. Even with combined technologies, the goal is to achieve the ideal for each of the technologies involved. The approach is to fully investigate advanced technology, even if the technology is minor, and begin development. The results, too, will not be looked upon as one step, but will be developed into a technological philosophy so that they can be enhanced.

If these endeavors bear fruit, waste in the development of individual technologies will be eliminated and an ideal solution for technology development activities will be achieved. Today, Japanese companies are aiming for ideal technology developing activities, and to achieve them they are trying to transform patent administration. I believe that they are really beginning to try to fully utilize the patent system.

If these circumstances prevail, basic researchers, development engineers, design engineers and everyone else involved in creative technology will come to believe that the results of their work are inventions. At the same time, they will thoroughly study all information on advanced technology so that there is no waste in their creative efforts.

The reader may think that I am only writing about what will naturally come about. If the department which invents, and the department which is in charge of patenting those inventions, do their jobs as if it were the natural thing to do, there would be no problem in patent administration. It is all summed up in Mr. I's statement, "Everybody seems to have problems with patent administration." When the term "patent administration" disappears, that is the day when ideal patent administration will have been accomplished. I hope that day comes soon.

Discussion after Panelists' Reports

Nishi. Any question or comment about the panelists' report?

Hawley. I have two questions for Mr. Nakamura. First, where can I get that easy chair? Looks very comfortable. The second question, I was reminded of this question by a comment by Mr. Suzuki and it relates to in the sutuation where the researchers are drafting at least the initial specification. What system do you have for obtaining broad claims when the inventor is very often thinking in narrow terms?

Nakamura. From our reflection upon getting behind in inventions of production methods, we were instructed by our officer in charge of the laboratories, plants and production technology to save the situation somehow and accordingly, we created our education course.
The second question concerns th way of deciding on claims. We think our job is how to broaden the protection of an invention brought to us by an inventor. Though, of course, the principle here is that the limitation is when we are confronted by prior art.

Hirsch. I have noted that most of the speakers have emphasized the importance of working closely with the inventor being physically located near the inventor and educating the inventor to recognize important technology. Mr. Nakamura suggested that his company has actually had a training program for inventors. I wonder if any of the other panelists, the American group or the other Japanese have had such training programs or waht they do to educate their inventors?

Matsuoka. I think any company in Japan has a program. Our company also had a program which we have changed in the past several years. This is because as I said a little while ago, we are being thorough about the fact that patent matters are the responsibility of those people ingaged in technical developmint. We are taking a form in which our Patent Department has a program ready and gets the operating departments to say they want their people to be educated previously our Patent Department provided a program and set about educating the people concerned but in cotrast to this, now with the reseachers becoming conscious, they have come to ask the Patent Department for programs.

We think our experience may be helpful to you in patent education.

Hirsch. What do you think of this training program?

Padden. Mr. Hirsch, perhaps I could address that question. Yes, within the laboratories what we have is a program for education that starts pretty near the inception of an employee's job. We start with a book which explains the responsibilities of that employee to protect proprietary information, patent rights, trademarks, copyrights and the like of the AT & T family. That's an ongoing exercise that starts at the beginning of the job and continues throough the maturity of that employee with our particular engineering operation. There are no formal courses that we do have outside of a course given periodically to new employees where they are all addressed in unison to explain what the patent system is all about, what copyrights are, what trademarks are and to give them an opportunity in an open forum to ask any questions that might be there. It works very well, it makes them conscious, but there is no substitute for the continued dialogues, close activities between the employee and the attorney. We've found that the number of contacts that an attorney has with the engineers is directly proportional to the

number of inventions that are submitted. The engineers are located remotely from the attorney, we just don't have the number of submissions because there's an absence of contact.

Nakamura. I would like to ask a question of the American panelists' group. How hong is it from the time you become aware of theexistence of an invention until the time you follow procedures with the Patent and Trademark Office? During that time what do you do? Especially, under the first-to-file principle in the United States and the stringent requirements of Section 112, please reply to us on what kind of work you do.

Thompson. Well, we usually detect the invention very, very early in its process because we are periodically calling on the various engineering and research operations. However, because of the best mode requirements and also our need to put our resources and energies into commercially viable cases we have, we will watch the evolution of that development process until it has taken some concrete form and then we will proceed with the patent filing at that time because we do have the comfort of the first to invent system and we can show by that development and research activity we can effectively move our date back relative to others. However, in proceeding that way we have to also make everybody sensitive and mindful of the fact that there may be a very basic invention, in which case we may choose to move very fast on something of that nature with the thought that as particular invention gets filed we may later follow it up with some improvement cases which embody the best mode or the best form of that invention, but we do not want to put broad inventions at risk even under our system so we have to make a judgment along the way as to whether we think the invention is very broad and sweeping in its context and thereforeneeds fast treatment or whether it's more of the application which is better directed to the final embodiment.

Hirsch. Some of the Japanese panelists have suggested that the engineers or patent engineers help in drafting the application. Part of the question I believe was the timing of this. Do you have any on that does the patent application drafting for or is that the attorney's function?

Hawley. Well, I'll try and work an answer to that question in also. The first question was how long and in my experience it varies very widely from, I remember in one case it was a matter of days from the time we found out about it until it was filed in the Patent Office, to cases which we consider to be of considerably less importance that often get pushed aside for unfortunately very long periods of time. As to what hap0ens in the interim between the tine the Patent Department finds out about an invention and the time the application is filed, that time is usually taken up in our company with a search by our Patent Department searcher. In our company the inventor is not expected to do as thorough a patent search as our professional searchers are capable of doing. There are generally meetings with the inventor, occasionally management to encourage the inventor to think of his invention a little bit more broadly and to provide the Patent Department with support for that breadth. This is particularly important for cases which we know will be filed, for example, in Japan in the chemical area where we need claims of sufficient scope and it's necessary to do the experimental work to support those claims. As Mr. Matsuoka mintioned, inventors when they have solved the problem rapidly lose interest and move on to other things and sometimes it takes some convincing to do the experimental work to support the broad claims that we feel we need to have. As to who prepares the patent documents, in our company they are prepared only by the attorney. Then the patent disclosure to the Patent Department by the inventor is very brief, occasoinally amounting to only a few lines that are sufficient to provide the searcher with enough information to begin his search.

Padden. Perhaps I can offer a comment from our perspective at Bell Labs. The timing on filing oftentimes is affected by what organization the invention is arising in. If it's a research scientist's he wants the application filed yesterday so he can talk on it today. If it's a development organization where products are being made, we often find that there is a project review. When we've systematized what is going on, we can analyze what sort of task force of personnel will be required to do that job, then we can prioritize the work in terms of what is programming, there we usually have a little bit more time. The invention or the subject matter is coming along gradally and we can be tuned into what is going on a periodic basis. From the standpoint of missed times when an invention has not been brought to our attention, then all resources can be brought to file that application before any statutory bar would occur. What is really determinant is determined by a number of factors; the organization in which it originates, the type of product that may be involved, the desire to publish and a host of other things. We file them within one day if need be.

Nishi. Thank you ver much. Are there any other questions? We'd like to have some questions or comments from the audience. Any questions or comments?

Thompson. This a question from me to the audience and particularly the Japanese representatives because I found Mr. Suzuki's comments relative to joint inventions very interesting. To think that as I understood you, 40% of your patents were joint inventions, and it was my interpretation of your comments that those were joint inventions with other companies and I doubt very much that the United States experience is anything like that. I think speaking for our own company, we might have a joint invention with another company once every three years.

Either it's they or us and I wonder if that percentage is representative of the Japanese experience. I might start by saying who has joint inventions of more than 25% of their cases? Would you raise your hands if you have 25% or more joint inventions? There's one more. Nippon Steel must be unique.

Suzuki. Actually ours is 26%.

Thompson. Still extremely high by our standards.

Suzuki. As a practicl problem, in our filing of a joint application what becomes an issue from the standpoint of the first-to-file principle is the business routine in that after we have sent a draft specification to the joint applicant for his review, his reply is delayed or conversely, when we have been asked for our comment, our response is delayed. In an extreme case, this routine takes as long as six months.
Further, we exchange a memorandum on the joint application in filing it, and this also becomes a procedural problem that cannot be slighted.

Thompson. I wonder if the high percentage of joint inventions doesn't also create problems for you in licensing since I understand that in Japan it's necessary to have the consent of both joint owners to grant a license.

Suzuki. Since there are problems like these, we make a promise on the handling of the patent at the application stage.

Nishi. I'd like to answer the question regarding our company, Sumitomo Electric. In our case the recent percentage of joint inventions made with other companies is 15% and mainly partners are utility comanies, for instance, electric power companies, NTT, or sometimes car manufacturers. And sometimes, of course, in case of licensing, we have some problems, but utility companies usually want to license the patent. That's their policy. I should say it is a fact that usually the patent will be licensed.

Hawley. Something that I'm not really clear on is whether we're talking about the same joint inventions, both the American side and the Japanese side. When I think of joint inventors as a U. S. practitioner, I think of inventorship and who made the invention which is of course very important when filing United States application. It sounded to me a little bit like the Japanese group was talking about ownership of the invention raher than inventorship so perhaps that accounts for some of the difference.

Suzuki. Ownership is one of major issues. Also, on the question of inventorship, in the presence of the Patent Department members the inventors discuss and determine who should be the inventor.

Nakamura. We and Fujitsu of which Mr. Matsuoka here is a member executed an interesting agreement concerning inventions made as a result of joint development. What this is that regardless of which company the inventor belongs to, all inventions relating to the particular project are made joint ownership. In accordance with this agreement, we have filed nearly 140 applications. For this reason, this project is being carried on in a friendly manner.

Nishi. Is there any other question regarding the role of the patent department?

T. Kawaguchi (Kanebo, LTD.). I think that in the reports made by Mr. Thompson and Mr. Hawley, they said that regarding the patent applications, the patentability and utility are reported to the vice president and his approval is obtained. Does this mean that the vice president, after receiving the report, actually reviews its contents and then gives his approval?

Thompson. It's not quite as formal as perhaps. We do the research relative to patentability studying the prior art and we also investigate the commercial facts, that is, what research activity, where it's intended to use it, what particular kind of vehicle, for example , it's intended to use it, and we accumulate that of a number of cases we're investigating in a month's time and then, in one day we will sit down with the vice president in a meeting that might last an hour or possibly two, and we will show him a diagram of the invention and just briefly report on our opinion on patentability and where it's to be applied. We usually find that we offer him no surprises as to where it's being applied and he's usually way ahead of us in that and adds to our understanding, but in any event based on that informal cross-the-table information he makes a decision and probably spends less than five minutes on a particular invention in making that decision.

Kawaguchi. I think that in Japan it is rare that report is made to the vice president. While I think a report will be made to him on an important case, authority is normally delegated to the manager of patent department such that applications can be filed one after another under his instructions.

I feel that in the United States patent applications are being restrained by making their review within the company stringent. Though the technical development capability of the U. S. is equal to or greater than that of Japan, I think the reason for the rapid increase in only the number of Japanese patent applications is attributable to the above.

Hawley. I'd first like to correct a misconception I'm afraid I've left you with and that is our vice president actually makes the decision. What I meant to say was that the management of either the research laboratories or the manufacturing division would make that decision, and by management I meant in the ordinary chain of command sense. The filing decision for patents is delegated down well into the organization from the vice president. Our director of research, for example, is a vice president and the filing decision is ultimately made not by him personally but by the director of a particular division in the research laboratories of which there are six or seven so we work closely not directly with the vice president who is difficult to even get on the phone sometimes, but with management that is much smaller in the company than in that high. As to my own personal feeling as to why there might be a difference in the rate of increase or decrease in filing in the United States and Japan, and this is a personal observation, it seems to me that cases at least which I am familiar with in my area of interest, in my company are usually very long, they hopefully contain many examples and they contain what we hope are broad claims. Frequently what we see in U. S. patents in any event is that a Japanese-origin U. S. patent might rely on more than one priority document and it seems to me that it's possible anyway that because of the first to file system in Japan that there might be a large number of narrow inventions that a year later when it comes time to file in the United Satates might be combined into a single one. So that might contribute to the difference in the rate of filing.

Thompson. Of course we have no utility model system to begin with in the United States and that accounts for a certain amount of the difference.
Regarding your question of whether we might be somewhat of negative factor on repressing filing of inventions, I'll confess that sometimes we are but other times we're out there trying to extract the invention out of the inventor so sometimes we're pushing him up to the altar so we fulfill both roles. I think perhaps there might be a better comparison what we're doing and what you're doing is if we would just compare those patent applications on which you file abroad against those which we file because we file them all with the intention of doing that and usually if they aren't important enough to file abroad and protect our full market, if you will, probably they aren't important enough to file in the United States, particularly now as we look into the future in view of the new statutory registration procedure that the Commissioner talked about this morning.

Nishi. Thank you very much. Now I suppose you have any other questions, but the scheduled time has already past so I'd like to finish the panel discussion today and before closing this session I'd like to express our sincere thanks to the six panelists from both countries and also to gentlemen joined to the discussions, questions and answers and also other audiences. Thank you very much for today's panel discussion.

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DEVELOPMENT OF THE ASIA NICS

Presented by the Japanese Group, Committee No. 2

Chairman: Mr. Juro Ichimura, Shin-Estu Chemical Co.

Subcommittee No. 1:

Minoru Tahara, Fuji Heavy Industries Ltd.
Minoru Katoh, Fujitsu Limited
Akio Suzuki, Ricoh Company, Ltd.
Hiroshi Koseki, NEC Corporation
Hiroshi Hattori, Nippondenso Co., Ltd.

Speaker: A. Taguchi, Chiyoda Chemical Engineering & Construction Co., Ltd.

Abstract

Korea, Taiwan, Hong Kong and Singapore have recently demonstrated high rate of economic growth and are now recognized as "Asia NICs". With the common background of the Confucian tradition and equipped with the resources of well educated people, they are hasty in catching up with Japan, developing their economy from light industries to heavy industries and now pursuing the hi-tech. Their development is not full of success stories. While there are remarkable statistical records on one side, it is true that other statistics show their vulnerability both internally and externally, such as the trade imbalance against Japan. Though many Japanese companies are concerned with hard competition with them, their development may bring benefit to Japan if it leads to the formation of a kind of Asian Economic Community making possible the horizontal economic integration within the sphere.

I. Introduction

In contrast with the comparatively slow economic growth in the developed countries in the last decades, several less developed countries have performed remarkable achievements and are now recognized as the Newly Industrializing Countries (NICs). Such countries include Korea, Taiwan, Hong Kong, Singapore, Brazil, Mexico, Greece, Portugal, Spain and Yugoslavia.

The definition of the word "NICs" has not been established yet. Further, not all such countries have the same tendency in the formulation of its economy. For example, the Asian countries' main source of trade income is now the export of industrial goods whereas that of Brazil and Mexico tends more toward the export of agricultural products or natural resources.

Here, we would like to report putting emphasis on the revelation of the recent development of the Asia NICs and their current and future problems because we believe that they will have more and more significant role in the economy of the Pacific sphere.

* * * * *

Just two months ago, the chief of the state of Korea, the President Chun Doo Hwan, paid a visit to Japan for the first time in more than 2000 years of the history of Japan-Korea relationship. As highlighted by his visit, it seems that Japan and Korea have entered a new age of relationship. Recently much has been discussed, reported and written in Japan about this nearest neighbor country. In

April this year the Japan Broadcasting Corporation (NHK) started the education program of the Korean language both in TV and radio following that of English, French, Germany, Chinese and Russian.

Without doubt, these are the reflection of Japan's realization of the growing strength of Korea, especially in the field of economy. Likewise the economy of Taiwan, Singapore and Hong Kong is now having more and more influence over the economy of Japan.

The Table I-1 indicates the level of the catch-up by these so-called "new Japans". Between 1970 and 1977 the Asia NICs' share of export in worldwide trade grew from 2.0% to 4.1% whereas the growth of Japan was from 6.8% to 9.0%. Consequently, the catch-up rate of the Asia NICs against Japan increased from 30% to 46%.

Threatened by such rapid catching-up, some Japanese companies have come to hesitate to transfer their technology to the counterparts of the Asia NICs, especially to the Koreans. Their concern is that by mastering and improving such technology of Japanese origin, the NICs might emerge in the future as a severe competitor in the world market.

Such concern is not groundless. In 1981, Pohang Iron and Steel Co., Ltd. of Korea completed its iron mill of the annual capacity of 8.5 million tons of crude steel. This project was made possible by the cooperation of Nippon Steel Corp., Japan's largest steel company, utilizing the most current technology of Japan. The steel produced there soon proved to be attractive both in price and quality and the Japanese steel companies came to suffer severe competition

with such Korean steel. As a result, in 1981 for the first time Korean steel exports to Japan exceeded Japanese steel export to Korea.[1/]

Table I-1

Export Share of the Asia NICs and Catch-up Rate Against Japan (1970, 1977)

(Unit: %)

	World		Asia		America		E C		Middle East	
	1970	1977	1970	1977	1970	1977	1970	1977	1970	1977
Japan	6.8	9.0	26.4 13.5**	25.5 11.0**	15.3	16.7	1.7	2.9	8.4	16.0
Asia NICs	2.0	4.1	5.3	8.0	5.1	9.3	0.9	1.7	1.6	3.5
Korea	0.3	1.1	0.5	1.2	1.0	2.6	0.1	0.4	0.2	1.5
Taiwan	0.5	1.0	1.8	2.4	1.4	3.3	0.1	0.3	0.4	0.8
Hong Kong	0.9	1.1	1.4	1.6	2.5	2.6	0.6	0.7	0.8	0.7
Singapore	0.3	0.9	1.6	2.8	0.2	0.8	0.1	0.2	0.3	0.6
Catch-up Rate* Against Japan	29.4	45.6	20.1 39.3**	31.4 72.7**	33.3	55.7	52.9	58.6	19.1	21.9

Source: "The Challenge of the Asia NICs", by Toshio Watanabe, Nihon Keizai Shimbun, 1984.

Note: * (Export Share of Asia NICs in respective market/ the same of Japan) x 100

** Excluding Japan's export to Asia NICs (namely Asia NICs' import from Japan)

1/ Such phenomena is now called "boomerang effect".

II. Profile of Asia NICs

1. Common Background of Asia NICs

According to an OCED Report in 1979[1/], the criteria for NICs is specified as follows:

(i) rapid expansion of the share in the worldwide industrial production and export of industrial goods,

(ii) the increase of the production in the industrial section and the increase of employment ratio within the country,

(iii) high growing rate of GNP per capita and the mitigation of the difference from the developed countries, and

(iv) the pattern of the export-oriented industrial growth.

For the development of the NICs, it is said that the following were the key conditions. The external factors are:

(a) reduction of the customs duties in the developed countries which made possible the expansion of the export by the developing countries.

(b) wage increase in the developed countries.

1/ "Challenge of the Newly Industrializing Countries", OECD, 1979. This report is said to have made the first systematic analysis on the issues of NICs.

(c) direct investment by the capital of the developed countries which resulted in the transfer of the capital, management, and technology in one package.

(d) existence of the neighboring big market which also served as the source of the material supply (like Japan for Asia NICs, U.S.A for South America NICs and EC for European NICs).

The internal factors are:

(e) labor force of low wages with comparatively good quality.

(f) existence of the capitalist based on the development of agriculture or commerce.

(g) existence of well-developed infrastructure.

(h) appropriate government policy to expand export.

(i) existence of a stable government.

Among the Asia NICs, we can see much diversity. In terms of the scale of human and natural resources, Korea and Taiwan have more advantage than Hong Kong and Singapore. Hong Kong is unique in that it is not an independent country and so is Singapore for being a multiracial nation having four official languages.

However, we can also see many things in common which have contributed to the making of NICs. Each country has sustained some kind of political pressure from abroad, especially Korea and Taiwan, and this is one

of the factors to drive their economy forward. It could be also said that the Asia NICs have had stronger cultural infrastructure than the other Asian countries. Each country has the tradition of Confucianism which has fostered in wide range the sense of discipline and the dedication to education (Table II-1 indicates the statistics of various aspects of education). This may be one of the factors which have molded the well-balanced combination of the working force of good quality who moved the country and the competent bureaucrats who led it.

Table II-1

Statistics on Education-related Items

(%): percentage against population

	Population	Illiteracy	Primary & Secondary School Enrollment (%)	Enrollment in Higher Education (%)	GNP Expended on Education
Korea	37,448,836 (1980 census)	6.8%	9,060,787(24%) (1977)	325,460(0.9%) (1976)	4.9% (1974)
Taiwan	17,838,386 (1981 est.)	10%	3,932,000(22%) (1975)	282,300(1.6%)	4.8%
Hong Kong*	5,207,000 (1981 est.)	**	1,092,602(21%) (1980)	132,810(2.5%) (1980)	**
Singapore	2,413,945 (1980 census)	16%	506,008(21%) (1976)	22,607(0.9%) (1975)	2.7%
Indonesia	147,400,000 (1980 census)	38%	22,613,072(15%) (1976)	278,200(0.1%) (1975)	1.4%
Thailand	46,445,000 (1980 est.)	18%	8,069,829(17%) (1976)	130,965(0.3%) (1976)	4.1%
The Philippines	47,914,017 (1980 prelim. census)	17%	10,210,725(21%) (1976)	764,725(1.6%)	1.4% (1976)
Malaysia	13,435,588 (1980 census)	39%	2,462,682(18%) (1977)	39,658(0.3%)	5.1% (1971)

Source: The Hammond Almanac 1982 edition (except Hong Kong)

* Source for Hong Kong is "Hong Kong No Jitsujo Shokai Shirizu (Series of the Introduction of the Circumstances of Hong Kong)" Official Publication of Hong Kong Government, June, 1982

** Data not available

2. Recent Development of Asia NICs

As can be seen in the Table II-2, the Asia NICs have achieved a remarkably high rate of economic growth in the 70's ranging from 8.0% to 9.5% which is in good contrast with that of the developed countries.
In the same tale,other Asian countries also boast of rate of growth higher than that of developed countries. However, according to Table II-3, the tendency of the Asia NICs is different from that of the other Asian countries. It is clear that these four countries are far more industry-oriented in the field of export.

Table II-2

Rate of Growth of Industries (Annual Average)

(Unit: %)

	GNP		Agriculture		Manufacturing industry		Service	
	60's	70's	60's	70's	60's	70's	60's	70's
Indonesia	3.9	7.6	2.7	3.8	3.3	12.8	4.8	9.2
Thailand	8.4	7.2	5.6	4.7	11.4	10.6	9.1	7.3
The Philippines	5.1	6.3	4.3	4.9	6.7	7.2	5.2	5.4
Malaysia	6.5	7.8	-	5.1	-	11.8	-	8.2
Korea	8.6	9.5	4.4	3.2	17.6	16.6	8.9	8.5
Taiwan	9.2	8.0	3.4	1.6	17.3	13.2	7.8	4.1
Hong Kong	10.0	9.3	-	△4.6	-	6.1	-	10.1*
Singapore	8.8	8.5	5.0	1.8	13.0	9.6	7.7	8.5
Developed Countries	5.2	3.2	1.4	0.9	5.9	3.2	4.8	3.5
Japan	10.9	5.0	4.0	1.1	11.0	6.4	11.7	5.5
U.S.A.	4.3	3.0	0.3	1.2	5.3	2.9	4.2	3.2

Note: 60's : 1960 - 1970 70's : 1970 - 1979 *1970 - 1978

Source: "Asia Suihei Bungyo no Jidai", JETRO, 1983

Table II-3

Composition of Export of Asian Countries

(Unit: %)

	1959 - 1960		1970 - 1971 (Note)	
	Primary Products	Manufactured Goods	Primary Products	Manufactured Goods
Korea	83.8	13.1	20.4	79.5
Taiwan	71.9	28.1	20.1	79.9
Hong Kong	20.5	79.2	11.5	88.1
Singapore	74.2	19.6	66.3	30.6
Malaysia	96.0	3.1	90.4	8.8
Thailand	98.4	0.9	88.5	5.6
The Philippines	96.1	3.8	92.7	7.1
Indonesia	99.2	0.3	98.2	1.2

Note: 1968 - 1969 for Indonesia, 1969 - 1970 for Malaysia

Source: GATT, International Trade, 1973/74, and Taiwan Statistical Data Book, 1975.

Apart from the volume of trade, it seems that the Asia NICs are some steps in advance of the other Asian countries in the potentiality of technology. Table II-4 shows how the Japanese companies assess the level of technology of each Asian countries. This is the result of the investigation by Nihon Keizai Shimbun, Japan's financial daily, after interviewing various Japanese manufacturing companies who are operating in Asian countries. It tries to evaluate the level of technology of each country in each specific industrial item from the viewpoint of how long it will take for each country to catch up with Japan.

Table II-4

Technical Level of Each Asian Country

Items	Thailand	Indonesia	The Phil-ippines	Malaysia	Singapore	Hong Kong	Taiwan	Korea
Nuclear Equip.	.	.	.	.	.	.	.	..
Washing Machine	.	.	.	.	..	...	....	....
Refrigerator	..	.	..	..	...	...	...	....
Lighting Apparatus	..	..	..	..	..	...	....	....
	.	.	.	.	.	.	..	..
Radio	...	...	...	...	...	....	....	....
Television Set	..	..	..	..	...	...	....	....
Computer	.	.	.	.	.	.	.	.
Electric Measuring Instrument	.	.	.	.	..	..	..	..
Resistance . Condenser	.	.	.	.	..	..	...	...
Semi-conductor	.	.	.	.	..	...	...	...
Battery	...	...	...	...		...	...	....
Motorcar	.	.	.	.	.	.	.	...
Bus . Truck	.	.	..	.	.	.	..	...
Motorcar Parts	..	.	..	.	.	.	..	...
Motorcycle	.	.	.	.			...	
Bicycle	.						...	...
Railroad Car	.	.	.	.	.	.	...	...
Ship	.	.	.	.	...	.	...	...
Aircraft							.	.
Camera	..	..	..	..	..	...	...	..
Boiler	.	.	.	.	.	.	.	..
Power Shovel	.	.	.	.	.	.	..	..
Valve	..	..	..	...	..	.	...	...
Tank	.	.	..	..	..	...	...	...
Bearing								.
Pump	..	..	..	..	..	..	..	...
Waste Water Treatment Equip.	.	.	..	..	...	...	...	...
Argicultural Machinery	..	..	..	..	..	.	...	...
Lathe	.	.	.	.	.	.	..	..
Textile Machinery	.	.	.	.	.	.	..	...
Household Sewing Machine	.	.	.	.	.	.	..	..
Electric Calculator				..	...	...	...	...
Electronic Register	.	.	.	.	.	..	..	...
Integrating Wattmeter							...	...
Wrist Watch	.	.	.	.	..	...	..	..
Lighter				..				
Generator	.	.	.	.	.	.	..	...
Motor	.	.	.	.	..	....	...	...
Transmission	.	.	.	.	..	.	...	...

Note 1 : The dot indicates as follows the years required for the country to catch up with Japan

. more than 10 years
.. 5 - 10 years
... within 5 years
.... almost same level with Japan now

Note 2 : The companies evaluated include also the joint-venture companies with the capital of developed countries.

Source : "Asia Suiheibungyo no Jidai", JETRO, 1983.

The Asia NICs are also very attractive as the market for foreign investors. Table II-5 is the result of the investigation by Nikko Research Center which was made by sending questionnaires to certain major Japanese companies. This indicates which country is most attractive to the Japanese companies as the country of investment.

Table II-5

Attractiveness of Each Country as the Object of Investment

Investigation made in December, 1980

The smaller the number is, the more advantageous the country is for Japanese companies	China	Thailand	Indonesia	Malaysia	The Philippines	Singapore	Hong Kong	Taiwan	Korea
Labor Cost	1	7	2	6	3	9	5	4	8
Quality of Workers	9	7	9	6	8	3	5	2	1
Settlement of Workers	1	6	7	5	8	9	4	2	3
Possibility of Technology Transfer	9	7	9	6	8	3	5	2	1
Level of Interest Rate	3	6	8	5	7	1	4	2	9
Easiness of Obtaining Finance	9	6	8	5	7	2	1	3	4
Quality of Local Materials	8	6	9	5	7	4	3	1	2
Price of Local Materials	9	6	9	5	8	2	3	1	7
Scale of Domestic Market	1	6	2	5	7	9	4	8	3
International Competitiveness of Products	9	7	9	6	8	3	5	1	2
Stability of Currency	9	6	3	5	7	1	4	2	8
Restriction on Foreign Capital	9	6	8	3	5	1	2	4	7
Economic Risk	8	6	9	5	7	1	4	2	3
Political Risk	7	6	8	3	5	1	2	4	9
Total Evaluation	8	6	9	5	7	1	3	2	4
Companies operating in listed country	0	38	34	33	23	43	31	45	33
Companies who have experience of withdrawal from listed country	0	7	1	6	5	6	8	6	11

Source: Nikko Research Center

Note: Questionnaire sent to 200 companies, of which 86 companies answered (43%).

In their economic development in the 60's and 70's, the Asia NICs had several advantages. First of all, as a result of the furtherence of the technology development, the developed countries found it beneficial to transfer certain portion of the comparatively labor-intensive industries into the countries where cheaper labor force is available and the Asian NICs were suitable for such purposes. This was made possible because such transferred technology was almost completed and well standardized, and could be mastered without higher level of skills. The NICs fully benefited from this so-called "late comer advantage".

With the coming of 80's, the situation for the Asia NICs became hard. For one thing, with the increase of labor cost, they are losing competitiveness in the labor-intensive industries. The developed countries are beginning to take the policy of protectionism in trade and are increasing restrictions on import. With the increase of sophisticated technologies, it is becoming more and more necessary to develop the technology-intensive industry. For this goal, it is essential for the Asia NICs to enhance the level of not only the leading top industries but also the related industries of lower tier in wider range.

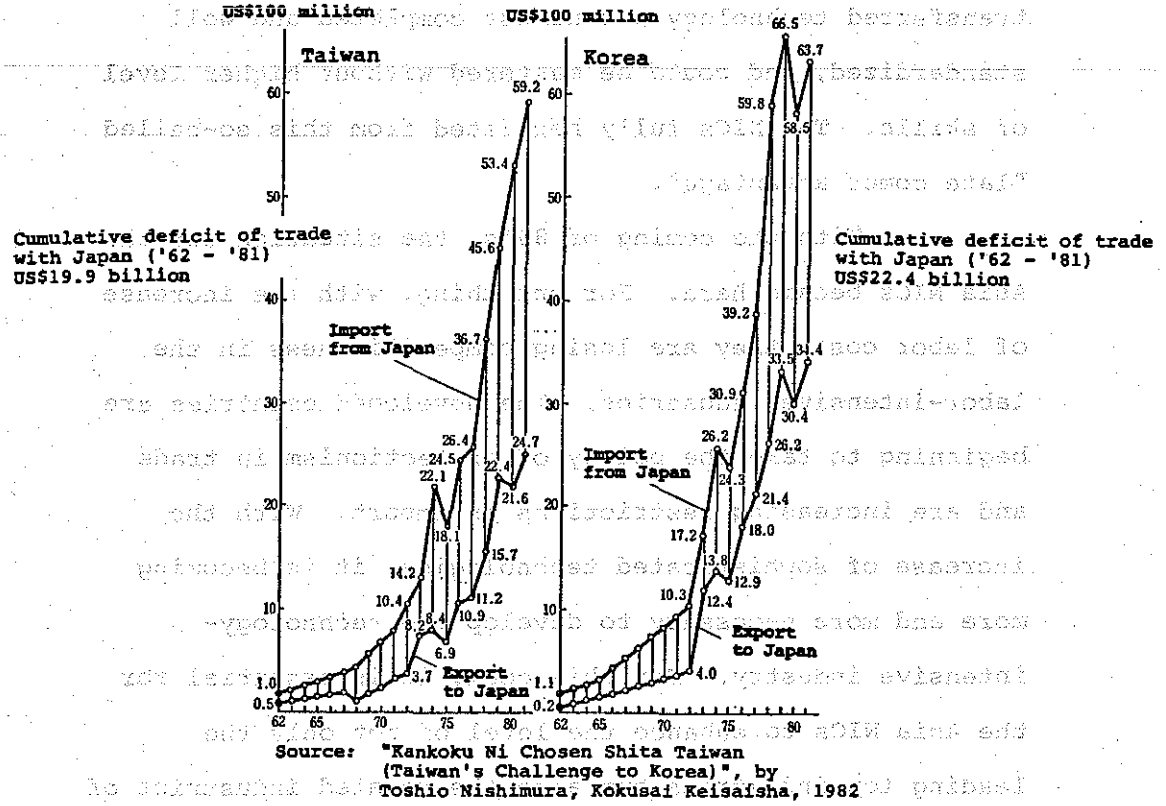
3. Development of Korea and Taiwan

In this section, we try to make a short glimpse of the development of Korea and Taiwan.

Figure III-1 shows the change of Korea and Taiwan's export to and import from Japan.

Figure III-1

TRANSITION OF TRADE WITH JAPAN OF TAIWAN AND KOREA



Source: "Kankoku Ni Chosen Shita Taiwan (Taiwan's Challenge to Korea)", by Toshio Nishimura, Kokusai Keisaisha, 1982

Note: Export based on FOB value, import based on CIF value

As can be seen here, both countries have suffered significant amount of deficit in their trade with Japan. Trade friction is now talked about not only

between Japan and U.S.A. but also Japan and the Asia NICs.

In 1982, Taiwan banned the import of the consumers' goods from Japan. One of the major issues on the visit of the President of Korea to Japan was to more open the Japanese market to the Korean goods.

During 20 years till 1981, Korea's deficit to Japan has reached $22.3 billion and that of Taiwan $19.8 billion. It is said, however, that such deficit is the unavoidable result of the way of both countries' trading. As the industry for the export, both countries decided to concentrate on the final stage of the circuitous production, depending on the import for the raw materials and the production machines and also depending on the foreign investment or loan for the capital necessary for such industry. It naturally followed that the more they produced and exported, the more the import increased. They relied on Japan for such import since Japan possessed almost all kinds of the technology for offer and its products were competitive in price, quality and after-service. Figure III-1 shows this tendency.

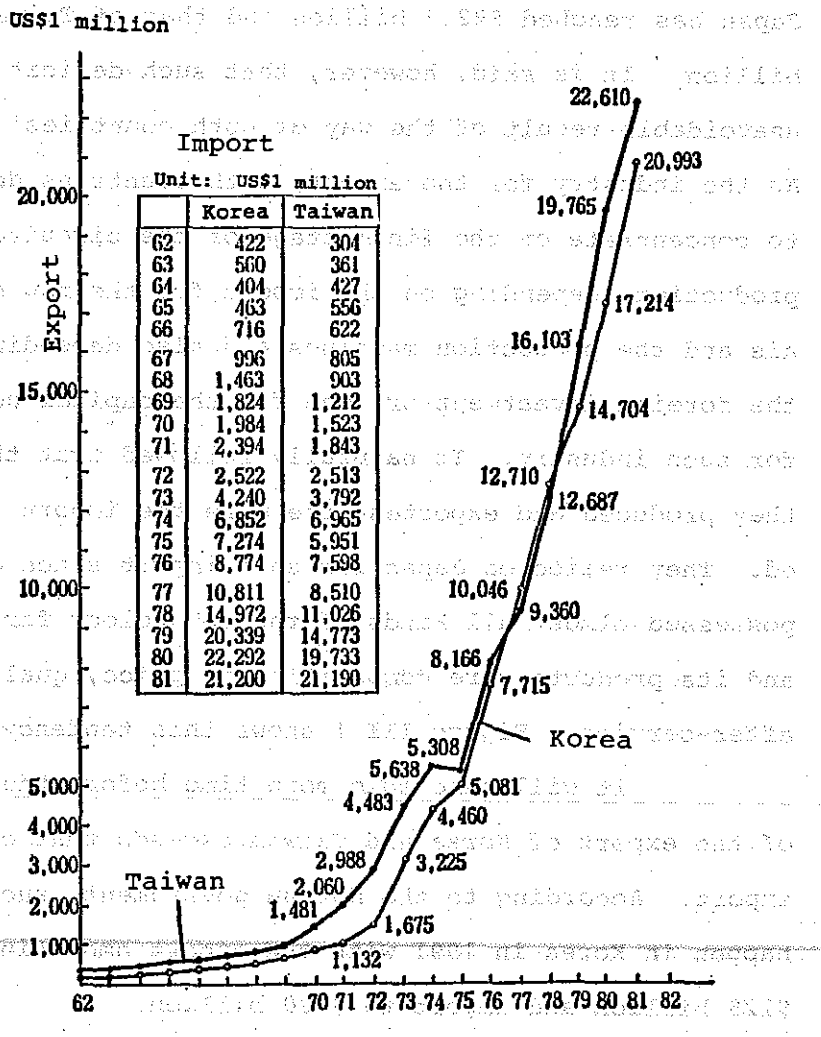
It will take some more time before the amount of the export of Korea and Taiwan exceeds that of the import. According to the Korean government, such will happen in Korea in 1991 with the export amounting to $125 billion and import to $120 billion.

Between Korea and Taiwan, there is difference in the way they developed their economy. Figure III-2 shows the transition of the amount of export of

both countries. Here it is worth noting that Taiwan with almost the half population of Korea slightly leads Korea in the total amount of export.

Figure III-2

TRANSITION OF EXPORT OF TAIWAN AND KOREA

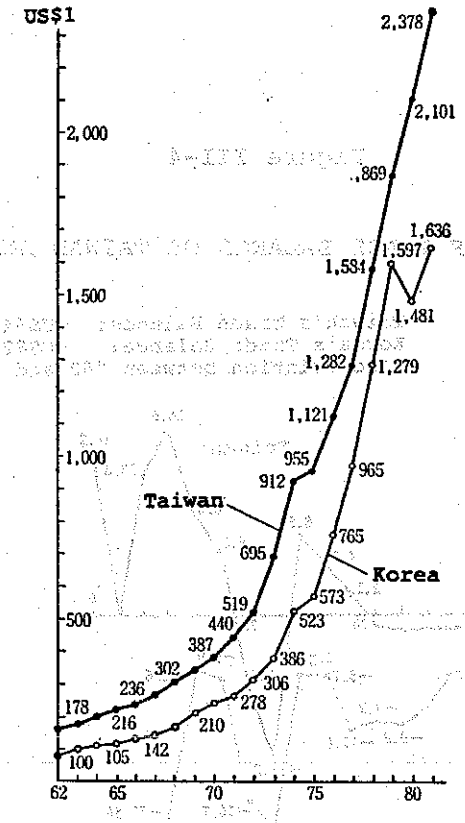


Source: "Kankoku Ni Chosen Shita Taiwan (Taiwan's Challenge to Korea)", by Toshio Nishimura, Kokusai Keizaisha, 1982

Note: Export based on FOB value, import based on CIF value.

Figure III-3

GNP PER CAPITA OF TAIWAN AND JAPAN



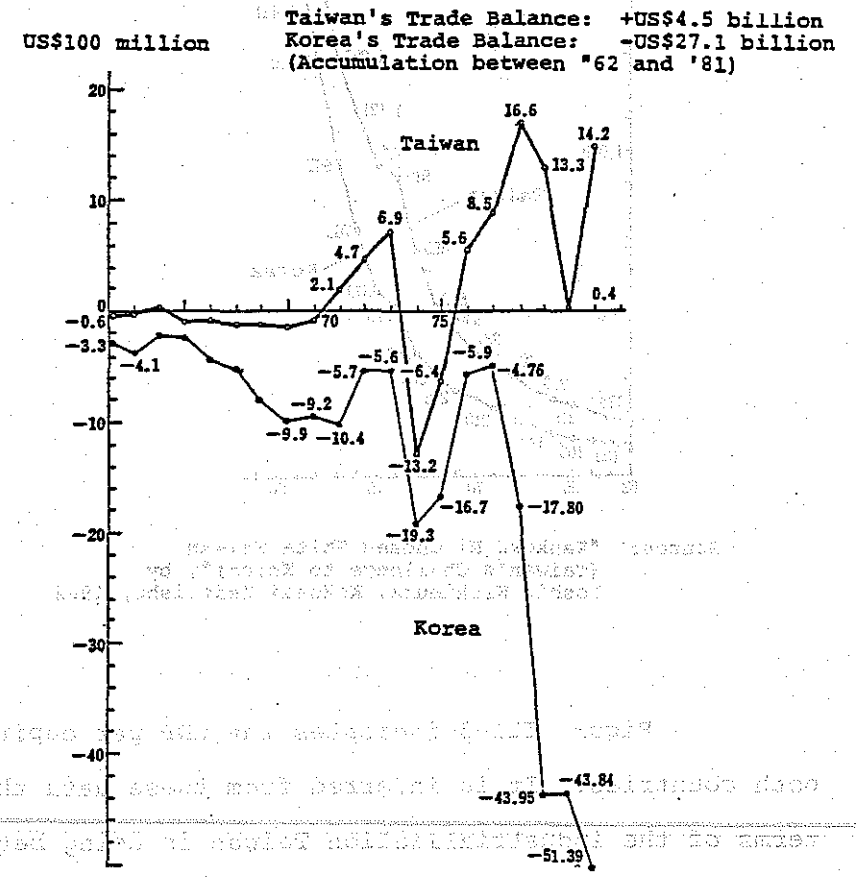
Source: "Kankoku Ni Chosen Shita Taiwan (Taiwan's Challenge to Korea)", by Toshio Nishimura, Kokusai Keizaisha, 1982

Figure III-3 indicates the GNP per capita of both countries. It is inferred from these data that in terms of the industrialization Taiwan is doing better than Korea. The contrast is more conspicuous when we compare the transition of the trade balance. Figure III-4 shows the quite different movement of the trade balance in the past 20 years. During this period Taiwan

has kept the balance in the black which, when accumulated, amounts to $4,494,000 while Korea has suffered from the imbalance and its accumulated deficit is $27,092,000.

Figure III-4

TRANSITION OF TRADE BALANCE OF TAIWAN AND KOREA



Source: "Kankoku Ni Chosen Shita Taiwan (Taiwan's Challenge to Korea)", by Toshio Nishimura, Kokusai Keizaisha, 1982

4. Restriction on Foreign Investment

Compared with the developing countries, the Asia NICs have been positive about the inducement of foreign investment and their policy is not unreasonable in general. There is almost no fear of nationalization of the invested companies and in each country, no restriction is made on the remittance of royalties. Among them, Hong Kong and Singapore especially have open policy. There is no requirement for the local content and the introduction of foreign technology needs no approval by the government.

Korea and Taiwan have more rigid policy. Although they encourage it, foreign investment is not allowed in every field of industry. With respect to the introduction of foreign technology, government approval is required both in Korea and Taiwan.

In Korea, the Foreign Capital Inducement Law[1/] which had worked as one of the main vehicles to regulate the foreign investment was amended this July. This amendment changed the so-called "positive" system of determining project eligibility for foreign investment (only areas designated as eligible are open to foreign investment) to a "negative" system. Consequently, all industrial categories is eligible for foreign investment except those specifically restricted or prohibited. It also facilitates the procedure for obtaining approval

1/ The contour of this law is introduced in "Patent System of the Republic of Korea and its Back ground", reported in PIPA 1982 Congress by Japanese Group Committee No.3 (p.15 - 17).

for foreign investment. On the other hand, it eliminates certain tax benefits which were available to foreign investors or licensors in the old law. It also strengthens the enforcement of export requirements by providing specific penalties for failure to meet them.

Taiwan is said to have had regulations comparatively favorable to foreign investors, and the foreign investment has steadily increased in the past 3 decades. However, this does not mean that the investment has been always made smoothly.

The lengthy negotiation between Toyota Motor Corporation of Japan and the Taiwan government has drawn much attention this year. Toyota planned to establish a joint venture company in Taiwan (45% for Toyota/55% for local company) to build a automobile factory with the annual capacity of 300,000 cars. The total investment is expected to amount to as much as $500 million.

This project came to the deadlock because of the requirements which the Taiwan government raised as the condition of approval: these were (1) 50% of vehicles to be exported in the eighth year of operation, and (2) 90% of local procurement to be achieved in the fifth year. Toyota objected to this from practical viewpoint and the negotiation lasted for more than a year and finally Toyota withdrew from this project. This hard attitude of Taiwan might have given some alarm to the potential foreign investors.

5. Patent System

The well formulated patent system may be one of the barometers of the degree of development of a country. The patent system of Hong Kong and Singapore[1/] is linked with that of England and only the technology first patented in England can be applied for patent in these countries. Therefore, in principle the protection of intellectual property is almost the same as in England. On the other hand, it is widely recognized that the protection by patent in Korea and Taiwan is not satisfactory enough yet in various aspects compared with that of the developed countries[2/]. The most controversial problem common in both countries at present may be the unpatentability of chemical substance. This is patentable not only in developed countries but also in other Asian countries like the Philippines or Malaysia (under new law). As the result, many pharmaceutical companies of developed countries still hesitate to develop their investment in these markets.

1/ It is reported that Singapore is now drafting the new patent law. See "Tokkyo Kanri", Vol. 33 No. 4, 1983, p.520.

2/ Following reports were made by Japanese Committee No. 3 in the past PIPA Congress on the patent system of Korea and Taiwan:

"Patent System of the Republic of Korea and its Background", 1982

"Recent Situation of Patent and Technology Transfer in Taiwan", 1982

"Recent Movement of the Industrial Property System in Taiwan and Korea", 1983

Recently both Korea and Taiwan have been urged by the developed countries to improve its patent law to have the better protection. In February 1983, Japan Patent Association dispatched a mission to Taiwan to request the improvement of its patent system[1/]. In March U.S. delegation visited both Taiwan and Korea and also made the same request. As a result of these and other requests from abroad, both countries are now studying the revision of its patent law[2/]. Though it will take some more time, many reports are optimistic that the change will be finally made. Such improvement is one of the prerequisites to be recognized as developed countries and, in the long run, will stimulate their own chemical and pharmaceutical industry.

1/ The result of the mission was reported by Japanese Committee No. 3 in PIPA 1983 Congress.

2/ In July 1984, Korea dispatched its mission to Japan to study the patent coverage on chemical substance.

III. Pursuit of High Technology

Recently the Asia NICs are showing greater interest in the hi-tech industry which includes, among others, computers, semi-conductors, new materials and bio-technology.

Taking advantage of the historic visit of the President Chun Doo Hwan, Korea is very eager to propose for the transfer of hi-tech both toward the government and the private companies of Japan. In this September, the list of the technology for which Korea desires the transfer was revealed.1/ This list included the computer controlled steel production systems, VTRs, compact discs, semi-conductors, local area networks, and micro-computers.

The Three Star Group of Korea completed in this May a factory for the production of 64KDRAM, making Korea the third country after the U.S.A. and Japan to produce super LSI circuits. This group is also planning to complete in next April a factory for the production of 256KDRAM. In 1982, Korea exported only one middle-sized computer. In 1984, Korea is planning to export as many as 468,000 computers including micro-computers. What has brought forth such surprisingly high speed in the development in the field of hi-tech?

In the case of hi-tech industry, one would need less raw material than in the case of heavy industry and nonetheless the value added is high which is very suitable for the country like Korea who has little natural resources but boasts of high standard of educated people. Further the hi-tech has

1/ This list was handed to Japan upon the meeting between Japanese and Korean officials in late August.

a very promising future market and its products will be suitable for export.

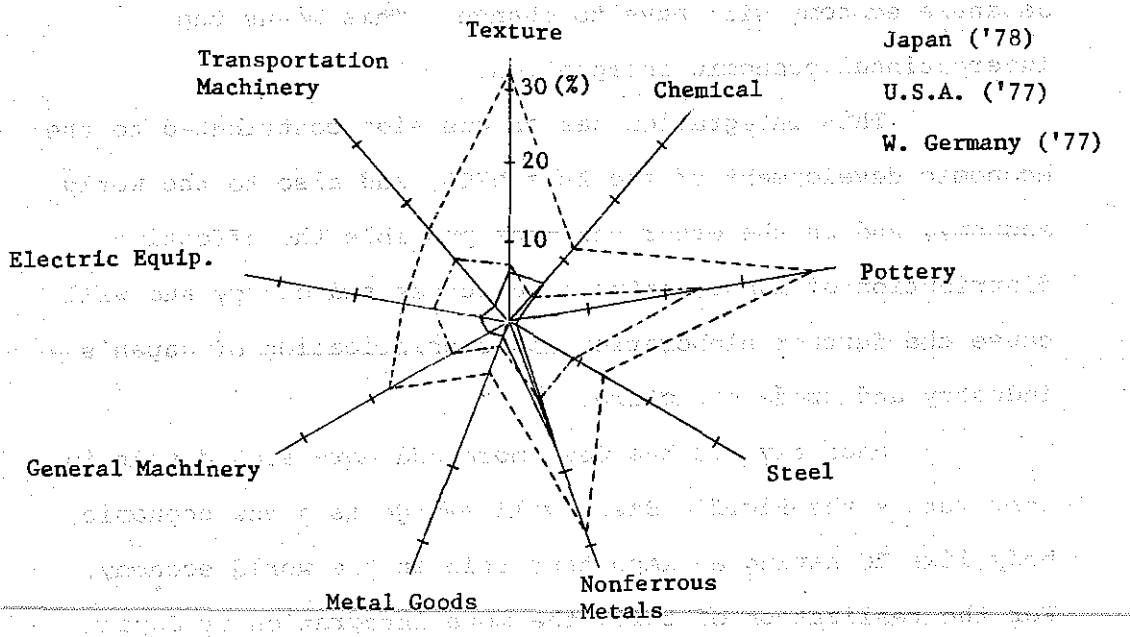
However, Korea's hastiness in the field of hi-tech gives some experts cause for a concern. For the well balanced foundation of such a sophisticated industry, the reinforcement of the related basic industry would be indispensable but the Koreans seem to be rashly skipping over the necessary foundation.

IV. Conclusion - Necessity of Horizontal Economic Integration

Japan has long been the sole industrialized nation in Asia. Isolated from other industrial countries, Japan was forced to establish a kind of self-sustaining economy. She held all fields of industry starting from the labor-intensive industry (such as textile or wooden product) to the technology-intensive industry (such as electric/electronic equipment or transportation machine) and capital goods (such

Figure IV-1

COMPARISON OF RATE OF IMPORT
IN MAJOR INDUSTRY FIELD
AMONG JAPAN, U.S.A., AND W. GERMANY



Note: 1. Rate of import is calculated by import/ (domestic product+import-export)

2. Texture includes synthetic fiber.

Source: Japan's White Paper on International Trade and Industry, 1981.

as general machinery). She also has strength in the production of steel, non-ferrous metals or basic chemical products. The vast domestic market with the population of more than hundred million made such self-sustaining system possible.

Except for imports of raw materials, Japan is less dependent on import than the other developed countries, especially in industrial goods. The Figure IV-1 indicates the rate of import (import/domestic demand) in respective industries and it is evident that Japan is less dependent on import than West Germany and U.S.A. are.

With the emergence of the Asia NICs and of the ASEAN countries as well, it is expected that the structure of Japanese economy will have to change. This means the international economic integration.

This integration has on one side contributed to the economic development of the Asia NICs, and also to the world economy, and on the other has made possible the effective distribution of labor, natural resources and energy and will cause the further elaboration and sophistication of Japan's industry and trade structure.

Recently, it has been more and more argued that in near future the Pacific Basin will emerge as a new economic body like EC having an important role in the world economy. For the realization of this, the more integration by Japan with the Asian countries, especially the NICs, may be indispensable.

THE PATENT MISUSE DOCTRINE IN THE UNITED STATES OF AMERICA

Donald W. Banner

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This paper provides an overview of the patent misuse doctrine from its inception, through its most active era, to the present date. Included are the recent legislative proposals relating to the patent misuse doctrine as well as the most recent Supreme Court cases affecting it.

THE PATENT MISUSE DOCTRINE IN THE UNITED STATES OF AMERICA

There is no statutory language which defines "patent misuse" in the United States of America. Rather, the doctrine of "patent misuse" stems from the reluctance of courts to enforce patents when they have been used in a way which the court feels would be improper.

While no statutory definition of "patent misuse," exists, the concept was not originally unrelated to federal statutes. More particularly, the passage of the Clayton Act in 1914 may be considered the watershed for patent misuse. Shortly after the passage of the Clayton Act, the Supreme Court of the United States decided the Motion Picture Patents case.[1] The plaintiff there sold motion picture projectors, covered by a patent which it owned, the projectors carrying a notice that the sale of the machine gave only the right to use it with motion picture films supplied by plaintiff's licensee. At the time of this suit, the motion pictures per se were not covered by patents. One of the purchasers of such a projector leased its theater to one of the defendants to this action, which thereby acquired the projector as part of the equipment of the leased theater. This defendant used motion picture films in the projector obtained from another of the defendants which, naturally, was not one of plaintiff's licensees. The plaintiff sued for contributory infringement of its patent covering the motion picture projectors. The Court found for the defendant, and expressly overruled an earlier, contrary case.[2] It reasoned that the scope of the patent was limited

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1 Motion Picture Patents Company v. Universal Film Manufacturing Company et al., 243 U.S. 502 (1917).

2 Henry v. A.B. Dick Co., 224 U.S. 1 (1912).

to the invention described in its claims, and held that the patent's scope could not be extended to include supplies to be used with the patented machine merely by putting a notice to that effect on such machine. The Court said that plaintiff's argument that the public was benefited by the sale of the machine at cost, and that the owner of the patent made substantially its entire profit from the sale of the supplies - instead of commending the practice - was the

> "clearest possible condemnation of the practice adopted, for it proves that, under color of its patent, the owner intends to and does derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used, and which are wholly without the scope of the patent monopoly, thus in effect extending the power to the owner of the patent to fix the price to the public of the unpatented supplies as effectively as he may fix the price on the patented machine."

This was the Court's first expression of the "claim coverage" doctrine which was to be used repeatedly by many Courts in the ensuing years.

In this case the Court noted that following the A. B. Dick case, Congress had passed the Clayton Act. The Court said that it was confirmed in the conclusion it was announcing by that fact, and while its conclusion rendered it unnecessary to make an application of the statute to the case at hand, the statute must be accepted "by us as a most persuasive expression of the public policy of our country with respect to the question before the court."

While the Motion Picture case is sometimes cited today as a "misuse" case, this interpretation is not strictly in accordance with the Court's rationale; the Court there merely held that the notice "restriction" was invalid because it obtained no validity from the patent laws and was otherwise injurious to the public interest.[3]

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3 21 George Washington Law Review 521, "Infringement Under Section 271 of the Patent Act of 1952," Giles S. Rich.

The honor of being the first classical patent misuse decision falls to the Dry Ice case,[4] decided in 1931. The plaintiff - American - in that case owned Patent No. 1,595,426 which contained combination claims relating to an ice cream transportation package having a quantity of frozen carbon dioxide disposed in it in a particular manner. The plaintiff, however, did not make or sell the patented transportation package, its sole business being the manufacture of solid carbon dioxide - Dry Ice - which was not itself patented, although it did form an element of the combination claims to the transportation package. The Court found that the plaintiff expressly extended to the buyers of its Dry Ice a license to use the patented invention without the payment of further royalty. The defendant also manufactured solid carbon dioxide and sold it to former customers of the plaintiff with knowledge it would be used by the purchasers in transportation packages covered by the patent. The plaintiff sought to distinguish this case from the Motion Picture case by arguing that here the unpatented refrigerant was one of the necessary elements of the patented combination, and not merely an unpatented item for use with a patented machine. The Court said that this fact was without legal significance, and that the relief sought here was indistinguishable from that denied in the Motion Picture case;

> "The Dry Ice Corporation has no right to be free from competition in the sale of solid carbon dioxide. . . . Relief is denied because the Dry Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention."

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4 Carbice Corporation of America v. American Patents Development Corporation, et al., 283 U.S. 27.

The Court specifically distinguished this case from an ordinary case of "contributory infringement," inasmuch as in such cases the patent owner was itself manufacturing and selling the patented product and did not derive its profits from an unpatented item for use in the patented combination product.

We therefore find in the Dry Ice case the fundamental and unequivocal holding of the Supreme Court that a patentee which derives its profit not from the sale of the patented product, but rather from the sale of an unpatented component which forms an element of the patented combination - or from the sale of an unpatented supply to be used with the patented combination - would not obtain the assistance of the Court in enforcing its patent against one competing in the sales of the unpatented commodity. In other words it would not support a "misuse" of a patent.

Not long afterward, the Supreme Court had the opportunity to consider a related problem which resulted in an enlargement of the misuse doctrine. This situation involved a process patent owned by a company which did not perform the process, but which engaged in selling a staple material for use in the process. The Barber series of cases resulted, the first of which was decided in 1938.[5] The plaintiff's patent related to a process for retarding evaporation from newly laid concrete roads, which required the use of bituminous emulsion which was "an unpatented, staple article of commerce." The plaintiff did not build concrete roads, nor did it license road builders expressly to use its patented

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5 Leitch Manufacturing Company v. Barber Asphalt Corporation, 302 U.S. 548.

process. It merely sold bituminous emulsion for use in that patented process to road builders. In the words of the Court, this was "a method of doing business which is the practical equivalent of granting a written license with the condition that the patented method may be practiced only with emulsion purchased from it." The defendant in this case also sold bituminous emulsion to road builders for use in the patented process, and the plaintiff charged contributory infringement. Mr. Justice Brandeis, who also delivered the opinion in the Carbice case, said "The question for decision is whether the owner of a process patent may by suit for contributory infringement suppress competition in the sale of unpatented material to be used in practicing the process." The Court, after noting plaintiff's activities as a mere supplier of patented material, indicated that the sole purpose to which the patent was being put was to suppress competition in the sale of the unpatented material for this use of the patented process in road building. The action against the defendant was therefore dismissed. To Barber's contention that the Carbice case was not applicable, inasmuch as Barber had not entered into any contract nor given any "license notice," the Court said that this distinction was without legal significance. The Carbice case was interpreted as meaning that "Every use of a patent as a means of obtaining a limited monopoly of unpatented materials is prohibited. It applies whether the patent is for a machine, a product, or a process. It applies whatever the nature of the device by which the owner of the patent seeks to effect such unauthorized extension of the monopoly." And specifically, it was also held to apply even though the license, granted by the plaintiff/patent owner to its customers to which unpatented staple material was sold, was merely implied.

The Supreme Court treated the misuse problem again in January 1942 when deciding the case of Morton Salt Company v. G. S. Suppiger Company.[6] In this case, Morton owned a patent on a machine for dispensing salt tablets. Morton leased these patented machines to commercial canners under licenses to use the machines only with Morton's salt tablets. The defendant also made and leased machines which were charged to infringe Morton's patent; the defendant also sold salt tablets under an arrangement similar to that used by Morton. This was a suit for direct infringement. The District Court dismissed the complaint on the ground that Morton was using the patent to restrain the sale of unpatented salt tablets in competition with its own sale of salt tablets by requiring the leasees to use only tablets sold by Morton with the patented machines. The Court of Appeals reversed, holding that it had not been shown that Morton's activities violated the Clayton Act, as it did not appear that there was any substantial lessening of competition or tendency to create a monopoly in salt tablets.

The Supreme Court reversed the decision of the Court of Appeals saying that it was not necessary to decide whether the Clayton Act had been violated. The Supreme Court said that question was rather whether equity would enforce the patent monopoly where the owner of the patent used it improperly; for example, by attempting to restrain commerce in the sale of an unpatented article. The Court said "the use of (the patent) to suppress competition in the sale of an unpatented article may deprive the patentee of the aid of the court of

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6 314 U.S. 488.

equity to restrain an alleged infringement by one who is a competitor." Morton, of course, argued that it was merely attempting to restrain the defendant from a direct infringement, and that any impropriety in using the patent to restrict competition in the sale of salt tablets should not foreclose it from relief limited to an injunction against infringement of its patent by the manufacture and sale of infringing machines. The Supreme Court disagreed, saying that the enforcement of the patent would enlarge the attempted monopoly over the unpatented article, and the Court's assistance in upholding the patent would be refused until the improper practice had been abandoned and the consequence of the misuse dissipated.

> "It is the adverse effect upon the public interest of a successful infringement suit in conjunction with the patentee's course of conduct which disqualifies him to maintain the suit, regardless of whether the particular defendant has suffered from the misuse of the patent."[7]

On the same day, the Supreme Court handed down the decision in the case of B. B. Chemical Company v. Ellis, et al.[8] Plaintiff owned a patent covering a method of reinforcing insoles in shoe manufacture. Plaintiff did not practice the patented method, but rather sold a precoated fabric and adhesive - both unpatented - for use in the patented method; it did not ask shoe

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7 In International Salt v. United States, 1947, 332 U.S. 392, leases of patented salt dispensing machines requiring that the salt be purchased from the lessor held violative of Section 3 of the Clayton Act and Section 1 of the Sherman Act. The Court said that the patents on their face conferred monopolistic, albeit lawful, market control, and the volume of sale affected by the tying practice was not "insubstantial or insignificant." The Court affirmed the District Court's summary judgment for the government (6 F.R.D. 302).

8 314 U.S. 495 (1942).

manufacturers to take written licenses. The defendant not only supplied the same material as did plaintiff, but also actively induced infringement by the shoe manufacturers. In answer to defendant's argument that plaintiff was misusing its patent, plaintiff strongly urged that it was not practicable for it to exploit its patent rights in any other way. The Court said that the question involved was "whether the owner of a method patent who authorizes manufacturers to use it only with materials furnished by him may enjoin infringement by one who supplies the manufacturer with materials for use with the patented method and aids in such use." The Supreme Court denied relief, stating

> "In view of petitioner's use of the patent as a means for establishing a limited monopoly in its unpatented materials, and for the reasons given in our opinion given in the Morton Salt case, we hold that the maintenance of this suit to restrain any form of infringement is contrary to public policy."

Very significantly, the Court held that the patent monopoly could not be extended, as attempted here, even though it would be more convenient to the patentee to have it so, and despite the fact that it was not practicable to exploit the patent rights by granting licenses.

The misuse doctrine therefore applied where a court felt that activities of a patentee were objectionable, and that objectionable conduct did not have to constitute a violation of any antitrust law in order for the misuse doctrine to apply.[9]

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9 See footnote 6 and Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100 (1969).

As we have already seen, the court felt that misuse of the patent had occurred where the patentee granted a license on terms by which the licensee was required to purchase unpatented goods, for example salt tablets.[10] As the years passed, a wide variety of practices by patent holders came to be held objectionable in various court proceedings. For example, it was held to be patent misuse to compel a potential patent licensee to take a license under patents he did not want or need in order to get a license under a patent he did desire.[11]

It was also held to be improper to negotiate a license agreement by which royalties were required to be paid after expiration of the patent.[12] This created many practical problems, of course, for the question arose as to whether royalties in a license agreement which contained several patents had to be reduced upon the expiration of one of those patents while the others remained unexpired.

In a similar vein, it was held to be patent misuse if royalties were compelled based upon the sales of goods which were not patented.[13] Furthermore, it was patent misuse where patents played an important role in part of a marketing scheme which the court felt was in one way or another improper.[14] There were also cases which concluded that the patents had been

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10 See footnote 6.

11 See footnote 9.

12 Brulotte v. Thys Co., 379 U.S. 29 (1964).

13 See footnote 9.

14 S.C. Russell Co. v. Comfort Equipment Corp., 194 F.2d 596 (7th Cir. 1952).

misused where the licensor charged a different royalty rate to one licensee than he did to another.[15]

Further, it was held a misuse to grant a license under conditions in which the use of an unpatented product made by the patented machine or process was limited in some way.[16]

It was also held to the patent misuse to require the licensee to refrain from dealing in competitive products.[17]

It is apparent from this limited listing of different situations in which patent misuse was found that the Attorney General's Committee to study the antitrust laws was correct several years ago when it said "The outer reach of the misuse doctrine has not yet been reached".

As will be seen from the above, two basic approaches to the determination of "patent misuse" developed. The first of these approaches stemmed from the fact situation which the court felt was an attempt to control the use or distribution of a product which was outside of the scope of the patent. On the other hand, the second line of misuse cases involved the question of whether or not it was necessary to license a particular party under a patent and the payment required from a licensee. If a court felt that the fact

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15 La Peyre v. F.T.C., 366 F.2d 117 (CA 5 1966).

16 Robintech, Inc. v. Chemidus Wamin, Ltd., 628 F.2d 142 (D.C. Cir. 1980); but see, U.S. v. Studiengesellschaft Kohle, M.B.H., 670 F.2d 1122 (D.C. Cir. 1981).

17 Berlenbach v. Anderson & Thompson Ski Company, 329 F.2d 782 (CA 9 1964).

situation before it was akin to earlier situations in which "patent misuse" had been found, the patent before the court was held to have been misused on a per se basis which, of course, did not require any review of the actual marketplace consequences of the the practice before the court.

The Antitrust Division of the Department of Justice became the principal exponent of the wisdom of this "patent misuse" policy. For example, in 1975 in a luncheon address Bruce Wilson, then an official of the Justice Department, entitled "Law on Licensing Practices: Myth or Reality" listed what subsequently became known as the "Nine No-Nos" of patent licensing.[18]

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18 It was unlawful, in the Department of Justice's view:

1. To "require a licensee to purchase unpatented material from the licensor."

2. To "require a licensee to assign to the patentee any patent which may be issued to the licensee after the licensing arrangement is executed."

3. To "restrict a purchaser of a patented product in the resale of that product."

4. To restrict a "licensee's freedom to deal in the products or services not within the scope of the patent."

5. For the "patentee to agree with his licensee that he will not, without the licensee's consent, grant further licenses to any other person."

6. To require "mandatory package licensing" of patents.

7. For a patentee "to insist, as a condition of the license, that his licensee pay royalty in an amount not reasonably related to the licensee's sales of products covered by the patent. . . ."

8. For the "owner of a process patent to attempt to place restrictions on his licensee's sales of products made by use of the patented process."

9. For a patentee "to require a licensee to adhere to any specified or minimum price with respect to the licensee's sale of the licensed products."

While the doctrine of "patent misuse" was wide reaching and touched upon a great number of different factual circumstances - as suggested by the above material - it always was held that the "misuse" could be purged or cured where the objectionable practice was terminated and its consequences were dissipated.[19] After such an effective "purge", the patent was no longer unenforceable but was - once again - returned to the condition in which the court would enforce it against infringers.

The concept that it was improper to "control" products outside the scope of the patent was, of course, philosophically at odds with the well-known doctrine of contributory infringement. The essence of a contributory infringement claim is that the defendant is dealing in goods which are not within the scope of the patent. The doctrine of patent misuse and the doctrine of contributory infringement came crashing into philosophical combat in the Supreme Court cases of Mercoid Corp. v. Mid-Continent Investment Co.[20] and Mercoid Corp. v. Minneapolis-Honeywell Regulator Co..[21] In those cases, the Supreme Court inflicted what essentially was a mortal wound on the doctrine of contributory infringement in the United States. As a result, the 1952 patent statute, under which the U.S. now operates, was specifically formulated to reestablish the doctrine of contributory infringement. The pertinent provisions are found in 35 U.S.C. § 271(c) and (d) which provide:

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19 Preformed Line Products Co. v. Fanner Mfg. Co., 328 F.2d 846 (CA 6 1964).

20 320 U.S. 661 (1944).

21 320 U.S. 680 (1944).

> (c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.
>
> (d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

The impact of that statutory change was recognized by the Supreme Court in the Dawson Chemical case.[22] As will be discussed more fully later, the Supreme Court there recognized that the control of an unpatented product - of the type characterized by § 271(c) - was not patent misuse.

A major development which cast a serious doubt on that earlier, per se misuse approach was the decision of the Supreme Court of the United States in the Continental T.V. case.[23] In that case the Supreme Court, specifically overruling an earlier contrary opinion,[24] rejected a per se analysis in an antitrust

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22 Dawson Chemical Co. v. Rohm & Haas Co., 448 U.S. 176 (1980).

23 Continental T.V. v. GTE Sylvania, Inc., 433 U.S. 36 (1977).

24 United States v. Arnold, Schwinn & Co., 388 U.S. 365 (1967).

case and required a factual analysis of the competitive effects of the practices involved in the case under consideration before there would be any condemnation of those practices.

In 1981 Abbott Lipsky, then the Deputy Assistant Attorney General for the Antitrust Division of the Department of Justice, gave a significant speech before the American Bar Association Antitrust Section in which he specifically attacked the prior Justice Department positions with respect to each of the "nine no-nos" relating to patent licensing. In doing so, he warned that the legality of particular licensing practices is of course ultimately determined by the Federal Courts, not by the Antitrust Division and, having individually criticized the rationale behind each of the "nine no-nos" he cautioned that "Nevertheless, each practice might be condemned in the type of complex multi-party, multi-patent context that seems so typical of this field." He warned that collusive "activity unnecessary to the exploitation of an unlawful monoply" was to be avoided. As far as the present Department of Justice was concerned, therefore, it would appear that the "nine no-nos" became the "nine maybes."

This new approach to "patent misuse" in the United States was further reflected by the Reagan Administration's bill, the National Productivity of Innovation Act of 1983 (H.R. 3878, S. 1831).

In that proposed legislation, Title III would have significantly modified the treatment of patent licenses under the Antitrust Laws; it would have specifically provided that patent licenses could not be evaluated under the per se doctrine. In addition only single damages (plus prejudgment interest), rather than treble damages, would have been available should a license be found to violate the Antitrust Laws.

Title IV of that proposed legisltion dealt specifically with the doctrine of patent misuse. It proposed amendments to the patent laws stating that licenses which violated the antitrust laws, and only those, constituted patent misuse. It listed specific license provisions which would not be "patent misuse" unless there was some additional factors which made the license in question a violation of the antitrust laws.[25] There would, therefore, be no "misuse" unless the patent practice in question violated the Sherman Act or the Clayton Act.

Title V of that proposed legislation provided that the use or sale in the United States of a product made by a process patented in the United States would be an infringement of the process patent regardless of where the process was carried out. It also created a presumption that the patented process was used in manufacturing a product whenever the patentee showed a substantial likelihood that the patented process was so used where the patentee had exhausted the reasonably available means for determing that the process was in fact used.

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25 That proposed legislation would have amended Section 271 of the Patent Statute (35 U.S.C.) by adding the following paragraph:

No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following, unless such conduct, in view of the circumstances in which it is employed, violates the antitrust laws: (1) licensed the patent under terms that affect commerce outside the scope of the patent's claims, (2) restricted a licensee of the patent in the sale of the patented product or in the sale of a product made by the patented process, (3) obligated a licensee of the patent to pay royalties that differ from those paid by another licensee or that are allegedly excessive, (4) obligated a licensee of the patent to pay royalties in amounts not related to the licensee's sales of the patented product or a product made by the patented process, (5) refused to license the patent to any person, or (6) otherwise used the patent allegedly to suppress competition.

The Assistant Attorney General, William F. Baxter, said when this proposed legislation was introduced that none of the criticisms of the following licensing practices "makes the slightest bit of sense": (a) license of the patent under terms that affect commerce outside the scope of the patent; (b) restricting a licensee in the sale of any product made under a patented process; (c) obligating a licensee to pay royalties that differ from those paid by another licensee or are alleged to be excessive; (d) obligating a licensee to pay royalties in amounts not related to the licensee's sale of the patented product; and (e) refusing to license the patent to any person.

The statutory proposals of Title IV above to change and clarify the "patent misuse" situation in the United States have not been accepted by the current Congress. Rather, they will die. Possibly similar legislation may be introduced in some future Congress but that is merely speculation. We therefore must continue to deal with the case law as it develops in the courts.

While there remain a great many pitfalls for the unwary - a Justice Department official once said that in this area of the law there "are no safe harbors" - the present trend is away from the old fashioned, per se treatment of patent misuse cases. Earlier in this paper I discussed the Continental T.V. case which was of fundamental importance in that regard. While the 1964 Brulotte case (ftnt. 12) found patents misused where the licenses required royalty payments after the patent expired, in the 1979 Aronson case[26] the Supreme Court found it not improper to provide for pre-patent issuance royalties. And finally, in the 1980 Supreme Court case of Dawson Chemical Co.,[27] the Court

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26 Aronson v. Quick Point Pencil Co., 440 U.S. 257 (1979).

27 See footnote 22.

specifically held there was no patent misuse where the owner of a process patent granted licenses under that patent only to those who would purchase from it an unpatented chemical especially adapted for use in that process and having no substantial use other than in the patented process. That conclusion was specifically based upon the statutory provisions of Sections 271(c) and (d), quoted earlier. While caution must still be exercised, and while there yet may be "no safe harbors" it seems appropriate to conclude that the storms are no longer as violent as they were in an earlier era.

Title of Presentation Problems of trademark tie-in patent license

Presented at PIPA 15th Congress
Japanese Group, Committee No.2
Subcommittee No.2

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Hohei Shouno Daiichi Seiyaku Co., Ltd.
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Abstract

Recently, the period for research and development has increased in many fields, especially in the pharmaceutical field where governmental permission is needed before marketing. The extension of the period makes the residual term of the patent right shorter and the investment larger. Therefore, many companies make efforts to recover the investment beyond the term of the patent right. From this point of view, the trademark tie-in patent license is considered to retain some advantages even after the expiration of the patent right.

Sometimes, the trademark license is preferred by the licensee if it bears some goodwill, however, the obligation to use an unused trademark can become unfair control of the licensee.

Goodwill based on the trademark should belong to the person who has been making efforts to build it. So, a trademark tie-in patent license can be considered as an excessive control of the licensee.

The trademark license must be separated from the patent license and made by voluntary decision of the licensor and the licensee.

1. Introduction

The trademark tie-in patent license means here a patent license obligating the use of trademarks designated by the licensor as a condition of the patent license, not only directly in a written contract but also indirectly outside the patent license agreement.

Recently, the period for research and development has increased in many fields, especially in the pharmaceutical field where an additional period for obtaining governmental permission is needed before marketing.

The term of a Japanese patent right is 15 years from the publication date (less than 20 years from filing date) and the term of a U.S.patent right is 17 years from the registration date, so it is difficult to recover the investment accumulated for the long period of research and development within the residual term of the patent right.

Generally, a company wants to obtain a benefit suitable to the creator of new goods by keeping the large market. From this point of view, a company tends to license with a long-term trademark when it decides to give a patent license. However, there is some controversy as to whether such a trademark tie-in patent license is a fair trade practice or not.

Where the licensee does not have a suitable trademark and the trademark to be licensed already bears goodwill or is known worldwide, the obligation to use the trademark is not necessarily a disadvantage but often an advantage for the licensee because the licensee can capitalize on the licenser's goodwill and distinguish his goods worldwide. However, the licensee's goodwill is accumulating on the trademark while he is using it and it becomes difficult to change to another trademark, so the licensee has to use it as long as he deals with the goods. In this case, it is very unstable to deal with the goods even if the licensor grants the licensee a trademark without a time limit.

It is not always fair for a licensor to control a licensee and obtain royalties by granting the use of his trademark in addition to the profits gained from the original invention.

From these reasons we adopted the above theme.

2. Trademarks subject to problems

There are many kinds of trademarks, so it is important to consider what kinds of trademark are subject to problems with the trademark tie-in patent license.

(1) Company name trademark

There is a kind of trademark which is identical to the name of company or to an abbreviation of it. Most of them

originated from the names of companies like "Toshiba", "Singer" and "Xerox", while some of them, used initially only for goods, replaced the names of the companies since they became famous, for instance "Sony" and "Suntory".

Generally, a company pays careful attention to its name and accordingly the trademark which reflects the image and reputation of the company. So, a company name trademark is hardly ever licensed even to its subsidiaries and is hardly ever subject to problems with the trademark tie-in patent license.

(2) Family brand

There is another kind of trademark used for almost all kinds of goods sold by a company, namely a family of goods, such as "Panasonic"(Matsushita Electric Industrial Co., Ltd.) and "SUBARU"(Fuji Heavy Industries Ltd.) and these are called family brands.

The trademark gives the company image through the reputation of the goods and conveys the reputation from product to product, so the family brand is licensed only when the quality of a licensee's goods is equal to the licensor's and rarely proves problematical in this way.

(3) Standard brand

Another variety of trademark is used to indicate some standards such as types or usages for a commercial practice, such as "Beta" and "VHS"(Vidio recorder). This sort of trademark hardly ever causes problems.

(4) Trademark proper to goods

Most trademarks are used for goods. Customers recognize the identity of goods by the trademarks. It is mainly this sort of trademark which causes trademark tie-in problems.

(5) Pet name

Alongside company name trademarks or family brands there is another sort of trademark called "pet name". Generally, customers recognize the identity of the producer by the company name trademark or family brand and recognize only a particular type of goods by a pet name. Thus, "pet name" presentes few difficulties.

As mentioned above, those trademarks subject to the problems in connection with trademark tie-in patent license are mainly the ones used for particular goods and hereafter the word "trademark" will refer to this type.

3. Advantages and Disadvantages of a trademark tie-in patent license

Before taking up for study each problem with respect to a trademark tie-in patent license, we discussed and reviewed objectively from the company's standpoint what the advantages or disadvantages are to the licensor or the licensee in this patent license.

The following are the results of our discussion.

(1) Advantages and disadvantages of being a licensor.

A. Advantages

It could be generally stated that the patent licenses would be profitable to the licensor in terms of earnings from royalties even after the expiry of the patent rights whether the value of goodwill of his trademark grows or not.

a. The licensor can earn royalties continuously on the basis of a trademark license even after the expiry of the patent right.

b. To control the maintenance of the quality of goods, the licensor can bind the licensee even after the patent right has expired.

c The licensor can grasp the state of activity of the licensee through a "Report on the use of the trademark", which the licensee must prepare and submit to the licensor even following the expiration of the patent right.

d. The value of goodwill of the licensor's trademark will grow with the efforts of the licensee.

e. Renewal of the licensor's trademark can be effected on the basis of the proof of use by the licensee.

f. On the termination of the agreement with the licensee, the licensor can negotiate with a third party for a new license agreement with no hitch at all.

g. By licensing his trademark, the licensor can spread his company's image.

B. Disadvantages

Other than the labor needed to manage and handle ordinary trademarks, the licenser suffers no particular disadvantages. However, if asked to cite instances of disadvantages, we could offer the following.

a. The licensor's earnings from royalties, on the whole, decrease after the expiry of the patent right.

b. To guarantee the quality of the licensee's goods, the licensor must have control over the licensee.

c. The licensor must also make efforts to prevent his trademarks from becoming diluted.

d. The licensor must assume the charge of trademark matters.

e. In the event of trouble arising over the quality of goods in a certain area, the licensor must stop such problems from occurring as they may spread to other areas.

(2) Advantages and disadvantage of being a licensee

A. Advantages

When no goodwill is involved in the licensor's trademark, the licensee receives no particular advantage from using the trademark. The advantages concerning a licensor's trademark in which goodwill is implicit will now be itemized.

a. The labor and time required for building up goodwill can be reduced.

b. Articles manufactured by the licensor's technique can be sold using the licensor's trademark which has built up its own goodwill.

c. The licensor's trademark can be used even after the patent right expires.

d. The licensee can take advantage of the licensor's publicity and advertising.

e. It is unnecessary for the licensee to register and maintain the licensor's trademark.

B. Disadvantages

There are disadvantages in being a licensee, regardless of

the goodwill of the licensor's trademark. These will now be itemized.

a. Royalties based on the trademark license must still be paid even after the patent right expires.

b. The licensee is bound to the licensor by the trademark license even after the patent right expires. For example, the usage of the trademark and the quality of the articles to be sold can be controlled by the licensor.

c. When the trademark license contract terminates, the goodwill (including that due to the licensee) built up by the use of the trademark is lost to the licensor.

d. The longer the licensee continues to use the licensor's trademark, the more difficult it becomes for the licensee to change the trademark.

e. After the patent right expires, the licensee can be more disadvantaged than a third party because of the payment of royalties.

f. Apprehension remains about parallel imports of articles made using the licensor's techniques.

The licensee must be aware of the above disadvantages of the trademark tie-in patent license. However, since goodwill is implicit in a trademark, such a license is profitable to both parties if the licensee desires to conclude such a license contract. On the other hand, if no goodwill is involved in the trademark, a deep impression is left that the licensor forced the licensee to use the trademark by taking advantage of his position.

4. The character of trademark license

Before the discussion of the problems of the trademark tie-in patent license, it is significant to consider the difference between the Japanese and United States' trademark system and the particular problems for trade marks.

(1) The difference of the trademark systems

A. The character of the Japanese trademark system

Generally, the Japanese trademark system is said to be

based on the first-to-file registration principle, where the trademark right is given to the first applicant having a possibility to use the trademark even if he does not use it. One of the advantages of the system is that it avoids trouble about the use of the trademark, since he has already obtained the trademark right before using it.

Under this system, trademark rights can be given for trademark which are subsequently not actually used. From this point of view, it became easy to cancel an unused trademark right by trial and to avoid the registration renewal of an unused trademark, because the owner of the trademark right is obligated to prove the use of the trademark since the last amendment of the trademark law.

The Japanese trademark system allows the owner of a trademark right to license the trademark to a third party. So it is possible to license an unused trademark to which the licensor has already obtained trademark right. Besides, the trademark right can be renewed and can not be cancelled if the licensee uses it, even when the licensor himself does not use it.

In Japan, however, though there are many requests for licenses from persons wanting to use unused trademarks, the owners of the trademark rights usually prefer to assign them rather than to license them even if there is some possibility of using them in the future, because the trademarks are subject to cancellation by trial and it becames difficult to use them after the licensees use them.

This practice is preferable for the reasonable application of the trademark system to maintain the distribution system in order through the protection of the user of the trademark.

B. The character of the U.S.trademark system

Generally, the United States' trademark system is said to be based on first-to-use principle, where the trademark right is given to the first practical user, whether it is registrated or not.

For the registration of a trademark it is only necessary to prove the use of the trademark. One of the advantages of

the registration is to make it easy to declare the use of the trademark.

For Japanese companies, however, it is possible to register the trademark by proof of use outside the United States base on either the priority system or foreign trademark system of Paris Convention without use in United States.

To keep the registration, it is necessary to prove the use every five years and two year absence of use causes the expiry of the registration.

One of the problems of this trademark system is that a trademark right is granted to an unregistered trademark if it is used. So it is difficult for Japanese companies to start using a trademark in United States by themselves, because, even if they are able to investigate those trademarks registered in the United States they are hardly likely to be able to investigate all those in actual use.

C. The problems of a difference in the trademark system

In a trademark system, the trademark right should belong to the person who makes efforts to accumulate goodwill on it. However, in the United States' trademark system, Japanese companies can neither start using nor register unused trademarks, while in the Japanese trademark system, United States' companies are able to obtain trademark rights for unused trademarks.

(2) Parallel importation

There is one difference between a patent license and a trademark license in dealing with parallel importation. We considered this subject as follows.

The Japanese trademark law provides:

Article 36 (1) The owner of a trademark right or of the right of exclusive use of such trademark may require a person who is infringing or is likely to infringe his trademark right or right of exclusive use to discontinue or refrain from such infringement."

The former, commonly accepted, interpretation of this

provision was that the parallel importation of genuine goods constitutes infringement of the trademark right or the right of exclusive use under this provision.

The judgment delivered by the Osaka District Court on February 27, 1970 on a case about the barring of the parallel importation of Perker Pen, however, changed this interpretation; and since then the interpretation that the parallel importation of genuine goods by a third party does not infringe the trademark right or the right of exclusive use has become established in Japan.

The Japanese customs tariff act provides;

Article 21 Any goods specified in any of the following subparagraphs shall not be imported.

1) - (3) (omission)

4) Goods to infringe upon rights to patents, utility models, designs, trademarks, or copyright or neighboring right."

The circular note "Zokan No. 1443" issued by the Customs and Tariff Bureau, however, states as follows;

"In a case where any merchandise bearing the same mark as the trademark which has been declared, is imported by a person other than the declareing person, if such merchandise is distributed bearing such mark lawfully and is deemed to be the genuine goods, such importation shall be dealt with as not infringing the trademark right."

The Japanese Fair Trade Commission states in its "Antimonopoly Act Guidelines for Sole Import Distributorship, etc. Agreements" published on November 22, 1972, as follows.

"Among the restrictions which are likely to constitute unfair business practices in continuous import and sale agreements including sole import distributorship agreements, the following are outstanding;

(1) - (3) (omission)

(4) To unduly hinder parallel importation of the goods covered by the agreement.

(5), (6) (omission)

Thus, in Japan, the parallel importation of genuine goods

is admitted as being legitimate, and cannot be prevented by the trademark right. On this point, Japan is quite different from the U.S. where, if the sole distributor in the U.S. is independent from or unrelated to the foreign manufacturer of the goods, the distributor has a chance to prevent the parallel importation.

Accordingly, in Japan, in the event of a patent license and a trademark license being granted tied with each other, even if the right of exclusive use of such trademark was licensed, the Japanese licensee cannot prevent by his right of exclusive use the importation of the goods, which were manufactured by the foreign licensor, with the same quality and bearing the same trademark.

Hence, when negotiating to conclude a trademark license agreement, a Japanese licensee would require a foreign licensor to provide such a clause that obligates the licensor to make efforts to prevent the parallel importation as the licensor's contractual obligation, because the Japanese licensee is not protected from parallel importation by the legal institutions as explained above.

As far as the patent rights, however, are concerned the territorial principle is applied strictly. Therefore, if the exclusive patent license is grtanted tied with the trademark license, the licensee may possibly prevent the parallel importation by this exclusive patent license. This can be said to be the advantage of a patent license tied with a trademark license.

5. Antimonopoly consideration

As the next point, we have studied the following on the trademark tie-in patent license under the current Antimonopoly regulations in Japan.

General speaking, under the trademark tie-in patent license, the licensee is usually obliged to pay to the licensor certain royalties for the use of the licensed patent but no royalities are required for the use of the trademark concerned. When considered only from this point, such a

trademark tie-in patent license is more than agreeable to the licensee, in a case where the tied trademark is already well known to the public and has a high reputation at the time of granting a license, and the licensee is able to utilize the goodwill of such a trademark already built up by the licensor. However, it should not be overlooked that such a trademark tie-in patent license will deprive the licensee of his freedom to select a trademark, when the licensee is forced to use the licensor's trademark, even if the licensee wishes to use his own trademark which he considers will be suitable for the licensed product.

Secondly, considering that the patent right is effective for certain limited period while the trademark right is a permanent right with a renewal procedure, a trademark tie-in patent license is frequently made at the time of granting a patent license to maintain the license agreement beyond the expiry of the patent right, or in other words, to obtain continuous royalties changing the patent license to a trademark license at the expiry of the patent right.

In connection with the trademark itself, it should be noted that the trademark will gradually operate in such a way as to guarantee the quality of the branded goods, and when the same trademark is used for certain goods continuously for many years within the same area, such goods can establish a high reputation or goodwill in the said area. Regarding the trademark which established the goodwill, there is a very serious problem that the licensee of the trademark cannot, even if he so wishes, use the trademark within the area where it is linked to the established reputation of the licensee, if the licensor of the trademark should refuse continuous use thereof within the area at the time of the expiry of the main patent license.

Further, it should be borne in mind that after the expiry of the patent life, the trademark licensee cannot prevent, if the license agreement is still effective, the parallel importation of genuine goods for which the same trademark as the licensed trademark is used.

Judging from the above situation surrounding the trademark tie-in patent license, it can be said that at least while the licensed patent is effective, a trademark tie-in patent license may not be always unfavorable but may be advantageous to some extent to the licensee when the licensed trademark is well-known and has already gained a high reputation in the licensed territory. However, the following three arrangements will probably cause problems under current Antimonopoly regulations in Japan.

(1) To force the licensee against his will to use a trademark as one of the conditions of patent license.

(2) To exercise unreasonably severe control over the licensee as long as he uses the licensed trademark after the expiry of the licensed patent, or to obligate the licensee to pay royalties for an unreasonably long term.

(3) To refuse unreasonably the licensee's request to continue the use of the licensed trademark.

In Japan, although we could not find any decision or judgment by any court or the Fair Trade Commission (FTC) nor any direct provision in FTC guideline regarding the trademark tie-in patent license, three types of agrangements given above will probably fall under the category of Unfair Trade Practices (FTC Notification No. 15 issued on June 18, 1982), especially Clause 14 - Abuse of Dominant Bargaining Position, and Clause 4 - Discriminatory Treatment on Transaction Terms, etc., as the case may be, because it may well be said that the above three arrangements are business practices where the licensor acts unjustly in the light of the normal business practices by making use of his dominant bargaining position over the licensee.

(For reference)

Unfair Trade Practices

(FTC Notification No.15 issued on June 16, 1982)

4. (Discriminatory Treatment on Transaction Term, etc.)

Unjustly affording favorable or unfavorable treatment to a certain entrepreneur in regard to the terms of execution of a transaction.

14. (Abuse of Dominant Bargaining Position)

Taking any act specified in one of the following paragraphs, unjustly in the light of the normal business practices, by making use of one's dominant bargaining position over the other party:

(1) Causing the said party in continuous transaction to purchase a commodity or service other than the one involved in the said transaction;

(2) Causing the said party in continuous transaction to provide for oneself money, service or other economic benefits;

(3) Setting or changing transaction terms in a way disadvantageous to the said party;

(4) In addition to any act coming under the preceding three paragraphs, imposing a disadvantage on the said party regarding terms or execution of transaction; or

(5) (Unjust interference to the appointment of officers - details omitted)

In the United States, as far as we know, it is considered as one type of package license to obligate the licensee to use the licensor's trademark as one of the conditions of the patent license. However, we have not so far been able to find any clear-cut court decision stating the above. In the meantime, if our understanding is correct, in November, 1984, a certain person in the leading position of U.S.Department of Justice announced that the "per se illegal" list in patent license practice (nine no-no's) made by Antitrust Division of U.S.Department of Justice during latter part of 1960's to 1970's should not be practical under the current situation, and they would not use the "per se illegal" list as it was but would judge actual business practices under a "rule-of-reason" principle. In such a situation, we are very much interested to see how the trademark tie-in patent licese will be treated in the U.S. Antitrust practices.

6. Conclusion

As mentioned above, the trademark will have the function,

in the course of its use, to guarantee the quality of goods sold under such a trademark and will establish the good reputation of goods in the area where such goods have been sold for many years under the same trademark. It is taken for granted that the good reputation embodied by the trademark belongs to the actual user of the said trademark who has long made the great efforts to establish the good reputation. In other words, the person who receives the benefit of the goodwill embodied in the trademark shall be the actual user who has fostered the reputation of the said trademark.

Further, we consider the trademark tie-in patent license is not always within the scope of the proper use of the patent right, and that it is asking too much to restrict the licensee by unreasonable means for a long term even after the expiry of the licensed patent right.

The trademark license shall be made spontaneously by the parties concerned separate from patent license, and the licensor of the patent shall in no event make any trademark tie-in patent license taking advantage of his domnant bargaining position.

WHAT IN THE WORLD IS KNOW-HOW LICENSING?

BY

RICHARD B. MEGLEY

This paper undertakes a comparative analysis of know-how licensing in various markets of the world. The law and practice of know-how licensing in the United States, European Economic Community, Brazil and Japan are considered to illustrate the diverse approaches and problems which confront a licensor.

WHAT IN THE WORLD IS KNOW-HOW LICENSING?*

A common starting point or definitional base must first be established! What, indeed, is Know-How? The term is well known, frequently used in commercial transactions yet is subject to varying, sometimes subtle, distinctions in meaning. There are in fact different subjects matter which may accurately be classified or identified as licensable know-how or technology which are distinctly different in character. These distinctions can dramatically effect the types of restraints that may legitimately be imposed on a licensee. Additionally, there are adjustments which must be made in the definition to accommodate the laws in certain countries.

Considered purely from a business or commercial standpoint, know-how is perhaps aptly defined as:

> "A design, formula, process or compilation of information which may be used in one's business and which gives an opportunity to obtain an advantage over competitors who do not know or use it."

A restatement of the foregoing definition in the licensor/licensee context - again from a pragmatic businessman's perspective - yields:

> "A design, formula, process or compilation of information known to the licensor, but not the licensee, which the licensee desires for use in its business to gain a potential advantage over its competitors."

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Were the above a universally accepted definition of know-how in the licensing context, the world of know-how or technology licensing would be significantly less complex. It is not! The principal, missing ingredient is secrecy. To what extent must the design, formula, process or compilation of information be - and continue to be - within the exclusive knowledge of the licensor? To what degree may the licensed know-how be known in the relevant trade, in the country where the licensee is located, or available to the licensee from other sources? What, in short and if any, is the nexus between "know-how" and a trade secret as that term is defined and applied in the Unites States?(1)

The answer to the secrecy question, and its relevance, will vary from country to country. The answer's impact will, to a degree, depend on the contractual restraints which are imposed upon the licensee.

All countries require some modicum of secrecy for a design, formula, process or compilation of information to qualify as know-how. The required level of secrecy should not be, and normally is not, absolute.(2) The spectrum of the definition of licensable know-how or technology must accommodate, at one extreme, the design which, once employed, will lose or have a diminished relative secrecy and, at the other extreme, technological information or trade secrets which may be maintained in secrecy for a protracted period with a high level of confidence that they will not be defeased by reverse engineering or third party R and D. Between

these extremes is a compilation of information, process, or method of manufacture which is either not generally known in the relevant trade, to the licensee or in the parts of the world where the licensee is active. This latter category is perhaps the subject of a majority of know-how licenses. As noted above, the relative level of secrecy will normally determine the appropriate level of competitive restraints which may be imposed on the licensee.

One further digression may aid in the comparative analysis of know-how licensing. That is, it is sometimes helpful to consider and compare know-how licensing from the perspective of the laws and limitations attendant contracts pertaining to Letters Patent. There is the argument that a patent licensor should have greater flexibility in the requirements or limitations placed on a licensee than a technology licensor. The rationale for this posture is that the patent owner has disclosed the invention to the public in the patent document and accepted, in return, the limited term of the patent. Ergo, in structuring a contract to obtain the inventor's or assignee's financial reward, the patent owner should be entitled to include limitations reasonably designed to effect a fair return under the patent monopoly.(3)

On the other hand, a know-how licensor has not made a similar public disclosure nor accepted the time limits of a patent grant. Neither, however, is the know-how licensor saddled with the mixed blessing, albatross if you will, imposed by many countries on the patent monopoly which, if overplayed, can quickly place the licensor at

jeopardy. The technology or know-how licensor is not in a position to create a market situation in the manner or to the degree of a patent licensor. Others are free to develop competitive technology as their ability permits. In a simple technology or know-how contract where a patent is not involved, there exists no fixed or certain vehicle for the licensor to influence competition or otherwise effect the market in the licensee's territory. Thus, a somewhat persuasive argument can be made that the know-how licensor should have greater freedom as the inherent monopolistic attributes and leverage of Letters Patent are not at his disposal.

At least:

> ". . . since the owner of a secret process so long as he keeps it secret, is entitled to use it or not, as he pleases, with impunity from the antitrust laws, he should be encouraged to make it available for the benefit of the public at large. As an incentive to the accomplishment of this goal, and to insure him a satisfying reward for his creative skill and diligence, he should, like the owner of a patent, be allowed to place reasonable competitive restraints upon those to whom he has granted the right to its use and who, but for such grant, would be unable to compete with him."(4)

What follows, in view of its scope, must be in the nature of an overview. The rule of law and the practice of know-how licensing simply varies too much in the countries of the world to admit of generalized treatment. For the purpose of the comparison; the U.S., European Economic Community, Brazil as exemplary of the disingenuous approach in developing countries and, with some trepidation, Japan will be considered.

United States of America

The Supreme Court of the United States has clearly ruled that issues relating to trade secrets and know-how licensing are the domain of the laws of the individual states comprising the United States. Trade secret law and know-how licensing are independent of, and not preempted by, the Federal Patent Act.(5)

The propriety and enforceability of know-how or trade secret licenses are therefore adjudicable under the common law of the state of the contract. Fortunately, the common laws of the individual states, particularly the principal industrial states, are basically uniform in the trade secret(6) area. The source of this identity is the uniformity in recognition and application of the Restatement of Torts, Section 757, comment b.(7)

There is a caveat to the states' right to regulate the use and licensing of know-how. The manner of regulation may not be inconsistent with federal law; particularly the federal patent and antitrust law. License provisions may not effect monopolization of, or constitute an attempt to monopolize or restrain trade in, a relevant market. This proscription is directed not only to the domestic but also the foreign commerce of the United States.(8)

The landmark decision of the U.S. Supreme Court in Aronson v. Quick Point Pencil Co.(9) is required reading for those involved in know-how licensing in the United States. Not only did the Court there sanction continuation of the royalty payments beyond the secrecy or life of the trade secret(10) (apparently in perpetuity) but articulated guidelines for structuring combined patent and know-how licenses to avoid conflict with federal law.

The key lessons for the patent/know-how licensor in Aronson are:

- Provide for a diminished level of royalty (preferably in the form of discretely stated rates for the patent and the know-how) in the event a patent is not obtained, expires or is declared invalid.(11)

- Unbundle the patent grant from the know-how or trade secret grant. Separate contracts are not normally the answer![12] The object is to obviate any basis for an assertion that the patent was used to negotiate with the leverage of that monopoly.[13] Thus the preferred form of unbundling is a contract wherein the licensee has the option to enter the know-how grant during a defined, limited time period after the patent grant is executory.

Observance of the foregoing will enable U.S. know-how licensors to ensure their entitlement to royalty payments for the full period provided in the contract - including an indefinite period - regardless, it would appear, of the later fate of the know-how.

A cardinal rule of thumb for the U.S. licensor in imposing restraints or competitive restrictions on a know-how licensee is that the restraint should continue only so long as, and in no event survive, the secrecy of the trade secret or know-how. Again, secrecy is to be judged by what is known in the relevant trade. Competitive restraints relating to the use of the know-how or ancillary to the license grant should be found enforceable if reasonable and imposed solely upon a licensee who did not possess and cannot easily acquire the technology independently.

Thus, the trade secret or know-how licensor may normally condition the license by placing limitations on the time, place and manner of use of the know-how (including the quantity and type of product made) without violating U.S. antitrust law. Restraints placed on the sale or use of product made by use of the know-how present a more delicate or thorny question. There are situations in which restraints ancillary to the know-how grant may be appropriate but prudence dictates caution. Restrictions which may be categorized as ancillary to the grant include:

- Restrictions upon purchasers of products made using the licensed know-how will not be treated with kindness.(14)

- Tying provisions under which the licensee is required to purchase components or the like from the licensor run the significant risk of being found illegal under Section 1 of the Sherman Act.(15)

- Control over the price of product made utilizing the licensed know-how is not advisable.(16)

- Territorial Restraints have been found valid if reasonably ancillary to the grant of the technology itself. . . ". . .a territorial limitation upon the licensee's sale of products

made by use of the secret process should be considered 'ancillary' if: (1) the subject matter of the license is substantial, valuable, secret know-how; (2) such restraint is limited to the life of the know-how; i.e. the period during which it retains its secrecy, and (3) such restraint is limited to those products only which are made by use of the know-how."(17)

In sum, the United States is not an unfriendly forum for the know-how licensor!

European Economic Community

The focus here is not the law and practice of know-how licensing in the individual member States which form the EEC for they run the wide gamut from Dutch law which neither recognizes nor protects know-how as a licensable property to Article 21 of the West German Cartel law(18) which prohibits royalty payments on know-how which has entered the public domain. Rather, the objective is to examine the preemptive scope and effect of the Treaty of Rome (Treaty) on know-how licensing in the Community.

The national laws of the member States of the EEC are subordinate to the Treaty and to the extent application of national law would result in an abridgement, such application is prohibited.(19)

Community law is part of the national law and is binding in each country of the EEC.[20] Indeed, National Courts are authorized to submit questions involving EEC law to the European Court of Justice (ECJ) for preliminary rulings and are required to submit questions to the ECJ where there is no equivalent judicial remedy under national law.[21]

Title I, Chapter 1 of the Treaty contains the rules governing competition. Article 85, and in certain cases Article 86, are the provisions germane to the licensing of intellectual property. Regulation 17, the first implementing regulation pursuant to Articles 85 and 86, establishes the procedures under which the rules of competition operate.

Article 85(1) defines certain agreements and concerted practices or contract provisions which are prohibited[22] and Article 85(2) pronounces void that which Article 85(1) states to be incompatible.

Article 85(3) provides that the provisions of Article 85(1) may be declared inapplicable to certain agreements having a beneficial effect.[23] This is accomplished by the mechanism of a negative clearance pursuant to Regulation 17, Article 2. The EEC Commission is vested with the authority to grant negative clearance upon an agreement being notified to the Commission. A contract in violation of 85(1) which is not notified pursuant to 85(3) is void or unenforceable at least to the extent of the violative provisions and may result in injunctive remedies and/or substantial fines.[24]

The fundamental purpose of Article 85 is to establish or protect competition within the EEC. Article 85 is based on the principle contained in Article 3f calling for a trade system which protects competition within the EEC from distortion.(25) In short, the aim is one market in which goods will pass across national borders without restriction. This is an obvious yet important point and has a significant impact on licensing in the EEC. The principle of parallel imports has as its objective the free flow of products, legitimately introduced into the market in one member country, throughout the EEC regardless whether the products are made utilizing secret know-how and the number of national patents on the product within the Community.

There is not an overabundance of decisions directed to know-how licenses per se. As a consequence, one must resort in a greater degree to the analogy to the extant law and regulations pertaining to patent and trademark licensing. This will be the case in what follows.

License provisions which contemplate or effect territorial sale restraints or restrict parallel imports within the EEC have, in the past, been harshly treated by the Commission.(26) By the same token, exclusive license agreements, as a possible vehicle to achieve distortion of parallel imports, have also been considered a potential violation of Art. 85(1) and notifiable under 85(3) for negative clearance.(27) The apparent frontal attack on exclusive agreements embodied in the early Commission decisions was however

tempered with the passage of time. The Commission's 1979 Proposal for a Regulation or Block Exemption for certain categories of patent licensing agreements - and ancillary know-how provisions - made clear that the Commission had withdrawn to a position holding that exclusive manufacturing licenses were considered compatible with Art. 85(1) as were unlimited exclusive licenses to the entirety of the EEC. The latest draft Regulation which has only recently become available contains further significant changes in the Commission's approach.(28)

The ECJ's decision in LC Nurigesser KG and Kurt Eisele v. Commission(29) (known, and referred to hereafter, as "Maize Seed") brought with it a measure of clarity in the area of exclusive licenses and parallel import restrictions. Maize Seed sanctioned what the ECJ called "an open exclusive sales license" provided certain parallel imports are permitted and given the facts of that case. The Maize Seed decision is the genesis for a substantial number of the changes found in the Commission's yet to be published 1984 draft Regulation.

An agreement which requires a patent or know-how licensee to purchase or use components of the licensor may also be caught by Article 85(1)(30) - unless the tied subject matter is indispensible.(31)

Perhaps the most troubling area is again that of secrecy. The attitude of the Commission appears to be patterned after, if not derived from, Article 21 of the German Cartel law. The Commission

has held that an obligation to pay royalties on know-how after it becomes part of the public domain[32] contradicts 85(1).[33] The Commission's 1984 draft Regulation at paragraph 9 of the introduction states that agreements relating to non-patented technical knowledge can only be regarded as fulfilling the conditions of Article 83(3) for purposes of the Regulation if the technical knowledge is secret. The exemptions themselves use the term know-how in referring to non-patented technical knowledge.

A brief explanation of the basis for and effect of block exemptions may be helpful to an understanding of what follows. As noted above, the Commission has the authority to grant exemptions to the application of Article 85(1). The Commission has, in fact, endeavored to formulate a Regulation or Block Exemption in the patent licensing area for some years. The proposed Regulation pertains principally to patent licensing agreements but addresses ancillary provisions concerning the assignment or the right of use of secret manufacturing processes or know-how relating to the use or application of industrial technology. The proposed regulations are thus of some value to the know-how licensor as a basis to evaluate and forecast the position of the Commission.

Put simply, the draft block exemptions would sanction conduct and contract provisions which, but for their existence, would violate, or potentially violate, Art 85(1). Thus, in interpreting the block exemptions it should be borne in mind that what is proposed to be block exempted would otherwise violate 85(1) in the Commission's

view and that which is not exempted (e.g. see Article 3 of March 3, 1979 and 1984 drafts) almost assuredly does. Article 1 defines the contract provisions or types of contracts which are exempted from notification under 85(3). Article 2 lists certain contract clauses which may be included without negating the exemption of Article 1. Article 3 identifies those clauses or restrictions which may not be included in an exempted agreement. That is, the contract clauses referred to in Art. 3 violate or may violate Art. 85(1) and must be notified under Art. 85(3).

A comparison of the 1979 and 1984 draft Regulations illustrates the progress that has been made in fashioning an approach which reflects the needs of the market place. Under the 1984 draft:

(1) a licensor would be entitled to contractually preclude a licensee from entering territories within the EEC where the licensor manufactures the product -- insofar and so long as there are patents in the excluded territories.(34-a)

(2) a licensor could agree not to sell in the licensee's territory again insofar and so long as there are patents in the licensed territory.(34-b)

(3) a licensor could agree not to license others in the licensed territory so long as a licensed patent remains in force.(34-c)

(4) a licensee could be contractually obligated not to pursue an active policy of putting product on the market in parts of the EEC where others are licensed to the extent there are extant patents.(34-d) An active policy is one in which the licensee solicits business directly, undertakes advertising aimed at the excluded territory, or establishes a branch or depot. Passive activity or sales could not be precluded. Passive sales include purchases initiated by the purchaser or parallel imports by resellers, users, etc.

(5) a licensor could extend the term of the agreement to provide for royalties for the full period of use of know-how which has not entered the public domain, even if the period exceeds the life of the patents.(34-e)

(6) while a licensor could not charge royalties for the use of know-how which has entered the public domain, it would be possible to spread the payments over a period extending beyond the entry of the know-how into the public domain.(34-f)

(7) a licensor could not restrict the price or quantity of product made under the license.(34-g)

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Items 1 to 4 are in sharp contrast to the 1979 draft regulation which limited exclusivity of sales to agreements involving relatively small enterprises. The 1979 draft stated that an agreement could not extend beyond the most recent patent existing on execution (Art. 3(2)) and that royalties could not be obtained with respect to know-how which had entered the public domain (Art. 3, 4(d)). The 1984 draft does not specifically prohibit imposition of an obligation not to use secret know-how after expiration of the agreement or imposition of a know-how field of use restriction as did Art. 3(10) and Art. 3(11), respectively, of the 1979 draft.

The status of an agreement relating solely to secret know-how remains somewhat clouded. While the development of EEC law relating to patent licensing has heretofore tracked that in the U.S.,[35] the evolution of the law of know-how licensing has not so progressed and the fate of know-how licensing per se remains shrouded in some doubt. Hopefully, the future will lead in the direction U.S. decisions have taken.

Developing Countries

The term "developing countries" is employed here not so much for an identification of the economic or technological level of industry as to identify a group of countries manifesting a particular attitude or approach to the control of license contracts. The regulations and laws of the countries the term is intended to denote have a

common thread. That thread is tightly woven into a fabric of regulations whose purpose is to minimize the financial consideration and the restraints imposed by the agreement. In the area of know-how the regulations not uncommonly seek to obtain quasi-ownership or control of the technology on behalf of the local licensee in the shortest possible period.[36] Within this group are found Mexico, Brazil, Venezuela, India, the Phillipines, South Korea, and Spain, among others.

One may speculate on the impact these assorted regulations have had on the importation of advanced technology. At a minimum, the maze of regulations, registration requirements and contract limitations can but have a dampening effect on the enthusiasm of a would-be foreign licensor.

For economy of time and length, the following will highlight Brazil and Normative Act 15 of the National Institute of Industrial Property (the Patent Office). While there are significant variants in the acts and regulations of the developing countries, it is believed that the rubric of their purpose and effect will be conveyed by an examination of INPI 15.

Those who have had the experience of dealing with intellectual property in Brazil will, I'm sure, agree that Normative Act 15 and its progeny are inscrutable. The Act deals, inter alia, with patents, trademarks, industrial technology, and technical-industrial cooperation. Not only must one almost slavishly conform to its

substantive provisions but also be leery of veering from a prescribed format and nomenclature. A contract for "Furnishing Industrial Technology" is not, for example and except in Brazil, a license and must not refer to such.(37)

While the Act deals with patents, trademarks and technology,(38) it in effect provides that no combination of the same may be included in a single agreement. The would-be licensor who has in mind granting a combined patent and technology license has a somewhat baffling problem. Normative Act 15 appears to require separate agreements. Yet subparagraph 2.1.1 of the Act relating to patent licenses provides that the grant must include the supply of the body of information and technical data for use of the process and/or the manufacture of the product.(39)

Article 4 of the Act deals with technology agreements relating to the production of consumer goods or of inputs in general while Article 5 pertains to manufacture of industrial units and sub-units of machines, equipment, the components thereof and other capitol goods when made to order. Focusing on Article 4(40), it provides:

- The agreement shall comprise the furnishing of all technical information relating to the product, technical information for updating the product and technical assistance and training.(41)

- The technology must not be available from other sources in Brazil.[42]

- The royalty (remuneration) shall be directly linked to actual manufacture.[43] The Ministry of Finance, Ordinance 436, established a maximum percentage of 1-5% which is deductible as an expense. This is the range at which approval or registration normally can be expected.

- The term of the agreement shall be temporary in nature[44] - approval will normally only be granted for a 5 year term from the date of production. Renewal is possible, not probable. The INPI has taken the position in the past that the period of secrecy imposed with respect to industrial-technology can be up to five years after receipt and that restrictions on use and disclosure after termination of the Agreement contradict the provisions of Antitrust Law 4137/62.

- The agreement shall provide:[45]

  - for the furnishing of complementary technical information.

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- when improvements are covered by a patent in Brazil, that a license agreement shall be executed relating to the improvements.

- a guarantee that the licensor shall not, at any time, attempt to enforce industrial property rights relating to the transferred technology except future improvements provided they are patented in Brazil with a claim of priority from the licensor's domicile.

o The agreement shall not:(46)

- control, determine or limit production, sale or price, or the divulging, distribution, commercialization or exportation except when permitted by legislation or International Agreement to which Brazil is a party.

- require the purchase of components or the like from the licensor.

- preclude the free use of the technology after termination.

- exempt the licensor from responsibility to third parties in suits alleging faults or defects or infringement of industrial property rights.

It is indeed somewhat ironic that the countries in the greatest need of technology have erected the most significant obstacles to its transfer. Technology or know-how is the obvious key to industrial progress or advancement. Anomalously as well, is the fact that that which is frequently required - basic know-how, a technology base - is often spurned by bureaucratic regulation in favor of newly patented or sophisticated technology not always compatible with the existing technological capacity or ability to absorb.

Japan

No more need be said as tribute to the Japanese approach than to refer to the success of Japanese firms in obtaining, absorbing and advancing foreign licensed technology. The intracacies of the system have now been substantially dismantled but the legacy remains as a model for the "developing countries". The touchstone of the system was control - but control tempered by recognition of the technological and financial reality of the marketplace with time. Relaxation of controls was geared to the level of technological development of Japanese industry.

With minor exceptions, all international license agreements relating to Japan are subject to the Foreign Exchange and Foreign Trade Control Act, Article 29. Absent validation under this Act, a license agreement is not valid in Japan and no payment is permitted.(47)

The procedural aspects of validation are now fairly streamlined. In practice, the sole criteria seems a determination whether the contract is, in fact, a license i.e. unless it is determined that the agreement threatens national security or a domestic industry. The Ministry of International Trade and Industry (MITI) no longer aggressively involves itself in questions such as the amount of royalty or protection of domestic industries.

Agreements are classified "A" or "B" depending on the term. "A" agreements have a term or payment period greater than one year. If less than a year, it is a "B". "A" agreements are examined by the Ministry of Finance on an application filed jointly by the licensor/licensee with the Bank of Japan. "B" agreements relating to know-how are also submitted to the Bank of Japan for examination by the Ministry of Finance but by the licensee alone. "B" agreements are, in effect, limited to purchase of know-how by a lump sum payment. Agreements are further categorized according to the amount of consideration involved. Depending on the technology and the magnitude of consideration, the agreement will be subject to Validation in Principle (Ministry may become involved) or Automatic Validation by the Bank of Japan.

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The Japanese licensee must report each license agreement to the Japanese Fair Trade Commission within 30 days of execution. The Commission may request the licensee to negotiate deletion or amendment of any provision it finds objectionable. If the request is not followed, the Commission may issue a formal recommendation and, if the recommendation is not followed, start a trial within the Commission for an order of exclusion.(48) The report is made to the Japanese licensee. The foreign licensor is not a party to the proceeding and has no standing to contest an order before the Commission or in Court. The licensor is, however, entitled to appear and justify its position to the Commission.

The major deficiency of Japanese law in the area of trade secrets is the lack of a statute relating to know-how(49) per se. The Unfair Competition Prevention Act does not pertain to the protection of know-how or trade secrets - it deals primarily with false marking of goods. Thus, the use, transfer and disclosure of know-how must be regulated and established solely in the license and under the law of contract. Unfortunately, however, if a contract is breached, terminated or the know-how misappropriated or otherwise obtained by a third party, the lack of a specific statute in a civil law country confines and makes problematical the remedies available to the licensor.(50) That is, there is doubt as to whether a licensor may prohibit use or disclosure of that portion of the know-how which remains secret after termination and the extent to which royalty or other obligations may be enforced once the know-how loses its secrecy.

The Japanese FTC has published guidelines and commentary relating to unlawful restrictions in international license agreements. While the guidelines refer principally to patents, they are stated to apply to know-how agreements as well. The guidelines provide that among the restrictions which are liable to come under unfair business practices in international license agreements are:

(1) To restrict the area for export except (a) where the licensor holds a patent, (b) if the licensor is selling like goods in the area in its normal business, or (c) where the licensor has an exclusive distributor.

(2) To restrict export prices or quantities or to oblige the licensee to export through the licensor with the exceptions of 1(a-c) above.

(3) To prohibit the licensee from making, using or selling competitive goods or using competitive technology with limited exception as to an exclusive license.

(4) To require the purchase of materials or parts from the licensor except, for example, where necessary to maintain quality or to ensure proper advantage from the know-how.

(5) To require sale through the licensor.

(6) Grant-back provisions where there is no reciprocity.

(7) To charge a royalty where the technology is not used except where use is difficult to determine or the royalty base is adjusted accordingly.

What in the world is know-how licensing? The one thing it is not is consistent! Quite obviously, care must always be taken to examine and reflect the eccentricities of the law of the host country.

Footnotes

*R. B. Megley

(1) The definition most commonly applied by United States Courts is that found in the Restatement of Torts, Section 757, comment b. The foregoing definitions are a partial paraphrase of Section 757. The design, formula, process, or compilation of information must not be generally known in the relevent trade to satisfy Section 757.

(2) See Brewster, Antitrust and American Business Abroad at 164-165; Milgrim, Appendix H at H-3-4.

(3) The term "monopoly" is used as appropriate but with recognition of the United States Court of Appeals for the Federal Circuit's dislike for this characterization; American Hoist and Derrick Co. v. Sowa & Sons, Inc., 725 F2d 1350; 220 PQ 763,766.

(4) Shin Nippon Koki Co. Ltd. v. Irvin Industries, 186 PQ 296 (1975) (NY Sup Court).

(5) Kewanee Oil Co. v. Bicron, 416 U.S. 470, 181 PQ 673 (1974); Goldstein v. California, 412 U.S. 546, 178 PQ 129 (1973); Aronson v. Quick Point Pencil Co., 440 U.S. 257; 201 PQ 1 (1979).

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(6) The term "know-how" is not frequently found in United States case law. "Trade secret" is the moniker used but, as indicated above at FN (1), the Restatement is broad enough to encompass the concept of know-how.

(7) Supra, FN1. There are, of course, differences in emphasis and application as well as the lingering trade secret as property vs. unfair competition rationales but these subtleties are beyond the scope of this analysis.

(8) Sherman Act; United States v. Timkin Roller Bearing Co., 83 F Supp 284, 83 PQ 195 (ND Ohio 1949), aff'd 341 US 593 (1951); U.S. v. National Lead Co., 63 F Supp 513 (S.DNY 1945), aff'd 332 US 319 (1947); U.S. v. General Electric Co., 82 F Supp 753, 80 PQ 195 (1949); U.S. v. ICI, 100 F Supp 504, 105 FS 215, 91 PQ 78 (1951); U.S. v. Caulk, 126 F Supp 693, 103 PQ 372 (1954); Foreign Trade Antitrust Improvements Act of 1982.

(9) Supra at FN 5, see also Warner-Lambert Pharmaceutical Co., Inc. v. J. L. Reynolds, Inc., 178 F S655, 123 PQ 431 (S.DNY 1959); aff'd 280 F2d 197, 126 PQ 3 (2nd Cir 1960).

(10) The trade secret, know-how if you will, was the design of a keyholder which could be easily copied or reverse engineered once introduced to the market.

(11) See also Rockform Corp. v. Acetelli-Standard Concrete Wall, Inc., 367 F2d 678 (6th Cir. 1976); Zenith Radio Corp. v. Hazeltine Research, Inc., 395 US 100, 161 PQ 577 (1969); Glen Manufacturing v. Perfect Fit, 324 FS 1133, 169 PQ 678 (1971). As to a flat or lump sum royalty rate as consideration for a combined patent and know-how grant, once a patent issues Lear v. Atkins, 395 US 653, 162 PQ 1 (1969) may preempt enforcement of any contract provision that eliminates the licensee's incentive to challenge the patent's validity (i.e. a flat rate royalty clause), Timely Products, Inc. v. Costanzo, 201 PQ 567(U.S. DC, Conn 1979).

(12) In Aronson the court majority reasoned that since only a patent application existed on the execution date of the contract ". . .whatever role the application played in the negotiation of the 5% [sic: patent] royalty, it played no part in the contract to pay the 2-1/2% [sic: know-how] royalty indefinitely."

(13) Brulotte v. Thys Co., 379 US 29, 143 PQ 264 (1964).

(14) Dr. Miles Medical co. v. J. D. Park & Sons Co., 220 US 373 (1911).

(15) Suffu v. Carvel Corp., 332 F2d 505, 141 PQ 609 (2d Cir. 1964) U.S. v. General Electric Co., 82 F Supp 753, (DNY 1949); Northern Pacific Railway v. U.S., 356 US 594 (1958).

(16) Dr. Miles Medical Co. v. J. D. Park & Sons Co., supra at FN14; Carlson Machine Tools, Inc. v. American Tool, Inc. 678 F2d 1253 (5th Cir. 1982); U.S. v. Bausch & Lomb Optical Co., 321 U.S. 707 (1944). See also U.S. v. Line Material Co., 333 US 287 (1948); U.S. v. U.S. Gypsum Co., 333 US 364 (1948) relating to process patents.

(17) Shin Nippon Koki Co. Ltd. v. Irvin Industries, Inc., supra at FN 4; see also Fowle v. Park, 131 US 88, 33 LED 67 (1889); Dr. Miles Medical Co. v. John D. Park and Sons, supra at FN 14; Foundry Services, Inc. v. Beneflux Corp., 110 FS 857 (SDNY 1953) rev'd on other grounds 206 F2d 214 (2nd Cir 1953); U.S. v. duPont de Nemaurs, 118 F Supp 41 (D Del 1952) aff'd, 351 US 377 (1956).

(18) Law Against Restraints of Competition, Section 21. See also Section 20 re statutory rights (e.g. patents).

(19) European Court of Justice, 120/78 Cassis de Dijon; 788/79 Gilli; 130/80 Brioches; 14/68 Walt Wilhelm; 13/61 Bosch.

(20) Treaty of Rome, Art. 189, Regulation 17(1).

(21) See Article 177, Treaty of Rome.

(22) Article 85(1): "Incompatible with the Common Market and prohibited are all agreements between enterprises, all decisions of associations of enterprises and all concerted practices which are apt to affect the commerce between member States and which have as their object or effect the prevention, restriction or distortion of competition within the Common Market and especially those which consist in:

(a) fixing directly or indirectly the purchase or sales price or other conditions of transacting business.

(b) limiting or controlling production, distribution, technical development or investment.

(c) dividing markets or sources of supply.

(d) applying unequal conditions for equivalent goods or services vis-a-vis other contracting parties, thereby inflicting upon them a competitive disadvantage.

(e) conditioning the conclusion of contracts upon the acceptance by the other party of additional goods or services, which neither by their nature nor by commercial usage, have any connection with the object of these contracts."

(23) Article 86 declares that abuse of a dominant market position is incompatible with the Common Market.

(24) 56/65 Maschienubau Ulm; 56/64, 58/64, Grundig/Cousten; 83/400 IMA Ag et al v. Windsurfing International, Inc., 1984 ICMLRI; Regulation 17; Arts 3 and 15(2).

(25) The doctrine of the free flow of goods is also the subject of Articles 30-36 which prohibits quantitative restrictions or the like unless justified by the special circumstances enumerated in Article 36.

(26) As noted what decisions there are primarily concern patents or trademarks but the correlation to know-how is patently obvious. See Parke Davis v. Probel, 7 CMLR 47 (1968); Sirena v. Eda et al, CMLR 260 (1971), Deutsche Grammophone v. Metro, CMLR 631 (1971); Re The Agreements of Davidson Rubber Co., 72/237/EEC CMLRD 52 (1972); AOIP v. Beyrard, 76/29/EEC (1976); Freres v. Hag, 172/173 CCH CMR 8230 (1974); Beguelin v. SA GL Import Export, CCH CMR 8149 (1971); Centrafarm v. Sterling Drug, Inc., Winthrop Group, 15/74 CCH CMR 8246, 8247 (1974).

(27) Re The Agreement of Raymond/Nagoya, 72/238 EEC; Re Agreement of Davidson Rubber, supra at FN 26; Re Kabel-Und Metallwerke, 75/494/EEC; Burroughs/Geha-Werke, 72/13/EEC; AOIP v. Beyrard, supra; Agreement of Burroughs AG and L Delplanque de Fils, 75/25/EEC CMLRD 67 (1972).

(28) The Commission has issued a series of Proposed Regulations under Article 85(3) and Regulation 17 relating to patent licensing agreements (specific reference is also made to know-how provisions contained in such agreements). The initial drafts dealt harshly with exclusive licenses and territorial restraints of any nature. The 1979 draft eliminated the assault on exclusive manufacturing licenses and exempted undertakings with relatively small turnovers from the section (Article 1, Section 2) relating to exclusivity of sales and analogous prohibitions, see Official Journal of the EEC (1979) C 58/12, March 3, 1979; CMLR 478 (1979). The latest draft is identified as 84/Rev./3, see Article 1 in re exclusive agreements.

(29) 258/78 (1982).

(30) Re Agreements of Schlegal Corp. and CPIO, 2CMLR 179 (1984).

(31) Re The Agreements of Davide Compari, CMLR 397 (1978); Article 1(1) of Regulation 84/Rev/3.

(32) The extent of the correlation between "part of the public domain" and "not generally know-how in the relevant trade" is not clear. It would appear that they are used synonomously on occasion despite the incongruity with the meaning of "public domain" in the intellectual property field.

(33) Agreement of Burroughs AG and L. Delplanque de Fils, supra at FN 27.

(34) (a) Article 1(3); (b) Art 1(2); (c) Art 1(1); (d) Art 1(5); (e) Art 3(2); (f) Art 3(4); (g) Art 3(5,6).

(35) Examples include: (a) licensee estopped to contest patent validity - Lear v. Atkins, 395 US 653 (1969) / Re The Agreement of Raymond & Company, supra, Re The Agreement of Davidson Rubber, supra (b) requirement of licensee consent to further licenses - U.S. v. Krasnov, 143 FS 184, aff'd 355 US 5 / Bronbemaling v. Heidemaatschappy, ICM LR 67 (1975); (c) exclusive grant backs - Chandler v. Stern Dental Laboratory Co., 171PQ100 (SD Texas 1971 / Re Kabelmettalwerke, supra (d) post-expiration royalties - Brulotte v. Thys, supra / AOIP v. Beyrard, supra (e) non-competition clauses - Dubuilt v. Harwell Enterprises, 171PQ550 / AOIP v. Beyrard, supra.

(36) Mexico's "Law on the Control and Registration of Transfer of Technology and the Use and Exploitation of Patents and Trademarks", effective February, 1982, is a prime example. See Article 15, XI and the companion Regulations published November, 1982 at Article 56. Contra, Industrial Resistal, SA v. NRTT (1976) - appellate decision overruling Registry in relation to the term of secrecy.

(37) Normative Act 15; 4.5.2.

(38) In conformance with Normative Act 15 know-how will be referred to as Industrial Technology or simply technology.

(39) See also 2.5.1(c).

(40) Articles 4 and 5 are similar in form and substance. Article 5 specifically states, however, that the term may be at most 5 years from actual commencement of production.

(41) 4.1.1.

(42) 4.1.2.

(43) 4.2; 4.2.1.

(44) 4.4.

(45) 4.5.1.

(46) 4.5.2(d).

(47) Further, an unvalidated international license agreement is not enforceable in Japan or in other member countries of the International Monetary Fund Agreement pursuant to Article 8, Section 2-b pertaining to contracts involving currency of a member state contrary to its exchange control regulations.

(48) The FTC has requested changes in the following agreements: Bucyrus-Erie/Komatsu Ltd. and Mitsui; Caterpillar Tractor/Mitsubishi Heavy Industries, Inc.; A EG-Telefunken/Matsushita et al.

(49) In practice as distinguished from the law, the Japanese concept or definition of know-how appears significantly closer to the Restatement than to an absolute or public domain criteria.

(50) Vinirum, Inc. v. KK Nomura Toi, (Tokyo District Ct) Jan. 31, 1973; Deutsche Werft AG v. Chuetsu - Waukesha Yugen Kaisha, Tokyo High Court, September 5, 1966.

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LICENSING OF JAPANESE PATENT APPLICATIONS

Japanese Group, Committee No. 2

Subcommittee No. 3

M. Saito (Asahi Glass Co., Ltd.)
K. Shimizu (Ebara Corporation)
M. Tanaka (Nippon Telegraph and Telephone Public Co.)
H. Doi (Mitsubishi Electric Corp.)
K. Hara (Teijin Limited)
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Speaker: I. Seki, Mitsui Engineering & Shipbuilding Co., Ltd.

Abstract:

In Japan, most patent applications now on file are laid open to the public because of an earlier public disclosure system under the Japanese Patent Law. The inventions claimed in the applications do not remain confidential know-how now that those are laid open.
Nor are those well protected yet as patent rights, and the scope of the claims is changeable by amendment in the course of examination. In other words, the nature of rights granted in patent application license is uncertain and unstable.

Taking these into consideration, and particularly in connection with international licensing, the respective responsibility of the licensor and the licensee is outlined in relation to the following areas:
- appropriate patent application procedure for obtaining effective patent rights,
- a problem about royalty payment in case the application has been invalidated or unpatented,
- non-dispute clause and license estoppel, etc.

1. Introduction

We would like to talk about some specific problems such as patent application procedures, royalty payment and non-dispute clause which arise in licensing the inventions claimed in Japanese patent applications (including utility model applications) and to point out matters which should be taken into account in regards to Japanese Patent Law and the international licensing of such patent applications, to prevent disputes in such license agreements particularly between Japanese and U.S. corporations.

2. License of Patent Applications

Inventions for which patents have been applied are classified into three categories, i.e., those not laid open to public, those laid open, and those published.
Although the Japanese Patent Law includes no provisions for the licensing of the inventions of these categories, these inventions can be considered intangible assets the same as patented ones. Hence, they may be licensed.

Anything may be licensed if both parties find a nature of property or an exchange value in it. An invention can be considered the subject of a know-how agreement, before its patent application is laid open. In Japan, an application is laid open to the public 18 months after its filing date. Therefore, most of the applications now on file have been laid open.

Once an application has been published after examination, the applicant has an exclusive right to the invention and may demand injunction relief. This right is essentially the same as the patent right, except that a published application can become void if and when the rejection of the published application becomes final and conclusive.* (1)

Hereinafter, we will use the term "patent application" to mean one which has been laid open, i.e., a public disclosure application.

Unlike a trade secret or know-how, an invention described in a patent application is no longer a secret since it has been laid open to the public. The applicant has not yet the exclusive right to the invention since the application has not been examined, published and patented. The applicant may demand compensation from an alleged infringer once his application has been laid open, but this demand will be invalidated unless the application is examined and published.
He can request the Court to issue an injunction against such infringer once the application has been published, but this injunction will be on condition that the invention is patented and registered.

In view of the above, a patent application license agreement is, so to speak, a conditional one. The licensee can expect that he may use the invention without the risk of any compensation being demanded, or the risk of suffering an injunction when the application is published or patented. *(2)

In such patent application license agreement, the licensee cannot assign his right derived from the agreement to a third party or sublicense it, without the licensor's consent.

The modes of license, that is, license for production, use, lease, etc. are almost the same as those in the registered patent license agreement.

3. Patent Application Procedure

Normally, the licensor will not guarantee the patentability of the invention claimed in the patent application. However, he must made reasonable efforts to obtain an effective patent right on the invention. Some of his obligations are as follows:

1) To file a request for examination, unless the request has already been filed or unless otherwise stipulated in the agreement, since it is presumed that before entering into the agreement, the licensee had expected that the licensor would duly proceed with the application procedure.
2) Not to withdraw or abandon the application without the licensee's consent.
3) Not to convert the application (e.g., from the patent application to a utility model application) without the licensee's consent.
4) Not to amend the application document and specification (including the drawings) without the licensee's consent, except in the case where the necessary amendments are minor and, in effect, do not impair the licensee's benefit, or in the case where it is pparent that the application will be finally rejected if not urgently amended at all.

It may be desirable that the agreement specify obligations on the part of the licensor. First, the licensor should promptly inform the licensee of the procedures taken in the application (e.g., request for examination, publication, registration, final rejection). Secondly, he should obtain the licensee's consent to or at least should inform the licensee in advance of, important procedures (e.g., a written response to an Official Action, an argument against the final rejection, an amendment to overcome the final rejection, the decision as to the withdrawing or abandoning of the application).

On the other hand, it also appears to be necessary to specify in the agreement that the licensee should help the licensor to successfully prosecute the application. Particularly, in the case of an international licensing, it may be desirable to stipulate in the agreement that the licensee is allowed to contact directly the licensor's patent attorney so that the licensee may give the attorney necessary advice or instruction on behalf of the licensor who is not familiar with the patent system of the licensee's country, which would contribute to successful prosecution of the application in the licensee's country.

4. Payment of Royalty

In light of the object of the agreement, the invention claimed in the application has uncertain and unstable features. It may not be patented eventually, or its claimed scope may be changed by amendment. If the application is finally rejected and not published or patented for some reason, there arise two questions. Is it possible for the licensee to be refunded the royalty paid to the licensor, and is it possible for the licensee to cancel the agreement?

The paid royalty will of course be refunded if it is so stipulated in the agreement. Otherwise, whether or not the refund should be made will depend on the circumstances of the patent application procedure until final rejection, withdrawal or abandonment. If the application is finally rejected despite the licensor's all-out efforts, the royalty need not be returned for the following reasons:

(1) It is presumed that the licensee has entered into the agreement, after having reviewed the patentability of the invention as the subject of the agreement, and, at the same time, being aware of the risk that the invention may be held unpatentable.

(2) The licensee has already gained some benefit by practicing the invention even in case of patent application as head-starter in the market, enjoying advantage over the competitors and expecting a stable position in future if the application is patented.

If the application is finally rejected due to the licensor's negligence or failure, the licensee may demand the refund of the royalty. Needless to say, the licensor must do his best to get the application published or to have the invention patented. In case the application is not published or does patented due to his negligence in prosecuting the application, he may be regarded as having failed to meet the other party's expectations, i.e., the benefit and exclusive license he may acquire in the future. In this case, the licensor can not avoid refunding the royalty if so requested by the licensee.

On the other hand, the licensor can no longer ask for a royalty after the application fails to be patented.
To demand royalty despite the rejection of the application is to violate the spirit of the Patent Law which permits an exclusive right to a novel, useful and hence patentable invention and also runs counter to the Japanese government's policy of allowing a monopoly use of the invention.
Royalty cannot be considered in cases where the licenced patent is held invalid or if it ceases to exist during the term of the license agreement.

In the United States, patent applications are not laid open to public inspection. Unless a patent is issued to a patent application, the claimed inventions remain unknown to the public. Hence, there is a possibility that the licensee will continue to pay the royalty as a know-how fee to the licensor even if the licensed invention is not patented, so long as the license continues. (See Aronson vs Quick Point Pencil Co. case.)
Therefore, this should be taken into account in licensing an arrangement with a U.S. company, but this consideration does not apply in Japan when the license is concerned with a Japanese patent application. *(3)

To identify the subject invention, it is enough to state the application number and the title of the invention in the license agreement. The publication number and patent number should be specified as well when the application is published and then patented.

Further, the agreement should clearly state that the licensor shall inform the licensee of any change in the claimed scope of the invention by amendment made to the specification and/or drawings of the application.
It should also state that in case such amendments narrow the scope of the invention, the royalty shall be reduced accordingly.

Moreover, the agreement should specify whether or not the licensor must refund the royalty when the application is not published or patented, or when the application is abandoned.

In practice, there are few license agreements which subject are only the patent application. Know-how license are usually combined. Unless the royalty for the patent application license and the royalty for the know-how license are separated in such agreement, it should state in the agreement that the conditions of royalty payment are subject to change when the application is not published or patented.

The remuneration for the know-how is usually paid either in a lump-sum or in installments. Therefore, it is advisable that the royalty for the licensed application be specified separately from the know-how royalty in order to avoid problems afterwards. For an agreement including a know-how license, it is important that the delivery manner and/or content of the know-how should be clearly stated in the agreement. If not stated, the problem would arise as to whether or not know-how has been delivered when discussing the problem about the payment of royalty after the application becomes null and void.

5. Non-Dispute Clause against Patent Application

A non-dispute clause is considered with both a patent right and a patent application license agreement.
In case this clause is not included in a patent license agreement, there is a question as to whether or not the licensee may be accused of violating the license estoppel when he file an action against the validity of the licensor's Japanese patent.
Opinions are divided in Japan since no Court decisions have been made on this question. Some people say that the licensee violates the principle of trust and faith and the principle of fairness if he attempts to invalidate the patent to thereby escape the obligations and restrictions recited in the patent license agreement, because he had recognized the validity of the patent when he entered into the agreement. Other people argue that the licensee may question the validity of the patent so as to prevent the licensor from exploiting an unjust exclusive right that prevents free use of the invention. That is, these people find it illegal, in view of the spirit of the Patent Law and Anti-Monopoly Law, to allow the licensor to exclusively use the unpatentable invention.

In the United States, regardless of the non-dispute clause in the patent license agreement, the licensee may file an action to invalidate the patent. (See Lear vs Adkins.)

In the case of a patent application license, the subject is an invention which has been publicly disclosed. Since the application has yet to be examined, nobody can tell for sure whether or not the patent will be granted and to what extent the claim will be if patented. Therefore, it would be in the case of application license more often than that in patent licenses that the licensees will dispute the patentability of the subject inventions.

A licensee's activity, which is liable to licensee estoppel after the application has been laid open and before patent issues on the application, is the filing of prior art references at the Patent Office.* (4) Another activity of the licensee's, which may be regarded as such, is filing an opposition against the licensor's published application. The demand for examination may be filed not only by the applicant but also by a third party. The effect is the same regardless who files this demand. Hence, the licensee's filing of the demand for examination cannot be held liable to licensee estoppel.

Filing prior art references against a laid-open application is as effective as filing an opposition against a published application, in order to deny the patentability of the invention claimed in the application. From this point of view, to file prior art references may be considered an activity liable to licensee estoppel. However, the filing of prior art references is not always detrimental to the licensor. These references may establish an effective patent right. This is because the Examiner will examine the claimed invention, referring to the references, and the licensor will appropriately amend the claim, thus overcoming the references.

During the prosecution of a U.S. patent application, the inventor and applicant are obliged to disclose to the Patent and Trademark Office any prior art which they think is pertinent to the invention claimed in the application. Hence, if the licensee is an American, he may be encouraged to file prior art references with the Japanese Patent Office after the application has been laid open.

In case neither party should file to the Patent office the prior art references known to him and pertinent to the invention of the laid-open application, and then this invention would be eventually patented, the patent would be deemed illegal because of conspiracy between licensor and licensee, and be contrary to the spirit of the Patent Law. If the licensor would take his predominant position as licensor to impose upon the licensee to prevent him from filing prior art references at the Japanese Patent Office, and thereby would obtain a faulty patent right and demand royalty from the licensee, the licensor would probably be accused of violating the Anti-Monopoly Act.

What has been pointed out in the preceding paragraph can also be said of an opposition filed against the published application. However, filing an opposition in this case is different from filing prior art reference against the laid-open application. Once the application has been published after examination, the invention is provisionally protected so the applicant may ask for an injunction or demand compensation from an alleged infringer. Hence an opposition against such published application is an action against the validity of the exclusive right to be granted to the applicant, whereas to file prior art references does not aim to invalidate such right. In view of this, filing prior art references against the laid-open application does not seem liable to licensee estoppel. Rather, the licensee is encouraged to file prior art references if he doubts the patentability of the invention, to thereby secure future legal safety for the invention.

Suppose there is a case where it is stated in the agreement that a lower royalty is specified for a patent application and higher royalty for registered patent, or that the licensee shall pay a specified amount as initial payment and then the royalty shall be paid after the registration of a patent. In this case, the licensor is fully aware that the application may not be patented, and the licensee may file prior art references against the laid-open application.

In the case of a U.S. patent license, the licensee is not held liable to licensee estoppel when he files an action against the validity of the patent even if the license agreement contains a non-dispute clause. In contrast, in the case of a Japanese patent license, opinion is divided as to whether or not the licensee will be held liable to licensee estoppel when he raises question about the validity of the patent if the license agreement does not contain a non-dispute clause.

6. Other Important Matters

Before concluding a patent application license agreement, both parties should study the patentability of the invention, the novelty and inventive step of the invention claimed therein, and conduct a search to see if there is a prior application or prior use of the invention and to see if the invention overlaps a third party patent. It is desirable to state necessary provisions and procedures in the event a prior use is found or the use of the invention seems to infringe a third party patent.

Now, I wish to discuss a case where a third party uses the invention claimed in the application, without the licensor's consent. Here arises the question; whether or not the applicant (licensor) may accuse the third party of violating "the right to obtain a patent," and then demand compensation. Some people say that he may, and other say that he may not. If the activity of the third party is considered equivalent to a tort, i.e., violation of the applicant's "right to obtain patent," the applicant may file a lawsuit against the third party. The "right to obtain patent," which is inherent in a laid-open patent application and which is the applicant's intangible asset, is protected by the Japanese Patent Law. (See Article 65-(3) of the law -- "The Right to Demand Compensation."). * (5) Hence, it might be better for the licensee to stipulate in the agreement that, when a third party uses the invention of the laid-open application without the licensor's consent, the licensor shall write a warning letter to the third party.

7. In Conclusion

As was pointed out earlier, there are various problems with a patent application license since the applicant has no exclusive right to the invention of the application until patent issues on the application. Therefore, I have talked about matters in relation to 1) patent application procedure, 2) royalty payment, 3) non-dispute clause against patent application and other important points that the licensor and licensee should consider carfefully in concluding a license agreement. Needless to say, both parties will find it beneficial to themselves to obtain the effective patent rights. For this reason it is necessary for the licensee to assist the licensor in prosecuting the patent application. For the same reason, the agreement should specify that the licensee may file prior art references with the Patent Office after the application has been laid open, rather relying on a non-dispute clause. Other than those discussed above including license estoppel, etc. many problems remain to be solved.

If given the opportunity, I would be happy to discuss these problems.

* NOTES

(1) When a patent application is published after examination, the invention claimed in it is provisionally protected. The applicant may request an injunction, may protect himself against infringement, may demand compensation from an infringer, and may demand compensation for unjust enrichment acquired by the infringer. The term of patent right is counted from the date of publication of the patent application.

(2) This is so called "expectant right," which is protected by the Civil Law. Any person with a conditional right shall not have his benefits endangered by the other party who has a conditional obligation to observe. The conditional right or obligation may be executed, succeeded, preserved, or mortgaged in accordance with the provisions of the Civil Law.

(3) Even if both parties agree to choose a certain governing law in accordance with the so-called "principle of party autonomy," the matters related to the patent will be governed by the law of the country where the patent right exists. There are also matters that are subject to public control laws, e.g., antitrust laws and foreign exchange laws, of the country where the activities are carried out under the agreement. In case the governing law of the agreement is the law of a country other than that where the patent right exists, it will be necessary to determine whether the problem is concerned with the agreement or with the patent right.
An invention under a Japanese patent application remains a secret until the application is laid open.

It can be considered that the problems about such know-how must be settled in accordance with the governing law of the agreement. If it is contrary to public policy and good morals to impose the royalty payment after the unpatentability of the licensed invention is finally decided, such imposition is null and void in accordance with the Japanese law.

It may be worthwhile to discuss the patent application license in connection with the Anti-Monopoly Act of Japan.

This Act, by prohibiting private monopolization, unreasonable restraint of trade and unfair trade practice etc. and by eliminating unreasonable restraint of production, sale, price, technology etc., aims to promote free and fair competition, and thereby to promote the domestic and sound development of the national economy as well as to assure the interests of consumers in general.

In contrast, under the Patent Law, the patentee is given the exclusive right to the patented technology. In order to solve any discord between the Anti-Monopoly Act and the Patent Law, Article 23 of the Anti-Monopoly Act states, "Any provisions of this act shall not apply to the activities which are deemed to be the exercise of a right under the Copyright Law, Patent Law, Utility Model Law, Design Law or Trademark Law."

Hence, the Fair Trade Commission issued in May 1968 "Anti-Monopoly Act Guidelines for International Licensing Contracts". The Guidelines consist of three sections.

The first section shows the restrictions under international licenses of patent right etc. which may be considered unfair business practices.

In the second section it is stated that the above mentioned restrictions in the first section shall apply to know-how licenses. The third section specifies that the restrictions under patent licenses shall be regarded as the exercise of rights under the Patent Law.

According to the Fair Trade Commission, the licenses concerning patent applications will be regarded as know-how licenses. In other words, the restrictions listed in the first section of the Guidelines are liable to be held unfair if those are under patent application licenses. The FTC also points out that the restrictions recited in the third section can hardly be regarded as the justifable exercise of rights in cases of patent application licenses, since the inventions claimed in the applications have not yet been patented.

(4) Article 13, Paragraph 2 of the Patent Law Enforcement Regulations (ministerial order) reads:
"Any person may file before the Director General of Patents, using Form No. 7-(2), the publication, a copy thereof, a copy of the specification attached to a patent or utility model application, or a copy of the drawings attached thereto, over which the invention of a laid-open patent application may be considered unpatentable under the provisions of Article 29, Article 29-(2) (Patentability of Inventions) of the Patent Law or under the provisions of Article 39, Paragraphs 1-4 (Prior Applications) of the same law. Nevertheless, no person can file once the application has been published or once the application has been stricken from the Patent Office.

(5) The right to demand compensation is given to the applicant to relieve him of the risk of anyone else using his invention, without his consent, before he obtains an exclusive right to the invention.
Hence, the applicant may demand compensation equivalent to the royalty which would be paid by the alleged infringer if the invention were patented. This right cannot be exercised until after the application is published. The applicant may indeed write a warning letter to the infringer right after the application has been laid open, but cannot demand compensation until after the application is published. If he exercises the right after the publication of the application and if the application is then abandoned, withdrawn, invalidated or finally rejected, he must indemnify any damage caused to the alleged infringer by the exercise of said right.
If the applicant exercises this right and the claim of the application is later narrowed too much to cover the invention used by the infringer, he shall be liable to indemnify any damage caused to the infringer by the exercise of the right.
When a third party is deemed to use the invention of the application after the application has been laid open, the applicant may request "preferential examination," so that his application may be examined and published earlier than the applications filed before it. The prefenrential examination system protect the applicant's right to the laid open invention.

ANTIMONOPOLY ACT GUIDELINES FOR INTERNATIONAL LICENSING AGREEMENTS

May 24, 1968
Fair Trade Commission

I. Among the restrictions which are liable to come under unfair business practices in international licensing agreements on patent rights or utility model rights (hereinafter referred to as patent rights, etc.) the following are the outstanding:

(1) To restrict the area to which the licensee may export the goods covered by patent rights, etc. (hereinafter referred to as patented goods).

However, cases coming under a, b, or c listed below are excluded.

a. In case the licensor has patent rights, etc. which have been registered in the area to which the licensee's export is restricted (hereinafter referred to as the restricted area):
b. In case the licensor is selling patented goods in the restricted area in his continuous business:
c. In case the licensor has granted to a third party an exclusive license to sell in the restricted area.

(2) To restrict the licensee's export prices or quantities of patented goods, or to make it obligatory for the licensee to export patented goods through the licensor or a person designated by the licensor.

However, such cases are excluded where the licensor grants license to export to the area coming under either of the preceding a, b, or c and the said restrictions or obligations imposed are of reasonble scope.

(3) To restrict the licensee from manufacturing, using or selling goods, or employing technology which are in competition with the licensed subject.

However, such cases are excluded where the licensor grants an exclusive license and imposes no restriction on goods already being manufactured, used or sold, or technology already being utilized by the licensee.

(4) To make it obligatory for the licensee to purchase raw materials, parts, etc. from the licensor or a person designated by the licensor.

(5) To make it obligatory for the licensee to sell patented goods through the licensor or a person designated by the licensor.

(6) To restrict the resale prices of patented goods in Japan.

(7) To make it obligatory for the licesee to inform the licensor of knowledge or experience newly obtained regarding the licensed technology, or to assign the right with respect to an improved or applied invention by the licensee to the licensor or to grant the licensor a license thereon.

However, such cases are excluded where the licensor bears similar obligations and the obligations of both parties are equally balanced in substance.

(8) To charge royalties on goods which do not utilize licensed technology.

(9) To restrict the quality of raw materials, parts, etc. or of patented goods.

However, such cases are excluded where such restrictions are necessary to maintain the creditability of the registered trade-mark or to insure the effectiveness of the licensed technology.

II. The aforementioned guidelines shall apply to international know-how licensing agreements.

III. In international licensing agreements on patent rights, etc., the following acts shall be regarded as the exercise of rights under the Patent Act or the Utility Model Act:

(1) To grant license to manufacture, use, sell, etc. separately;

(2) To grant license for a limited period within the life of patent rights, etc. or for a limited area within the whole area covered by patent rights, etc.;

(3) To restrict the manufacture of patented goods to a limited field of technology or to restrict the sale thereof to a limited field of sales;

(4) To restrict the use of patented processes to a limited field of technology;

(5) To restrict the amount of output or the amount of sales of patented goods or to restric the frequency of the use of patented processes.

COMMITTEE NO.3

* The Problems on Enactment of Chinese Patent Law
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* The Duty of Disclosure and the Problem it Presents to Applicants in Other Countries
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* Recent Movements of the Industrial Property System in Southeast Asian Countries
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THE PROBLEMS ON ENACTMENT OF CHINESE PATENT LAW

Japanese Group Committee No. 3

Subcommittee No. 1

T. Fujimoto, Tanabe Seiyaku Co., Ltd.
T. Kawaguchi, Kanebo, Ltd.
M. Takada, Mitsubishi Electric Corp.
K. Komaki, Fujisawa Pharmaceutical Co., Ltd.
M. Sakamoto, Sumitomo Electric Industries, Ltd.

K. Imai, Toshiba Corporation
S. Maeda, Teijin Limited
S. Yonezawa, Hitachi Ltd.
T. Matsumura, Mitsubishi Gas Chemical Co., Ltd.
S. Tonouchi, Sekisui Chemical Co., Ltd.
N. Yonemoto, Mitsubishi Rayon Co., Ltd.

Speaker: K. Nakano, Fuji Xerox Co., Ltd.

Introduction

A new Chinese Patent Law, the first ever for that country, will be put into effect, and applications will be accepted, from April 1, 1985. Implementing Regulations have not yet been announced, however, and a number of points relating to the provisions of the Chinese Patent Law remain unclear. The Japanese Group of the PIPA, together with the Japan Patent Association, directed questions to the Chinese Patent Office with regard to these unclear points in the provisions and procedures of the Chinese Patent Law. Unfortunately, no reply has been received at the time of this report.

The following is a report for your reference:

I. What questions were asked about the provisions and procedures,

II. Brief comments obtained informally from certain sources concerning the above questions, and

III. The Patent Agency

I. Questions relating to provisions and procedures

The questions, which are reproduced on a separate sheet (Annex I-1), are divided into three sections; section one concerning the law itself, section two concerning procedural questions, and section three concerning miscellaneous questions. Some of the questions are fairly detailed and might not be answered at this stage, but are included because of a belief that it would be beneficial if the Chinese Patent Office understood that certain areas remain unclear or are in question.

Of the questions concerning the law itself, only items (1) to (13) are introduced here.

(1) Definition for "Invention", "Utility Model" and "Design" (Article 2)

(2) Effect of the process patent (Article 11)

(3) Claim for consideration after the publication (Article 25)

(4) Patent protection for a use invention and a composition invention (Article 25)

(5) Patent protection for an invention relating to microorganism (Article 25)

(6) Inventions and claims to be included in one patent application (Article 31)

(7) Submission of reference materials cited in the corresponding applications filed in foreign countries (Article 36)

(8) Renewal for the duration of the patent right for utility model or design (Article 45)

(9) The meaning of "exploit" (Article 52)

(10) The patent right owned by a Chinese-foreign joint venture established in China

(11) The administrative authority for patent affairs (Article 60)

(12) An invention required to be kept secret relating to the security or other vital interests of the State (Article 4)

(13) Compulsory license for public interest (Article 14)

Questions were directed to eleven procedural items (see Annex I-2), including:

(1) Procedure for filing patents

(2) Priority

(3) Exception to lack of novelty

(4) Request for examination

(5) Amendment of application documents

(6) Response to official action

(7) Conversion and division of patent application

(8) Opposition to the grant of patent

(9) Procedure after grant

(10) Official publications

(11) Reexamination

Questions in the third section concern fees, the announcement of Implementing Regulations, and examination standards.

II Brief comments obtained from certain sources

The followings are comments obtained as unofficial or private opinion with regard to some of the questions.

The comments are presented in an order corresponding to the question numbers in section I.

I-1 Regarding legal questions

1. Definition for "Invention", "Utility Model" and "Design"

The definition for "invention", "utlity model" and "design" seems to be substantially same as that used in Japan.

In Japan, utility model is directed to a creation concerning the shape or construction of article or a combination thereof, while Design is directed to a creation concerning the appearance of a product (shape, pattern, color or their combination thereby presenting an attractive impression).

2. Effect of process patent

Provision of the Patent Law seems to allow an interpretation that an exclusive right is applicable only to the use of a patented process. However, we have recently obtained the following information through certain sources.

If manufacturing under a patented process is not actually taking place in China, then patent protection will not extend to a product manufactured outside China. However, if manufacturing is actually taking place in China, the patent protection will extend to the imported product.

This interpretation seems to be based on the Chinese policy for encouraging domestic manufacturing.

4. Patent protection for a use invention and a composition invention

It seems that no patent protection is expected for a use invention and a composition invention.

9. Meaning of "exploit"

(1) Product patent

(a) Importation of patented product is not considered to fulfill the obligation under Article 51, if actual manufacturing is not performed in China. Non-working of patent in China for three years without any justified reason may constitute a ground for a compulsory license for a third party to make, use or sell (Article 52).

(b) We hear that the compulsory license is to encourage actual manufacturing in China and is not intended for promotion of mere importation.

(2) Process patent

(a) If a product according to a process patent is not manufactured in China and is exclusively imported and sold in China, then the patentee's obligation under Article 52 shall not be considered being fulfilled. Therefore, it is understood that if the conditions under Article 52 are met, a compulsory license of the process patent to a third party becomes available.

(b) As stated above, non-working of a process patent jeopardizes an exclusive right for importation and

sale of foreign products manufactured abroad using the same process. Therefore in this case, it is understood that importation and sale is free irrespective of a compulsory license.

(3) "Exploit" under Articles 11 and 52

As explained above, it is understood that the term "exploit" in Article 11, is interpreted to be extendable, even in case of a process patent, to the sale and use of a product under a certain condition. On the other hand, the "exploit" in Article 52 is interpreted not to include importation and sale.

The Chinese Patent Law published by WIPO uses the term "exploit" in its English translation both in Articles 11 and 52. However, careful attention should be drawn to the descrepancy of the meaning of "exploit".

Incidentally, Diplomatic Conferences for the revision of the Paris Convention use "exploit" and "work" in different meaning. The term "exploit" there is construed to include "importation", while the term "work" does not include "importation". Particular attention is necessary for the above discrepancy in the English version of the Chinese Patent Law.

I-2 Regarding procedural questions

1.1(a) Number of copies of Request and Description, etc.

The Hong Kong Agent requires the followings (note 1):

Request forms----------2 copies

Description, abstract, claims-----1 copy

Note 1: The formal name is the Chinese Patent Agent (Hong Kong) Co., Ltd. This can be considered a branch office of the Beijing Patent Agency.

1.1(d) Application provisionally filed in English or Japanese for securing early filing date

Not acceptable.

1.1(e) Preparation of Chinese language description in Japan

The Patent Agency seems to prefer to prepare the translation by themselves to ensure the quality of the translation, although it may be possible to be prepared in Japan.

1.2(a)(b)(h) Power of Attorney, Assignments, etc.

As to the forms required, the Hong Kong Agent requires two sets of power of attorney at the time of filing. It is not sure whether or not assignment and nationality certificate are required. The power of attorney being provisionally provided by the Hong Kong Agent is A4 size and in English and Chinese.

1.2(c) Signature or seal

It seems possible that both will be acceptable.

2.1 Claiming priority right

The Patent Office has received approval from the National People's Congress to accept a priority claim based on a first application filed after October 1, 1984, six months before the Chinese Patent Law becomes effective. In order to claim the priority right, it is necessary for China to ratify the Paris Convention or

establish a bilateral treaty.

2.2 Translation of priority documents

The Hong Kong Agent requires the filing of a certified copy of the basic application. It is not clear whether the translation of the certified copy is required or not.

3. Exception to lack of novelty

Printed publications are not indicated in the exceptions provided by Article 24. However, depending on the case, the publications may be encompassed within Article 24. This is expected to be clarified in the Implementing Regulations. In any case, it is recommended to file as early as possible.

7. Conversion and division of patent applications, etc.

It is expected to be studied in the preparatory stage of the Implementing Regulations.

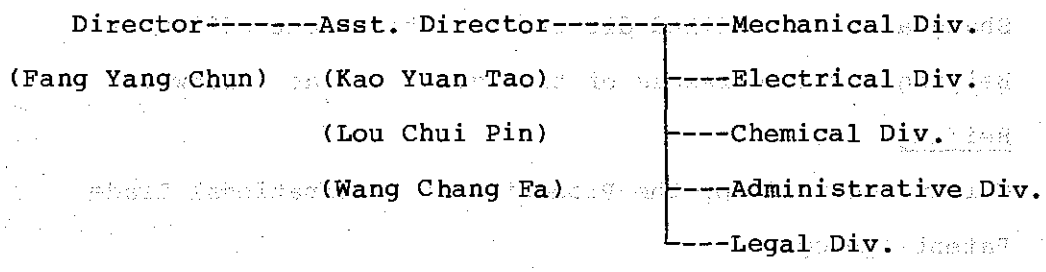
III Patent Agency

Article 19 of the Chinese Patent Law provides that a foreigner whose normal domicile or place of business is not in China must entrust procedures to the Patent Agency for applications for patent in China. Based on this stipulation, the Patent Agency was established in the Chinese Council for the Promotion of International Trade in June, 1984.

With regard to details of the workings of the Patent Agency, many points still remain unclear. However, the following are the information available to date.

1. Organization and Staff of Patent Agency

The Chinese Council for the Promotion of International Trade (CCPIT) is an official unit corresponding to a Japanese ministry. It is said that the Patent Agency in CCPIT is of the same rank as the Patent Office. The organizational structure is shown below.



The Administrative Division is responsible for passing on and filing documents, and for dealing with administrative and financial affairs. The Legal Division is responsible for consultation, licensing, and litigation concerning patent matters. Each division has a division chief but the number of staff in each division is not currently known. There is, however, a staff of ninety technical personnel at present, of which eighteen have been trained abroad. There are plans now for another ten persons to be sent to the United States, United Kingdom, West Germany, Australia, and Japan.

2. Location

The Patent Agency is in Beijing and the Chinese Patent Agent (Hong Kong) Co., Ltd., a joint venture established by the Chinese Council for the Promotion of International Trade

with a Hong Kong company, is in Hong Kong. According to the People's Daily of August 24, 1984, approval of the National People's Congress was obtained to formally establish a Shanghai Patent Agent, which will be the second patent agent liason office in China. It is therefore possible for foreigners to file patent applications in Beijing, Shanghai, and Hong Kong. Applications received in Hong Kong and Shanghai will be filed directly to the Patent Office in Beijing. The addresses of the agents are as follows:

Beijing

Chinese Council for the Promotion of International Trade, Patent Agency

CCPIT Building, Fuxingmenwai Street, Beijing, China

Telex: 22041 CPTPD CN, 22315 CCPIT CN

Hong Kong

China Patent Agent (Hong Kong) Co., Ltd.

16/F Patent Resources Building

26 Harbour Road, Wanchai, Hong Kong

Telex: 73277 CIREC HX, 78507 CPALD HX

Shanghai

Patent Agency, Shanghai

1634 Huaihai Road

Shanghai, China

3. Business scope of the Patent Agency

The Patent Agency will have the following responsibilities:

(1) Act as agents for foreign applications by nationals and for domestic applications by foreigners,

(2) Act as a consultant with regard to patent applications,

(3) Assist in the transfer and licensing of patent rights,

(4) Act as agents in patent invalidation and infringement suits, and

(5) Develop business with any patent agencies and establish contacts and cooperate with appropriate international organizations and international patent institutions.

4. Request for filing an application

The Beijing Patent Agency and the Hong Kong Agent has commenced the reception of applications already. As for the language to be used for correspondence, the agents prefer English.

The following are some examples of items which are not clear:

(1) How many days before the priority date should the priority application documents be submitted to the Agent in order to have such documents timely accepted by the receiving office?

(2) What is the method of remitting the charges and expenses payable to the Agent and what is the currency of settlement (i.e., in dollars, yuan, or yen)?

(3) How many days will generally be required for the Agent to transmit an instruction received from the Chinese Patent Office to a Japanese applicant?

(4) How many days will generally be required for the Agent to present an instruction received from a Japanese applicant to the Chinese Patent Office?

Implementing Regulations will be announced by the end of this year and the Director of the Patent Agency is expected to visit Japan after the announcement. The detailed information will be available at that time. In any case, it is recommended to send the request for filing an application well in advance of the deadline.

5. Agent fees

As the Patent Office's fees are not yet set, it is difficult to discuss the agent fees in detail. However, the following fee schedule published by the China Patent Agent (Hong Kong) Co., Ltd. will be of use for the estimation.

		(U. S. Dollors)
(1)	Filing an application for patent for invention	350.00
(2)	Filing a request for examination of application for patent for invention	50.00
(3)	Filing an application for patent for utility model	300.00
(4)	Filing an application for patent for design	250.00
(5)	Issue fee for patent for invention, patent for utility model or patent for design	20.00
(6)	Claiming single (or first) priority	30.00
(7)	Claiming each additional priority	20.00
(8)	Filing supplementary application documents	30.00
(9)	Forwarding official correspondence (such as, office action)	30.00
(10)	Requesting earlier publication of application	20.00
(11)	Translation from English into Chinese (per 100 words)	15.00

(12)	Typing (each page)	5.00
(13)	Copying (each page)	0.20

As can be seen from the above schedule, the fees are not much different from those in Taiwan and Korea, except for translation fee. The fees of the Patent Agency in Beijing may be slightly lower than those of the Hong Kong Agent.

6. Conclusion

Although many areas remain unclear, it is welcomed very much that China, having a huge market, is going to protect the patent right under the Patent Law. Since no reply to our questions has been received as yet from the Chinese Patent Office, it is not possible to discuss the details at this time. We expect that improvements will be made gradually even though not everything is completely clear from the beginning.

The Japanese Group of PIPA is ready to study any further developments whenever they come out.

Annex I-1

I-1 Questions Concerning Provisions

1. Definition for "Invention", "Utility Model" and Design" (Article 2)

1.1 Please explain each definition.

1.2 What are the main differences between "invention" and "utility model", and between "utility model" and design"?

1.3 Can an invention directed to an article be a subject matter for a utility model registration or a design registration?

2. Effect of the process patent (Article 11)

2.1 Does the protection of a process patent extend to the product which is produced abroad by that process and then imported in China?

2.2 Does the protection of a process patent for manufacturing a product extend to the materials or parts which are used exclusively for the same process of manufacturing the procuct?

3. Claim for consideration after the publication (Article 13)

3.1 Does the claim for consideration provided in Article 13 become possible with the publication provided in Article 34?

3.2 When can the right to claim be exercised? For example, is it possible to claim the consideration after the

publication of an application even before the grant of the patent?

4. Patent protection for a use invention and a composition invention (Article 25)

4.1 Can an invention directed to a new use of a chemical substance (use invention) be protected by patent? For example, please let us explain the possibility of patent protection of the following inventions (a) and (b).

(a) An invention utilizing or using a novel chemical substance for a specific use.
(For example, an invention of antibacterial or insecticidal composition containing novel compound A as an active component).

(b) An invention of using a known chemical substance for new use of the material.
(For example, an invention of a dyestuff using compound B as the main component when the compound B is known as a medicine.)

4.2 Can a mixture of two or more kinds of chemical substance (composition invention) be protected by patent? For example, please let us explain the possibility of the patent protection in the following cases (a), (b) and (c).

(a) A compostion consists of a novel chemical substance and a known chemical substance and it does not have any synergistic effect by the combination of both

chemical substances.

(For example, a plant growth regulating composition consisting of novel compound C and conventional carrier for such a composition and the objective of the composition is solely attributed to compound C.)

(b) A compostion consists of novel chemical substance and known chemical substance and has an unexpected synergistic effect by the combination of both chemical substances.

(For example, a coating composition consisting of novel compound D and known compound F, the color-property of which first comes out by the combination of both compounds D and F.)

(c) A composition consists of two or more kinds of known chemical substances and brings about a synergistic effect by the specific combination of the substances.

(For example, an adhesive composition consisting of a mixture of known compound G and known compound H, the excellent adhesive property of which is first introduced by the combination of both compounds G and H.)

Also, can an invention of a composition consisting of two or more kinds of chemical substances and which is endowed with a new property by a special treatment (e. g., an alloy, a fusing mixture of a high molecular material) be protected by patent?

5. Patent protection for an invention relating to microorganism (Article 25)

5.1 Can the following inventions involving microorganisms be protected by patent?

(a) A microorganism per se.

(b) A substance produced by a microbiological process (biotechnical process).

(c) A process for producing a new microorganism.

(d) A process for producing a substance by utilizing microorganisms.

5.2 In case of a patent application for an invention involving microorganism, is it necessary to deposit the microorganism? If there is a case where the deposition of microorganism is necessary and a case where the deposition is unnecessary, please explain about the difference of these cases.

5.3 In case that the deposition of microorganism is necessary, please let us explain the organization where such microorganism should be deposited.

6. Inventions and claims to be included in one patent application (Article 31)

6.1 The Patent Law Article 31 provides that "two or more inventions or utility models belonging to a single general inventive concept may be filed as one application". What are the examples of two or more inventions? For example, can the following two inventions be comprised in one application?

(a) A product and a process for producing the procuct.

(b) A product and a method for using the procuct.

(c) A process for producing a chemical substance and an apparatus for its production.

6.2 Is it allowable to set aside two or more claims in one invention in one application? For example, is it possible that claim 1 is directed to a main construction of an article and claim 2 and other claims are directed to define more specifically the construction of the article?

7. Submission of reference materials cited in the corresponding applications filed in a foreign countries (Article 36)

7.1 To what extent are reference materials cited in the corresponding applications filed in a foreign countries required by the provision of Article 36? For example, is it enough merely to submit the copies of the reference materials cited in the foreign patent offices?

7.2 Is it necessary to translate these reference materials into the Chinese language?

7.3 Is it necessary to submit the reference materials cited in the foreign patent offices after a request for examination is made in China? If necessary, what is the time limit?

7.4 The Law provides that "if, without any justified reason, the said documents are not furnished, the application shall be deemed to have been withdrawn." What cases are considered as "justified reason"?

8. Renewal for the duration of the patent right for utility model or disign(Article 45)

8.1 Is the renewal for the duration allowed without exception on the patentee's application?

8.2 If the renewal for the duration is allowed only in the case of comprising of conditions set forth in the provision of the Law, what are the conditions?

8.3 Who and how decide the renewal for the duration? Also, can we appeal if we have any objection to the decision?

9. The meaning of "exploit" (Article 52)

9.1 Is the meaning of "exploit" in Article 52 the same as "exploit" specified in the Articles 11?

9.2 Does the importation of a patented product into China fall under "exploit" in Articles 11 and 52?

9.3 In case of a product patent, is the compulsory license under Article 52 granted to a person who does not make the patented product in China but intends to import and sell the product exclusively?

9.4 In the case of a process patent, is the compulsory license under Article 52 granted to a person who does not use the process in China but intends only to import and sell into China the product produced by process in a foreign country?

10. The patent right owned by a Chinese-foreign joint venture established in China

10.1 When the joint venture is transferred to a Chinese enterprise, do all the patent rights owned by the joint venture belong to the Chinese enterprise?

10.2 In this case, is an any compensation given to the foreign partner?

11. The administrative authority for patent affairs (Article 60)

11.2 What is "the administrative authority for patent affairs"? Please explain about its activity, function and organization.

11.2 When a patentee requests the administrative authority for patent affairs to handle an infringement on his behalf, what procedures are taken by the administrative authority?

12. An invention required to be kept secret relating to the security or other vital interests of the State (Article 4)

12.1 The Patent Law provides that "to be treated in accordance with the relevant prescriptions of the State". What are the relevant prescriptions of the State?

12.2 Is the provision applied to an application from foreign countries?

13. Compulsory license for public interest (Article 14)

13.1 Under what situation, for example, is such compulsory license granted?

13.2 Is this provision applied to foreign enterprises and Chinese-foreign joint ventures?

Annex I-2

I-2 Questions Concerning Procedure

1. Procedure for Filing patents

1.1 Request, Description, Drawings, Abstract and Claims

	Request	Desc-ription	Drawing	Abst-ract	Claim
a) Paper size? Forms and Con-tents? Number of copies to be filed?					
b) Is there any rule/ regulation for making them?	X				
c) May the address of company be accepted as the domicile of inventors?		X	X	X	X
d) Is it possible to file Japanese or English text first and to file formal Chinese text later to secure a filing date? If possilbe, time limit for filing the text?	X				
e) Is a Chinese text prepared in Japan acceptable by Chinese Patent Agency?	X				

1.2 Power of Attorney, Assignment, etc.

	Power of Attorney	Assign-ment	Certificate of Nationality
a) Paper size? Forms and Contents?			
b) English or Japanese acceptable?			
c) Signature or seal?			
d) Legalization before notary public or Chinese Consulate necessary?			
e) Late filing possilbe? If possible, time limit for late filing?			
f) Invoking previously filed Power and Certificate of Nationality acceptable?			
g) General Power of Attorney acceptable?			
h) Is a paper form available from Chinese Patent Agency?			

If the documents listed above are not necessary, please delete them. If there are any other documents (for example, Declaration of Inventorship), please add them in the list.

1.3 Is there any case where the filing date will be delayed due to incompleteness of originally filed documents?

2. Priority

2.1 May the right to claim proirity be restricted to the basic Japanese applications filed on and after April 1, 1985? Is there any possibility that the basic Japanese applications filed before April 1, 1985 are allowed to claim the right of priority?

2.2 Should the copy of the basic Japanese application be certified by the Japanese Patent Office?

2.3 Is it necessary to file a translation of the certified copy of the Japanese application? If so, when must the translation be filed?

3. Exception to lack of novelty

3.1 What kind of and what form of documents must be filed according to Article 24 of the Chinese Patent Law?

3.2 When must those documents be filed?

4. Request for Examination

4.1 As to the starting date of the three-year period for request for examination when claiming the priority, which is correct, priority date or actual filing date in China?

4.2 In case the right of priority is abandoned or invalidated after the filing of the application, which date becomes the starting date of the three-year period?

4.3 Are there any relief measures for a failure to request examination within the specified period caused by a mistake?

4.4 We understand that a third party cannot file a request for examination. Is it possible for a third party to ask the

Patent Office to file the request for examination for them?

5. Amendment of application documents (Description, claims, etc.)

5.1 Is it possible to file an amendment any time during the period from the filing of an application to the granting of the application?
If there is a time limit, please let us know the period during which an amendment may be filed.

5.2 Is there any differnce in acceptable scope of an amendment before and after the announcement of granting of an application after substantive examination (Kokoku)?
If there is a restriction after the announcement of application, to what extent may the description and claims be amended?

5.3 If an amendment is necessary, must the entire description and claims be refiled?

6. Response to Official Action

6.1 How many months are permitted for responding to an official action?

6.2 Is an extension of time available?
If "yes", how long is an extension period, and what formality is necessary for obtaining an extension?

6.3 Is there any remedy if a response cannot be filed within the specified time limit?

6.4 The periods for filing oppositions and request for examination are specified in the Patent law. Are there any other statutory periods?

6.5 Is an interview with the Examiner possible?

7. Conversion and Division of patent applications

7.1 Is it possible to convert a patent application to an utility model or design patent application?

7.2 Is it possible to convert an utility model or design patent application to a patent application?

7.3 Is it possible to convert an utility model application to a design patent application, or vice versa?

7.4 Is it possible to file a divisional application?

7.5 Are there any time limits for conversion or division of an application?

8. Opposition to the grant of patent

8.1 Is it acceptable to supplement the grounds of opposition or supporting evidence after the termination of an opposition period (three months after announcement)?

8.2 Is it possible to withdraw the opposition afterwards?
If possible, does the examiner pay attention to the grounds of opposition even if it is withdrawn?

8.3 Is the decision to reject an opposition notified to the opponent?

8.4 Is there any way to raise an objection against the decision in an opposition?
If affirmative, please let us know time limit and place to raise objection?

8.5 Is an applicant permitted to make only one written response to an opposition?

8.6 Please explain the form and content of a request for an opposition and a response to an opposition.

8.7 Is it possible to supplement the argument in a response to the opposition after the time limit for making the written response has passed?

9. Procedure after grant

9.1 Please explain in chronological order what steps should be taken after a decision to grant.

9.2 Please explain the payment method of the first annual fee and the time for paying the annual fee.

9.3 Is it possible to pay the annual fee directly from Japan? If possible, where should the remittance be addressed?

9.4 Is it possible for an interested party to pay the annual fee regardless to patentee's intention?

9.5 Is it acceptable to make a lump-sum payment of annual fees in advance?

10. Official Publications

10.1 How are the publication (KOKAI) and the announcement of application (KOKOKU) published? Through an Official Gazzette?

10.2 In case Official Gazzettes are published, please fill in the following table.

	Publication (Kokai)	Announcement of Application (Kokoku)	Patent
When and how often published?			
What data is included?			
Method of distribution?			
How are they numbered?			

10.3 In case a complete decription or an abstract is not published, by what means can we review the contents of each?

11. Reexamination

11.1 Please explain the organization and role of the Board of Reexamination, and the capacity of a member of the Board.

11.2 Please explain the outline of the reexamination procedure against a decision of rejection and for requesting invalidation of a granted patent.

I-3 Others

1. Official Fee Schedule

When will a whole schedule of the official fees be announced?

2. Implementing Regulations

When can we expect the promulgation of the enforcement regulations of the Patent Law?

3. Guidelines for Examination

When can we expect the promulgation of a part or whole of the guidelines for examination under the Patent Law (manual of patent examining procedure)?

THE DUTY OF DISCLOSURE AND THE PROBLEM IT PRESENTS TO APPLICANTS FROM OTHER COUNTRIES

Under United States Patent Office practice, the inventor and every other individual who is substantively involved in the preparation or prosecution of a patent application owes a duty of candor, good faith and disclosure to the U.S. Patent Office. All such individuals have a duty to disclose to the U.S. Patent Office information that they are aware of which is material to the examination of their application. Failure to comply with this duty will result in striking of the application or invalidation of any resulting patent. Further, it may subject anyone who has knowingly or willfully violated this requirement to disciplinary action and revocation of his or her license to practice before the Patent Office.

The requirement of candor, good faith and disclosure often is misunderstood and causes confusion on the part of inventors and applicants located in other countries who desire to file patent applications and obtain patents in the United States. The purpose of this paper is to provide some insight into and understanding of these requirements which may be helpful to inventors and patent attorneys and agents located outside of the United States. We will examine the historical and statutory basis for these

requirements and discuss some actual case studies which are intended to illustrate the reach and extent of these obligations.

The duty of disclosure was added to the statutory patent law of the United States in 1977. However, during a period of thirty or forty years prior to 1977, the U.S. courts had been developing the concept that prosecution of a patent application is not an adversary procedure but one that requires candor and good faith on the part of the applicant. In most patent systems of the world it was and still is up to the patent office to find the most pertinent prior art and there is no absolute duty of disclosure as there is in the United States. Of course, under any patent system it is in the applicant's best interest to disclose all pertinent art in order to obtain the strongest possible patent which will be upheld by the courts.

The United States courts recognized that most patents are invalidated on the basis of prior art that was not before the Patent Office during examination. The presumption of validity was generally strong when the prior art was before and fully considered by the Patent Office and was weak when it was not. The courts also took particular note of situations where the applicant had knowledge of pertinent prior art and yet prosecuted the application as if the art did not exist. Of course, most situation are not so extreme, or black or white as we would

characterize them in the United States, but involve judgements, or shades of grey. Nevertheless the courts began to develop a body of law that imposed certain duties on the applicant. For example, in a recent case involving conduct in the 1967 time frame, the Court of Appeals for the Federal Circuit in Kansas Jack, Inc, V. Kuber 219 USPO, 857, 862 summarized the law that applied at that time as follows:

> "Where one who knew, or should have known, that a piece of prior art, or other information, would be material, i.e. important to the PTO in making its decision, a failure to disclose that art or information can be sufficient proof that a wrongful intent existed to mislead the PTO, and may result in a finding of what has been called fraud on the PTO."

The consequence of such "fraud on the Patent Office" was often invalidation of the patent.

The substance of these court decisions was codified and greatly expanded in 1977 as 37 CFR 1.56 or more simply as Rule 56. We will be discussing certain provisions of these regulations. It is important to note that in issuing these regulations the primary purpose was to "improve the quality and reliability of issued patents." There is the implicit recognition that the applicant and his or her attorney often has access to and awareness of better prior art than the patent examiner who has only limited

time to devote to the examination of any particular application. In essence, the examination responsibility shifted from the examiner alone to become a shared responsibility of the applicant and the patent examiner. Further, an additional, substantial obligation, some would say burden, was imposed on those individuals otherwise substantively involved in the preparation or prosecution of an application before the United States Patent Office.

The first question that we should ask is who has the duty of candor and good faith and to disclose? The language of paragraph (a) of 37 CFR 1.56 clearly states that it rests on "the inventor, on each attorney who prepares and prosecutes the application" and most importantly in our consideration of the effect and import of the regulation on the overseas attorney or agent, "on every other individual who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application." Note that the obligation extends only to individuals, not to corporations or other forms of business organizations. However, it would extend to and reach individuals employed by such corporations or other business organizations. The application referred to is clearly the United

States patent application and not the original application or a corresponding application filed in another country.

The next question is who is substantively involved in the preparation or prosecution of the application. Let's take a specified situation where an invention is made by a Japanese inventor and the original application is filed in the Japanese Patent Office by a Japanese patent agent. The agent later instructs his U.S. associate to file a corresponding application in the United States Patent Office. The U.S. associate is instructed to file the application in a form suitable under U.S. practice. In this situation who has the duty of disclosure? The answer is at least the Japanese inventor, the Japanese patent agent and the U.S. associate attorney. The Japanese inventor is specifically named in the regulation and therefore subject to the duty of disclosure. The U.S. attorney has a duty of disclosure since he is preparing and prosecuting the application. The Japanese patent agent is subject to the duty of disclosure since he is "substantively involved" in the preparation and prosecution of the U.S. application. The duty would also extend to any other Japanese or other person who was substantively involved in the preparation and prosecution of the U.S. application or associated with the inventor or assignee of the application. It is prudent to always assume that the overseas agent or attorney who is

instructing the U.S. attorney in the filing or prosecution of a communicated docket is subject to the requirements of Rule 56.

In the case of Gemveto Jewelry Company, Inc. V. Lambert Bros., Inc., 216 USPO 976 (S.D. New York 1982) a patent was held invalid and unenforceable because the patentee's foreign counsel did not disclose to patentee's United States counsel or to the U.S. Patent Office prior art cited by the Dutch Patent Office in connection with the patentee's corresponding Dutch application. The court stated, at 216 USPO 985.

> "Foreign patent attorneys representing applicants for U.S. patents through local correspondent firms surely must be held to the same standards of conduct which apply to their American counterparts: a double standard of account-ability would allow foreign attorneys and their clients to escape responsibility for fraud or inequitable conduct merely by withholding form the local correspondent information unfavorable to patentability and claiming ignorance of United States disclosure requirements."

The next question is what information is required to be disclosed. All of the individuals we have discussed have a duty to disclose information they are aware of or reasonably should have been aware of regardless of the source or how they become aware of the information. If you have actual knowledge of the

information, your duty of disclosure is clear. Note that the regulation specifies information and is not limited to prior art. Thus, experimental data, test results, possible public uses and sales and any other information an examiner would consider pertinent in examining the application must be disclosed.

What is "material information"? Material means something other than trivial. It means that there is a substantial likelyhood that a reasonable examiner would consider it important in deciding whether to allow the application or issue the patent. The courts have stated "the standard is a requirement to disclose if the failure to disclose would make it impossible for the Patent Office to fairly assess the application." Note that here again we have a subjective standard or test which requires a judgement on the part of the person who has a duty to disclose.

All material information a person is aware of must be disclosed, regardless of how or when he or she become aware of the information. The duty to disclose material information extends to information such individuals are aware of prior to or at the time of filing an application or become aware of at any time during the prosecution thereof. This clearly includes any material prior art or other information cited or brought to their attention during

the prosecution of any related application filed in another country.

What is your duty to investigate or search out information that may be material? Must someone exercise every possibility and investigate every possible source of information. The answer is no. But if the circumstances indicate that the party having the duty to disclose was fairly warned that material information may exist, be has a duty to investigate. It is important to note that there is no absolute rule that can be applied. The real test will occur when the Patent Office or a court judges the reasonableness of your acts considering all of the facts and circumstances several or many years later.

Referring to the example we previously discussed, the fact situation was that an invention made in Japan is first filed with the Japanese Patent Office and a corresponding application is later filed in the United States. Let's further assume that a corresponding application has also been filed with the European Patent Office in Munich. Let's also assume that the European Patent Office rejected the European application based on French and German prior art patents during the time that the U.S. application is still pending and that this information is transmitted to the Japanese patent agent. Under these

circumstances the Japanese patent agent has a duty to disclose this information to the U.S. Patent Office. It is our practice to provide U.S. Patent Office with information concerning all of the art cited in corresponding applications filed in other countries during the pendency of the U.S. patent. However, in situation where prior art is discovered after the issuance of the U.S. patent and is clearly pertinent, reissue, re-examination or other corrective action should be considered.

By whom and how is the disclosure made? 17 CFR 1.56 (b) makes it clear that the information is to be disclosed to the U.S. Patent Office through the U.S. attorney of record in the application and that other individuals may satisfy their duty of disclosure to the U.S. Patent Office by disclosing information to such an attorney. Thus, in the situation noted above, it is the responsibility of the Japanese inventor and the Japanese patent agent to bring the information to the attention of their U.S. attorney. This would include the German and French patents cited against the European application as soon as the Japanese patent agent became aware of that information.

Disclosures of material information to the U.S. Patent Office must be in writing. This is usually accomplished by an information disclosure statement submitted at the time of filing

or within the later of three months after filing of the U.S. application or two months after the applicant receives the filing receipt. It is preferred practice and the safest procedure to file a detailed disclosure statement in complying with the duty of disclosure, but this is not the only way. For example, not commenting on the relevance of information submitted, or not including a copy of the document cited, will not necessarily constitute a failure to comply with a duty of disclosure. However, failure to comply with the duty of disclosure could result from non submission of a copy of a document, especially a non U.S. patent or literature item which might be difficult for the examiner to obtain. Similarly, non identification of an especially relevant passage buried in the text could result in a holding of "violation of the duty of disclosure."

Foreign practitioners should be aware that where the information being called to the Patent Office's attention is a foreign patent or publication, the relevance of such information may not be readily apparent or readily available to the Examiner. It is highly desirable and recommended that a copy of the reference and a translation of at least the relevant portions of the reference be provided to the U.S. Patent Office in such a situation.

Many U.S. attorneys employ letters and questionnaires directed to the inventor and others who have a duty of disclosure which contain checklists and reminders to ensure compliance with the duty of disclosure. Such letters and questionnaires ask the individuals involved questions about

- the origin of the invention and what is the new area that was not previously known
- prior publications, knowledge, patents, and other prior art
- possible prior public uses and sales.

The use of such letters and questionnaires will go a long way to avoid any question of failure to comply with the duty of disclosure or fraud on the U.S. Patent Office.

From the above discussion it is clear that the Japanese inventor and the Japanese patent agent involved with an application filed in the United States Patent Office are subject to the duty of candor, good faith and disclosure. Other Japanese individuals who are "substantively involved in the preparation or prosecution" also are subject to this obligation. The Japanese patent agent can and must assist his associate attorney that is preparing and prosecuting the corresponding U.S. application by supplying to him all material information known at the time of filing the U.S. application and all material information which

becomes available at any time during the prosecution of the U.S. application. Further, in relation to relevant prior art cited in the Japanese patent application or in corresponding applications filed in other countries or patent systems, the safest practice is to supply a copy of the reference and, if it is not in English, a translation of the relevant portions.

The United States Patent Office requirements relative to the duty of candor, good faith and disclosure have been with us for a number of years. However, a periodic review of these requirements is helpful along with the reminder that the foreign attorney has a substantial role to play in assisting the U.S. associate in discharging the duty of candor, good faith and disclosure. Such cooperation between the foreign attorney and the U.S. associate attorney can only result in the strongest possible patent.

Thank you for your attention.

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IBM CORPORATION

RECENT MOVEMENT OF THE INDUSTRIAL PROPERTY SYSTEM IN SOUTHEAST ASIAN COUNTRIES

Japanese Group Committee No. 3
Subcommittee No. 2

S. Tokuda, IBM Japan Ltd.
T. Kubo, Nissan Motor Co., Ltd.
N. Tatsumi, Richoh Ltd.
N. Okabayashi, NEC Corporation
H. Suzuki, Nippon Steel Corporation
H. Inose, Fujistu Ltd.
Speaker: S. Tokuda

ABSTRACT

TAIWAN: The introduction of "substance patent" and protection of "use invention" are being studied in Taiwan. The reversal of burden of proof in infringement against process patent may be introduced. A unique provision of patent cancellation because of inconsistency of content between Taiwan patent and corresponding foreign patent is considered to be deleted. The renewal of nonresident trademark based on a newspaper advertisement is not always effective.

KOREA: The second top-level conference between Japanese and Korean Patent Offices was held. Japan requested Korea to introduce a substance patent. Korea requested Japan to present data of substance patent system. Japan further requested review of a provision of Korean Patent Law that application for interim injunction etc. against cargoes to be shipped is prohibited.

THAILAND: 1,388 applications were field up to 1983. About 90% of the applications were by foreign applicants. About 60% were chemical inventions. 21 patents were granted in 1983. The mean period spent for examination were about three years.

Malaysia: The enforcement of new patent law is still not clear.

Australia: The parliament is now reviewing a bill of patent law amendment to inplement the Budapest Treaty. Other amendments such as a requirement of abstract, an extention of patent life to 20 years and an adoption of universal novelty system, are now being studied.

Trend of Industrial Property System in Taiwan

I. Introduction

The Industrial Property Law of Taiwan is generally a succession to the Japanese Industrial Property Law in 1922. However, because it has no radical reform, it becomes apparent recently that it cannot cope with evolution and modernization of domestic industry and economy in some aspect, in addition to inharmony of international trend. Since the First Taiwan-U.S.A. Meeting on on Industrial Properties was held on a government basis in the Spring last year, such revisions has been made that the penalty against an infringement of trade mark right is tightened, and that the right to lodge a complaint is provided for a nonresident foreigner. In the Second Taiwan-U.S.A. Meeting on Industrial Properties this Spring, discussed were various issues on the patent system such as introduction of the "substance patent" system, protection of "use invention" or reversal of burden of proof in infringement against a process patent, as well as issues on the copyright. No conclusion was reached in the meeting although improvements are expected in a few areas thereof.

This paper describes the results of the above Meeting on Industrial properties and a few recent issues.

II. Introduction of "Substance Patent" System and Protection of "Use Invention"

Definite conclusion is not yet reached on what advantage is provided to the country by introducing the "substance patent" system. There is such concern that the development capability of the domestic industry may be restricted. It is said that this problem is continuously studied in long range term.

Protection of the "use invention" is being studied for its implementation.

III. Reversal of Burden of Proof in Infringement against Process Patent

The Taiwan Government stated that they would study to shift the burden of proof from the plaintiff to the defendant in a case of infringement against a process patent if such conditions are met that (i) the process patent is granted in Taiwan and relates to a novel product; (ii) the court does not disclose to the plaintiff the process of infringed product submitted by the defendant; and (iii) the infringed good is manufactured in Taiwan. On the other hand, the U.S. Government insisted that the reversal of burden of proof should not only be applied to locally manufactured products, but also be extended to an imported products.

There is a powerful argument in the legal society that the reversal of burden of proof is against the fundamentals of criminal law, and that it would rather reasonable to accept the "substance or use invention" to pervert such fundamentals. On the other hand, the pharmaceutical and the chemical industries are against the protection of the "substance or use invention."

At present, the revision of the law is said to prepared along the statement of the Taiwan Government.

IV. Cancellation of Patent Because of Inconsistency of Content Between Taiwan Patent and Corresponding Foreign Patent

A Taiwan patent may be subject to cancellation if it falls under "a patent the content of which specification fails to be consistent with that of the specification when it is filed in a foreign country" in accordance with the provision of Article 60, Paragraph 1, Subparagraph 4 of the Patent Law.

This provision intends to prevent incomplete disclosure of an invention in Taiwan that may be caused by a foreigner who omits description of a specification filed in a foreign country when he files an application in Taiwan. However, in practice, the content of specification is understood that it means substantial disclosure of an entire specification including the claim. It may bring an indirect effect to restrain granting of a patent to a exceedingly broader claim than that in a corresponding foreign patent.

It is obvious that, if a specification for application in Taiwan is prepared by omitting or modifying a part of such description disclosed in a corresponding foreign application as data, embodiments or other teachings, it falls under that reason for cancellation. It cannot be safely said that, if a claim only for a Taiwan patent is exceedingly broader than or exceedingly shifted to that for a corresponding foreign patent, it never falls under the reason for cancellation, depending on the practice.

This unique reason for cancellation conflicts with the principle of independence of patents in every country that is internationally accepted, and does not necessarily contribute to promote transfer of technology.

Government is studying the preparation for revising a part of the Patent Law including the deletion of this provision.

V. Obligation for Continued Use of Trademark by Licensor after Licensing

The Government Ordinance No. 3617 issued May 8, 1968 provides for the obligation for continued use of the trademark by licensor-trademark owner as a condition for validating licensing. If it is obeyed, the trademark falls under the reason for cancellation for non-use, and its renewal cannot be accepted, even if shown is use of the trademark by licensee.

In recent administrative litigation against cancellation under the judgment of NBS that the fact of use by a licensee does not constitute a proof of use by a trademark owner, the court affirmed the judgment of NBS in accordance with the above Government Ordinate (Decision (73) PAN No. 380, April 12, 1984).

In view of the Government Ordinate, up to now, a nonresident trademark owner granting license has used his trademark through a newspaper advertisement so as to prove "use" that is one of conditions for the renewal of trademark, which NBS accepts.

However, NBS changed the practice last October to take the position that use of a trademark is not fully proved by a mere newspaper advertisement, and issued the following reason for rejecting a renewal registration:

"The newspaper advertisement submitted by your company with your application for renewal of trademark registration No. x marks difficult the affirmation of use of trademark as prescribed by Article 6 of the Trademark Law. Please submit documents providing the use of the trademark on commodities or on their packages or container for sale in the domestic market or for export before date Y. Failure to meet this deadline would result in automatic denial of renewal per Article 25-1 of the Trademark Law."

Such change of the practice appears to be inconsistent with the provision of Article 6 of the Trademark Law, for which further study should be made.

VI. Conclusion

Only a few problematic aspects in the Patent Law and the Trademark Law of Taiwan and their practice are discussed. There is a powerful argument in the government and the industries that such problems or restrictions are unavoidable in view of rearing the domestic industry. However, it is evidental in history

that overprotectivenss to the domestic industry not only constitutes a barrier to the transfer of technology, but also declines the will of domestic industry for development resulting in an adverse effect on the development of industry.

PIPA should work positive interchange and communication with the Taiwan industry, and propose an industrial property system to be constituted for the evolution of Taiwan industry in a long run.

RECENT DEVELOPMENTS IN KOREAN PATENT SYSTEM

The second top-level conference between Japanese and Korean Patent Offices was held in Seoul last May. The former Director-General Wakasugi and two others attended it from Japan. (The first conference was held in Tokyo in June, 1983.) The conference was intended to exchange views on subjects of mutually interests, so as to maintain and further develop the relationship between Japan and Korea. I would like to discuss the following two subjects which were considered to be of interest during the conference.

(1) Substancs Patent System

Japan explained in light of experiences in Japan that a substances patent system has contributed to the development of industry and requested Korea to introduce this system promptly.

To this request, Korea requested information about how and why Japan introduced a substances patent system and how introduction of this system has effected industry. In response to this Korean request, Japan promised to forward the information to Korea as soon as possible, possibly in about one or two months. It would be necessary for the government and private organization concerned to continue contacting with Korea patiently. The United States and Japan are in contact with Taiwan about introduction of a chemical substances and pharmaceutical product patent system. Taiwan is trending to accept the use patent, so there is a view that Korea will also trend to accept the use patent.

(2) Korean Patent Law, Paragraph 2, Article 46

Excerpt from Korean Patent Law, Paragraph 2, ARticle 46:

-----Applications for interim injunction, preliminary attachment or attachment against cargoes for which an export license or permission has been granted and an export clearance declaration has been filed with the Customs Offices in order to ship the cargoes on the grounds of patent infringement are prohibited.-----

Japan requested that Korea clarify the need for this paragraph and requested review of this paragraph in light of the internationalization of industrial property protection systems. Korea replied that they would take this request into consideration during any revisions of the law in the future.

Korean industry has become more and more internationalized. So, the increasing internationalization* of the Korean patent system is strongly

desired in order to lead Korean industry to greater harmony and mutual development with the countries concerned. Cooperation would be necessary to accomplish this.

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* Korea deposited the instrument of accession for PCT on May 10, this year, which has entered inforce since August 10, this year.

RECENT TREND OF THAILAND'S PATENT ACT

[I] FEATURE OF THE THAILAND PATENT ACT

1 The Thailand Patent Act was enacted on September 12, 1979 to provide protection for patents of inventions and designs.
The Thai Patent Act provides a 15-year protection for an Invention and a 7-year protection for a Design from the date of filing an application in Thailand.

2 Thailand is not a party to any International Convention of Intellectual Property Right other than Copyrights.

3 Thailand Patent Act is substantially the kind of Patent Law enacted in developing countries. However it has a substantive examination system. Importation of the patented product is not considered an infringement. Further, there are provided in the patent act provisions for compulsory licence and cancellation of the right where the patent is not being worked.

4 A patent will not be granted under the Thai patent act, for example, for food, beverages, pharamaceutical products or ingredients, any variety of animal or plant or any essentially biological process for the production of animals or plants, a computer program or any machine made especially for use in agriculture. The last one is deemed to be an item peculiar to Thailand.

[II] SITUATION OF APPLICATION AND EXAMINATION

1 Number of patent applications filed in Thailand up to 1983 was 1388. Among these, applications filed by domestic applicants number 126 and applications filed by foreign applicants 1262. Accordingly, foreign applicants occupy about 90% of patent applications filed in Thailand.

2 Classifying those applications according to industry, the number of electronic and mechanical applications is 587 and chemical applications 801. Chemical applications occupy about 60% of all Thailand patent applications. Further, in the chemical industry applications by foreign applicants numbered 782 and applications by domestic applicants 19. Thus the greater part (97.7%) of chemical applications in Thailand were filed by foreign applicants.

3 The number of patents granted within the period of 1983 was 21. (the number of patent applications rejected is not available)

4 The Thailand examiner may either utilize examination result of the corresponding foreign patent applications or send a local application for examination to the Australian patent office. Therefore, it is expected that examination of a Thai patent application will be suspended until a corresponding foreign patent application is granted. In view of this situation, the examination of the application can be expedited by filing, with the request for examination, evidence of the patent granted in U.S. or elsewhere, which patent makes identical claims. It normally takes 3 - 5 years for an Invention patent to be registered.

RECENT MOVEMENT OF THE MALAYSIAN PATENT LAW

In Malaysia where the registration of patent is based on the registration of patent in U.K., parliament have passed a new patent law in August, 1983. Prior to the passage, various opinions from forein countries might be taken into consideration. Japan Patent Association sent opinions on the bill of 1982. Although the enforcement of the new patent law was assumed in September or November of this year, the actual enforcement is now delayed and is not made clear. The regulation of the patent law have still not been finished. Anyway, it is a fact that information on the new patent law is not so much.

ON THE AMENDMENT OF AUSTRALIAN PATENT LAW

The Australian Government has no specific intention of greatly amending the patent law for the time being, although the Patent Law Amendment Bill contains the implementation of Budapest Treaty on the deposit of microorganism and the recognition of such deposits, was passed by the House of Representatives in May 1984. There also is a proposal to require the applicant to lodge an abstract.

Some years ago the government set up the Industrial Property Advisory Committee (I.P.A.C.) to advise the relevant minister. About three years ago the minister asked the committee to review the patent law completely. The result of the review was expected to be reported by June or July 1984. However, we had not heard anything about it as of the beginning of August.

As for the amendment of patent law a group of ecomomists at the University of Queens and many other groups have offered their opinions to the committee. The I.P.A.C's report, however, will not include as strong a proposal as the abolition of the patent system in Australia which has been asserted by some economists.

Some supposed amendments are the expansion of patent life to 20 years from the present 16 year term being expendable based on the Court's approval; and in regard to novelty, the local novelty system will be replaced by a universal novelty system.

The report will receive public inspection after its disclosure, but it is uncerlain when the Australian government will pay a bill before the Parliament. In any event, since a Government election is expected late in this year, the Australian attorneys do not expect quick progress on this matter.

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(1) Japan Patent Association also offered opinions in 1981 to 1982.

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WORLDWIDE STATUS OF SOFTWARE PROTECTION

BY VICTOR SIBER*

THE WORLD IS UNDERGOING AN "INFORMATION EXPLOSION" WHICH IS CAUSING A DEMAND FOR NEW PRODUCTS AND SERVICES TO HELP MANAGE VAST AMOUNTS OF INFORMATION EFFICIENTLY AND EFFECTIVELY. IN RESPONSE TO THIS DEMAND, THE DATA PROCESSING INDUSTRY HAS PROVIDED A WIDE VARIETY OF COMPUTING MACHINES AND COMPUTER SOFTWARE. IT IS ESTIMATED THAT IN 1983, THE SOFTWARE INDUSTRY GENERATED REVENUE OF 17 BILLION DOLLARS WORLDWIDE; IN 1987 IT SHOULD REACH 55 BILLION. DUE TO THIS ENORMOUS GROWTH OF THE SOFTWARE INDUSTRY, AUTHORS, USERS AND GOVERNMENTS HAVE SHOWN AN INCREASING INTEREST IN THE LEGAL PROTECTION OF PROGRAMS.

SOFTWARE IS A VALUABLE END PRODUCT OF HUMAN ENDEAVOR REQUIRING SUBSTANTIAL TECHNICAL AND FINANCIAL RESOURCES. THERE IS NO DOUBT THAT IT MUST ENJOY LEGAL PROTECTION AS ANY OTHER PROPERTY. THE DEBATE ON THIS MATTER IS NOT WHETHER IT SHOULD ENJOY PROTECTION, BUT RATHER WHAT KIND OF PROTECTION. IS IT ALREADY PROTECTED BY COPYRIGHT LAW OR SHOULD IT BE PROTECTED BY SPECIFIC LEGISLATION?

A STUDY OF THE WORLDWIDE STATUS OF THE LEGAL PROTECTION OF SOFTWARE SHOWS A CLEAR TREND IN ALL COUNTRIES WHERE THE ISSUE HAS BEEN DECIDED. THE POSITION THAT HAS BEEN OVERWHELMINGLY ACCEPTED IS THAT COPYRIGHT LAW APPLIES TO SOFTWARE IN ALL FORMS: SOURCE CODE, OBJECT CODE AND DOCUMENTATION. THIS CONCLUSION HAS BEEN

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REACHED BY NUMEROUS JUDICIAL DECISIONS, AND IN SOME CASES THROUGH EXPLICIT STATUTORY ENACTMENTS.

JUDICIAL DECISIONS

AS A RESULT OF THE SIGNIFICANT INVESTMENT BEING MADE BY CREATORS OF PROGRAMS AND THE ATTEMPTS BY OTHERS TO USE SUCH PROPERTY IN AN UNAUTHORIZED FASHION, AUTHORS HAVE SOUGHT THE ASSISTANCE OF THE COURTS TO PROTECT THEIR EXPRESSIONS EMBODIED IN PROGRAMS. THERE HAVE BEEN DECISIONS IN EUROPE, THE AMERICAS, THE FAR EAST AND AUSTRALIA WHICH CONFIRM THAT COMPUTER PROGRAMS ARE PROTECTED UNDER VARIOUS NATIONS' COPYRIGHT LAWS. A REVIEW OF THE STATUS OF THE DECISIONS IN FIVE COUNTRIES: THE UNITED STATES, GERMANY, JAPAN, AUSTRALIA AND CANADA PROVIDES A PICTURE OF THE WORLDWIDE STATUS OF PROTECTION.

IN THE UNITED STATES, LITIGATION COMMENCED IN THE LATE 1970'S, INITIALLY IN CASES WHICH INVOLVED VIDEO GAMES. IN SOME INSTANCES THE LOWER COURTS CONCLUDED THAT PROGRAMS WERE NOT PROTECTED BY THE U.S. COPYRIGHT LAW BECAUSE THE PROGRAM CODE COULD NOT BE READ OR UNDERSTOOD BY A HUMAN BEING. SUBSEQUENTLY, HIGHER COURTS REVERSED THESE DECISIONS, RULING THAT PROGRAMS WERE PROTECTED LITERARY WORKS. THESE CHANGES CAME ABOUT BECAUSE THE COURTS OBTAINED A CLEARER UNDERSTANDING THAT PROGRAMS, IN ALL FORMS, ARE AN EXPRESSION OF THE IDEAS AND THOUGHTS OF AUTHORS.

THE MOST SIGNIFICANT RECENT CASE IS APPLE COMPUTER VS. FRANKLIN COMPUTER IN WHICH THE THIRD CIRCUIT COURT OF APPEALS IN

1983 REVERSED A LOWER COURT'S DECISION THAT DENIED A PRELIMINARY INJUNCTION AGAINST COPYING PROGRAMS COPYRIGHTED BY APPLE COMPUTER COMPANY.

THE COURT HELD THAT AN OPERATING SYSTEM PROGRAM IN BOTH SOURCE AND OBJECT CODE FORMS, IS PROTECTED BY COPYRIGHT. THERE IS NO DIFFERENCE BETWEEN APPLICATION AND OPERATING SYSTEM PROGRAMS UNDER THE COPYRIGHT LAW. FURTHERMORE, SUCH PROTECTION IS NOT AFFECTED BY THE FACT THAT THE PROGRAM IS EMBODIED IN A READ ONLY MEMORY (ROM).

BECAUSE SUBSEQUENT DECISIONS IN OTHER CIRCUITS HAVE FOLLOWED THE APPLE DECISION WHICH, ITSELF, IS IN ACCORD WITH MOST OF THE PRIOR DECISIONS, IT IS UNLIKELY THAT THE U.S. SUPREME COURT WOULD GRANT CERTIORARI IN A CASE INVOLVING SIMILAR ISSUES.

GERMANY HAS HAD SEVERAL CASES ON THIS SUBJECT. THE MOST INTERESTING IS VISICORP V. BASIS SOFTWARE IN THE REGIONAL COURT OF MUNICH, 1982. VISICORP CLAIMED THAT BASIS HAD, WITHOUT AUTHORIZATION, COPIED VISICORP'S VISICALC PROGRAM AND MARKETED COPIES OF IT. THE DEFENDANT ARGUED THAT COMPUTER PROGRAMS ARE NOT ENTITLED TO COPYRIGHT PROTECTION. THE COURT CONCLUDED THAT COMPUTER PROGRAMS ARE COVERED BY COPYRIGHT. IT STATED FURTHER THAT THE CREATIVE INTELLECTUAL CONTENT OF A COMPUTER PROGRAM IS EXPRESSED IN THE SELECTION, COLLECTION, ARRANGEMENT AND DISTRIBUTION OF THE MATERIALS REFLECTING A WIDE RANGE OF INDIVIDUAL DECISIONS, SOLUTIONS AND DESIGNS WHICH ARE INCORPORATED INTO THE

FINISHED COMPUTER PROGRAM ITSELF. DECISIONS IN FRANCE AND THE NETHERLANDS HAVE BEEN CONSISTENT WITH THIS GERMAN RULING.

JAPAN HAS SPENT A GREAT DEAL OF TIME ON SOFTWARE PROTECTION OVER THE LAST TWO YEARS. THERE ARE OVER FORTY CASES PENDING IN JAPANESE COURTS ON THIS SUBJECT. THE INITIAL DECISION ON COPYRIGHT PROTECTION OF SOFTWARE OCCURRED DECEMBER 6, 1982 IN THE TAITO V. JACKSON AND SORT ELECTRONIC CO., LTD. THE TOKYO DISTRICT COURT HELD THAT PROGRAMS WERE PROTECTED BY THE JAPANESE COPYRIGHT LAW AND THAT BOTH OBJECT AND SOURCE CODE WERE SUBJECT TO SUCH PROTECTION. DECISIONS IN OSAKA AND YOKOHAMA DISTRICT COURTS HAVE SUBSEQUENTLY FOLLOWED THE TAITO V. JACKSON AND SORT ELECTRONIC CO., LTD. DECISION.

AUSTRALIA HAS RECEIVED MUCH INTERNATIONAL ATTENTION ON THIS SUBJECT BECAUSE OF THE APPLE COMPUTER V. COMPUTER EDGE CASE IN SYDNEY. IN DECEMBER OF 1983 THE FEDERAL COURT RULED THAT THE DEFENDANTS HAD NOT VIOLATED THE AUSTRALIAN COPYRIGHT LAWS BY COPYING SOME OF APPLE'S PROGRAMS. ON MAY 29TH OF THIS YEAR THAT DECISION WAS OVERTURNED BY THE FEDERAL COURT OF APPEALS OF AUSTRALIA. THAT OPINION STATED THAT COMPUTER PROGRAMS WERE ORIGINAL LITERARY WORKS BOTH IN THE FORM OF SOURCE CODE AND OBJECT CODE. SINCE THE OBJECT CODE WAS AN ADAPTATION OF THE SOURCE CODE, IT THEREFORE WAS PROTECTED. THE JUSTICES FOUND NO SIGNIFICANCE IN THE FACT THAT AN EXPLICIT REFERENCE TO PROGRAMS WAS OMITTED FROM THE PROVISIONS OF THE LAST AMENDMENT TO THE COPYRIGHT LAW.

CANADA HAD ITS FIRST DECISION ON THIS SUBJECT IN JUNE OF 1984 IN THE CASE OF IBM v. SPIRALES. IBM OBTAINED FROM THE FEDERAL COURT OF CANADA AN INTERLOCUTORY INJUNCTION AGAINST SPIRALES MARKETING ANY PERSONAL COMPUTERS CONTAINING THE INFRINGED PROGRAM UNTIL THE ACTUAL TRIAL ON THIS MATTER. MORE RECENTLY, SIMILAR DECISIONS HAVE BEEN REACHED IN THE ONTARIO SUPREME COURT IN THE CASE OF F&I RETAIL SYSTEMS LTD. v. THERMO-GUARD AUTOMOTIVE PRODUCTS CANADA LTD. AND IN THE SUPERIOR COURT OF QUEBEC IN THE CASE OF LA SOCIETE D'INFORMATIQUE R.D.G. INC. v. DYNABEC LTED.

LEGISLATION

IN ADDITION TO ACTIVITY IN COURTS, THERE HAS BEEN WIDESPREAD INTEREST AND STUDY BY THE LEGISLATIVE BRANCHES OF MANY NATIONS. OVER TWENTY NATIONS HAVE ENACTED LEGISLATION TO PROTECT SOFTWARE, ARE CONTEMPLATING SUCH ACTION OR ARE STUDYING THE POSSIBILITY.

IN AUSTRALIA, HUNGARY, THE PHILIPPINES, INDIA AND THE UNITED STATES THERE ARE STATUTES SPECIFICALLY PROVIDING PROTECTION UNDER COPYRIGHT FOR COMPUTER PROGRAMS. SEVERAL COUNTRIES, SUCH AS TAIWAN AND SPAIN, HAVE PUBLISHED PROPOSED AMENDMENTS TO THEIR COPYRIGHT LAWS, WHILE OTHER COUNTRIES (E.G., CANADA, HONG KONG, UNITED KINGDOM, MEXICO, SINGAPORE, COLOMBIA AND NEW ZEALAND) ARE CONSIDERING DOING SO. BRAZIL AND JAPAN ARE STUDYING THE POSSIBILITY OF ENACTING PROTECTION LAWS NOT BASED ON COPYRIGHT.

IT WILL BE HELPFUL TO REVIEW THE STATUS IN THREE NATIONS: THE UNITED STATES, JAPAN AND AUSTRALIA.

IN 1970, THE UNITED STATES CONGRESS BEGAN CONSIDERING A REVISION OF THE 1909 COPYRIGHT LAW. THIS EFFORT RESULTED IN THE COPYRIGHT ACT OF 1976 IN WHICH THERE WAS NO SPECIFIC REFERENCE TO COMPUTER PROGRAMS.

AFTER THIS BILL WAS PASSED, A NATIONAL COMMISSION WHICH HAD BEEN STUDYING THE TECHNOLOGICAL USES OF COPYRIGHTED WORKS (INCLUDING THE PROTECTION OF SOFTWARE) SUBMITTED ITS REPORT TO THE PRESIDENT OF THE UNITED STATES RECOMMENDING THAT THE NEW LAW BE AMENDED TO EXPLICITLY INCLUDE COMPUTER PROGRAMS AS SUBJECT TO COPYRIGHT. THAT RECOMMENDATION WAS ACCEPTED BY CONGRESS AND THE COMPUTER SOFTWARE ACT OF 1980 WAS PASSED ON DECEMBER 12, 1980 TO CLARIFY THAT COMPUTER PROGRAMS WERE PROTECTED UNDER THE COPYRIGHT LAW.

IN JAPAN THE MATTER IS EXTREMELY COMPLEX. TWO GOVERNMENT MINISTRIES ARE RECOMMENDING DIFFERENT APPROACHES. THE MINISTRY OF EDUCATION (WHICH IS RESPONSIBLE FOR COPYRIGHTS IN JAPAN) RECOMMENDED IN 1984 THAT THE JAPANESE COPYRIGHT LAW BE AMENDED TO EXPLICITLY COVER COMPUTER PROGRAMS. THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) PROPOSED A PROGRAMS RIGHTS LAW WHICH WOULD PROTECT SOFTWARE PRIMARILY UNDER PATENT TYPE CONCEPTS. THE MITI PROPOSAL CONTAINED THE FOLLOWING PROVISIONS: A SHORT PERIOD OF PROTECTION -- 15 YEARS; A COMPULSORY LICENSING PROVISION WHICH WOULD ALLOW COMPETITORS TO OBTAIN FROM OTHERS THEIR DEVELOPED WORK; AND A RIGHT TO CONTROL USE. THIS PROPOSED LAW WOULD WITHDRAW COPYRIGHT PROTECTION FOR SOFTWARE IN JAPAN.

IT IS QUITE UNUSUAL FOR TWO MINISTRIES IN JAPAN TO BE SUBMITTING BILLS ON THE SAME SUBJECT TO THE DIET. OBVIOUSLY, THIS MATTER HAS TURNED INTO A POLITICAL CONTROVERSY WITHIN JAPAN, FUELED BY STRONG OBJECTIONS TO THE MITI BILL BY THE U.S. GOVERNMENT, THE EUROPEAN ECONOMIC COMMUNITY, AND VARIOUS TRADE ASSOCIATIONS. ALL THESE PARTIES POINTED OUT THAT THE CORRECT METHOD OF PROTECTION WAS COPYRIGHT. ALSO, IF COMPULSORY LICENSING WERE ADOPTED AS PROPOSED BY MITI, IT WOULD CLEARLY BE IN CONFLICT WITH INTERNATIONAL CONVENTIONS WHICH COVER COPYRIGHTS, AND TO WHICH JAPAN IS A SIGNATORY.

AFTER MUCH DISCUSSION WITHIN THE LIBERAL DEMOCRATIC PARTY IN JAPAN, BOTH BILLS WERE WITHDRAWN FROM THE 1984 DIET SESSION. IT IS ANTICIPATED THAT BOTH THE MINISTRY OF EDUCATION AND MITI WILL SEEK ENACTMENT OF THEIR PROPOSED LAW IN 1985. STRONG OPPOSITION OUTSIDE OF JAPAN STILL EXISTS AGAINST THE MITI BILL.

IN CONTRAST TO JAPAN, AUSTRALIA TOOK A LITTLE OVER SIX MONTHS TO AMEND ITS COPYRIGHT LAW TO COVER COMPUTER PROGRAMS. IN DECEMBER 1983, AFTER THE INITIAL DECISION IN THE APPLE COMPUTER CASE WAS HANDED DOWN, THE AUSTRALIAN GOVERNMENT QUICKLY STATED THAT IT WOULD STUDY THE POSSIBILITY OF AMENDING ITS COPYRIGHT LAW TO MAKE CERTAIN THAT COMPUTER PROGRAMS WERE PROTECTED IN ORDER TO SAFEGUARD THE INVESTMENT OF THE OWNERS OF PROGRAMS IN THAT COUNTRY.

THE APPLE COMPUTER CASE WAS REVERSED IN MAY 1984. IT WAS THOUGHT AT THAT TIME THAT THE AUSTRALIAN PARLIAMENT WOULD NOT PASS

SUCH LEGISLATION BECAUSE THE LEGAL DECISIONS HAD CLEARED THE AIR. HOWEVER, IN ORDER TO CLARIFY THIS ISSUE, PARLIAMENT, ON JUNE 8, 1984 AMENDED THE AUSTRALIAN COPYRIGHT LAW TO INCLUDE COMPUTER PROGRAMS OR COMPILATIONS OF COMPUTER PROGRAM UNDER THE DEFINITION OF "LITERARY WORKS". THE AMENDMENT COVERS BOTH SOURCE AND OBJECT CODE. THE NEW STATUTE ALSO INCLUDES RESTRICTIONS AGAINST ADVERTISING A PROGRAM WHICH ONE BELIEVES OR HAS REASONABLE GROUNDS FOR BELIEVING IS AN INFRINGEMENT OF A COPYRIGHT.

INTERNATIONAL CONVENTIONS

BOTH THE BERNE COPYRIGHT CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS (BCC) AND THE UNIVERSAL COPYRIGHT CONVENTION (UCC) ENSURE CROSS-BORDER COPYRIGHT PROTECTION AMONG A LARGE NUMBER OF COUNTRIES. BOTH CONVENTIONS INCLUDE PROVISIONS WHICH DEFINE A MINIMUM PROTECTION EITHER DIRECTLY BY THE RATIFIED CONVENTION, AS IN THE BCC, OR TO BE ESTABLISHED BY THE LOCAL LAW OR MEMBER STATE, AS IN THE UCC. THEY ALSO OBSERVE THE FACT THAT COPYRIGHTED WORKS MAY BELONG TO NUMEROUS DIFFERENT CATEGORIES, MAY TAKE MANY DIFFERENT APPEARANCES, AND MAY REPRESENT DIFFERENT LEVELS OF INTELLECTUAL AND/OR MANUAL EFFORT.

THE RANGE OF WORKS COVERED BY THESE TREATIES DOES NOT APPEAR TO EXCLUDE COMPUTER SOFTWARE FROM THE PROTECTION WHICH THEY AFFORD. THIS APPLIES TO COMPUTER PROGRAMS IN BOTH SOURCE AND OBJECT CODE FORM AND TO THE RELATED MANUALS. SUCH A CONCLUSION IS SUPPORTED BY THE FACT THAT BOTH THE BCC AND THE UCC DO NOT CONTAIN ANY LIMITATION AS TO THE PURPOSE OR USE OF THE WORKS PROTECTED.

THE WORKS MAY SERVE AESTHETIC, EDUCATIONAL OR COMMERCIAL PURPOSES; ALL ARE EQUALLY PROTECTED.

IN 1971, THE WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO) COMMENCED A STUDY INTO THE LEGAL PROTECTION OF SOFTWARE. IN 1978 WIPO PUBLISHED ITS "MODEL PROVISIONS WITH RESPECT TO PROTECTION OF COMPUTER SOFTWARE" AS A GUIDELINE FOR NATIONAL LEGISLATION. THESE MODEL PROVISIONS PROVIDED FOR SOFTWARE TO BE PROTECTED FOR A PERIOD OF 20 YEARS FROM THE DATE OF FIRST USE.

VARIOUS MEETINGS OF WIPO TOOK PLACE IN 1979, 1981 AND JUNE 1983. AT ITS MOST RECENT MEETING, MEMBER COUNTRIES AGREED THAT INTERNATIONAL PROTECTION SHOULD BE AFFORDED TO SOFTWARE AND THAT THIS COULD BEST BE DONE UNDER EXISTING OR AMENDED NATIONAL COPYRIGHT LEGISLATION. THE NEED FOR INTERNATIONAL PROTECTION COULD BE SATISFIED UNDER EXISTING INTERNATIONAL CONVENTIONS. WIPO HAS ADVISED THE PARIS UNION TO SUSPEND ANY FURTHER WORK ON A SPECIAL INTERNATIONAL CONVENTION UNTIL THE ISSUE IS FURTHER INVESTIGATED BY WIPO AND UNESCO.

IN APRIL 1984 WIPO CONVENED A "WORKING GROUP ON TECHNICAL QUESTIONS RELATING TO THE LEGAL PROTECTION OF COMPUTER SOFTWARE". THE REPORT ISSUED BY THE WORKING GROUP PROPOSES A NUMBER OF DEFINITIONS OF "COMPUTER PROGRAM" WHICH WERE INITIALLY DRAFTED IN A COPYRIGHT CONTEXT. THE MAJORITY OF THESE DEFINITIONS DO NOT DIFFER SUBSTANTIALLY FROM THE DEFINITION FOUND IN THE UNITED STATES AND AUSTRALIAN COPYRIGHT LAWS. WITH THE SUSPENSION BY WIPO

OF THE MODEL PROVISIONS, IT WOULD APPEAR THAT WIPO IS FOCUSING MORE ON COPYRIGHT AS THE PROPER METHOD OF PROTECTION.

TERM OF PROTECTION

RECENTLY, PROPOSALS HAVE BEEN MADE TO LIMIT TO A RELATIVELY SHORT PERIOD OF TIME - TEN TO FIFTEEN YEARS - THE TERM OF PROTECTION WHICH WOULD BE AFFORDED TO SOFTWARE. THIS SHORT DURATION OF PROTECTION IS IN SUBSTANTIAL DISPARITY WITH THE COPYRIGHT LAWS THROUGHOUT THE WORLD AND COULD CREATE SERIOUS DIFFICULTIES UNDER THE BCC OR THE UCC. THE TERM OF PROTECTION FOR SOFTWARE SHOULD BE COMMENSURATE WITH THE LENGTH OF PROTECTION BROADLY ESTABLISHED IN MOST COUNTRIES FOR THE PROTECTION OF COPYRIGHT WORKS - GENERALLY FIFTY YEARS.

OBJECT AND SOURCE CODE

IN SOME LITIGATION, IT HAS BEEN ARGUED THAT THE SOURCE CODE VERSION OF A COMPUTER PROGRAM CAN BE AFFORDED COPYRIGHT PROTECTION BUT THE OBJECT CODE CANNOT BE SO PROTECTED. THIS ARGUMENT HAS BEEN REJECTED IN ALL COURT DECISIONS DISPOSITIVE OF THE ISSUE. ARGUMENTS THAT WORKS MUST BE CAPABLE OF BEING READ BY A HUMAN HAVE NOT BEEN FOUND TO BE PERSUASIVE. THE SUGGESTION THAT COPYRIGHT DEPENDS ON A COMMUNICATIVE FUNCTION TO INDIVIDUALS IGNORES THE FACT THAT ALL THAT IS REQUIRED UNDER COPYRIGHT IS THAT WORKS BE PERCEIVED, REPRODUCED OR OTHERWISE COMMUNICATED EITHER DIRECTLY OR WITH THE AID OF A MACHINE OR DEVICE.

THE DEFINITION OF LITERARY WORKS INCLUDES EXPRESSIONS NOT ONLY IN WORDS BUT ALSO IN NUMBERS OR OTHER NUMERICAL SYMBOLS OR INDICIA, THUS EXPANDING THE COMMON USAGE OF THE TERM LITERARY WORK. FOR EXAMPLE, CODE BOOKS MAY BE COPYRIGHTED THROUGHOUT THE WORLD UNDER NATIONAL LAWS.

COMPULSORY LICENSING

THE PATENT APPROACH OF COMPULSORY LICENSING IS NOT REALISTIC OR APPROPRIATE BECAUSE IT DOES NOT ADEQUATELY PROTECT THE AUTHOR OR THE INVESTOR. ANY PROPOSAL WHICH ENABLES A PERSON WHO ENHANCES A CREATOR'S PROGRAM TO REQUEST THE GOVERNMENT TO COMPEL THE CREATOR TO LICENSE THE ORIGINAL WORK TO THE ENHANCER SO THAT HE CAN DISTRIBUTE HIS ENHANCED PRODUCT NEEDS CAREFUL STUDY. SUCH A PROPOSAL WOULD RESULT IN THE CREATOR PROVIDING HIS COMPETITOR WITH HIS DEVELOPMENT EFFORTS WITHOUT OBTAINING A FAIR RETURN ON HIS INVESTMENT. RECOGNITION OF LEADERSHIP AND IDENTITY OR AUTHORSHIP WILL BE LOST, TOGETHER WITH THE LEAD TIME OVER HIS COMPETITORS. IN ADDITION, THE AUTHOR MAY NOT BE ABLE TO MAINTAIN THE RELATIONSHIP HE DEEMS NECESSARY WITH THE USER. THIS RELATIONSHIP IS NECESSARY TO ENCOURAGE THE AUTHOR OR INVESTOR TO IMPROVE HIS PROGRAMS AND PROVIDE MAINTENANCE AND OTHER SERVICES TO THE USER.

COPYRIGHT LAWS DO NOT PROHIBIT THE PUBLIC OR A SUBSEQUENT AUTHOR FROM USING OR INDEPENDENTLY EXPRESSING A VALUABLE CONCEPT. THEREFORE, THERE APPEARS TO BE NO NEED OR JUSTIFICATION TO CONFISCATE THE PROPERTY OF THE AUTHOR FOR THE BENEFIT OF ANOTHER WHO WOULD OTHERWISE BE AN INFRINGER.

BECAUSE THE MOST SIGNIFICANT RIGHT WHICH NEEDS PROTECTION IN A COMPUTER PROGRAM IS THE RIGHT TO COPY THE WORK, IT IS ESSENTIAL THAT AT LEAST THIS LIMITED EXCLUSIVITY BE AFFORDED TO THE AUTHOR. TO DO OTHERWISE WOULD DISCOURAGE INVESTMENT IN THE CREATION OF SOFTWARE.

A COUNTRY ADOPTING COMPULSORY LICENSING WOULD BE RELYING ON THE ABILITY OF ITS COMPUTER INDUSTRY TO TAKE THE INNOVATIONS OF OTHERS INSTEAD OF DEVELOPING ITS OWN CAPABILITIES. CLEARLY SUCH ACTION ON THE PART OF ONE COUNTRY WOULD INVITE RETALIATION FROM OTHERS AND THIS WOULD IN TURN HAVE A DETRIMENTAL IMPACT ON THE SOFTWARE INDUSTRY GENERALLY.

SINCE THERE IS NO REAL PROBLEM OF SIGNIFICANT ECONOMIC WASTE, AND SINCE THE RESULTS OF FREE COMPETITION HAVE BEEN SO SPECTACULARLY POSITIVE, THE SUBSTITUTION OF GOVERNMENT INTERVENTION, REGULATION AND - ULTIMATELY - CONFISCATION FOR THE COMPETITIVE PROCESS MAKES ABSOLUTELY NO SENSE. SUCH SUBSTITUTION, WITHOUT ADEQUATE UNDERLYING JUSTIFICATION, WILL LEAD TO DEGRADATION OF THE PERFORMANCE OF THE INDUSTRY AS A WHOLE. IT WILL PARTICULARLY IMPACT, AND RENDER NONCOMPETITIVE, SOFTWARE SUPPLIERS, ESPECIALLY SMALL SOFTWARE FIRMS, SUFFERING UNDER LEGISLATED CONTROL AND REGULATION OF SOFTWARE DEVELOPMENT ACTIVITIES. OVER TIME, THE USERS WILL BE HURT BECAUSE THERE WILL BE FEWER NEW PROGRAMS AVAILABLE FOR USE.

RIGHT OF USE

RECENTLY THERE HAVE BEEN A FEW PROPOSALS TO ESTABLISH A NEW EXCLUSIVE "USE RIGHT" WITH REGARD TO COMPUTER PROGRAMS. AN EXAMPLE OF THIS SUGGESTION IS FOUND IN THE PROPOSED LEGISLATION OF MITI OF JAPAN. AN ASSERTED JUSTIFICATION FOR THIS NEW RIGHT HAS BEEN THAT THE ECONOMIC VALUE OF PROGRAMS IS REALIZED ONLY WHEN THEY ARE USED AND THAT THE PRESENT EXCLUSIVE RIGHTS GRANTED UNDER COPYRIGHT ARE NOT ADEQUATE.

THE CRITICAL QUESTION TO BE ASKED IS WHETHER THE EXCLUSIVE RIGHTS GENERALLY GRANTED UNDER COPYRIGHT, TO EXCLUDE OTHERS FROM REPRODUCING AND DISTRIBUTING ARE ADEQUATE TO PROTECT THE INTERESTS OF PROGRAM AUTHORS. EXPERIENCE HAS FOUND THAT THE RIGHTS NOW GRANTED UNDER COPYRIGHT ARE ADEQUATE, AS EVIDENCED BY THE LACK OF A REQUEST FROM INDUSTRY FOR A NEW RIGHT TO EXCLUDE USE. THE PRINCIPAL CAUSE FOR CONCERN FOR A PROGRAM AUTHOR IS THAT THE PROGRAM CAN BE REPRODUCED FOR A MINIMAL COST AND THUS CAN BE EASILY COPIED AND DISTRIBUTED. AS A PRACTICAL MATTER IN ALMOST EVERY CASE WHERE THE RIGHTS OF PROGRAM AUTHORS HAVE BEEN VIOLATED ON A COMMERCIALLY SIGNIFICANT LEVEL, THERE HAS BEEN REPRODUCTION OF THE COPYRIGHTED WORK FOR WHICH THE LEGAL REMEDIES OF INJUNCTION AND DAMAGES UNDER COPYRIGHT LAW SHOULD BE ADEQUATE.

IT APPEARS THAT THIS PROPOSED NEW GRANT OF AN EXCLUSIVE RIGHT TO USE HAS BEEN INTRODUCED PRIMARILY FOR THE PURPOSES OF CLASSIFYING COMPUTER PROGRAMS AS INDUSTRIAL PROPERTY, SIMILAR TO PATENTS. THIS DISTORTION IS THEN USED TO JUSTIFY RESTRICTIVE

CONCEPTS SUCH AS COMPULSORY LICENSING. IT CAN THEN BE ARGUED THAT SUCH A BROAD RIGHT MUST BE LIMITED IN ORDER TO BALANCE THE RIGHTS OF THE PROGRAM AUTHORS AGAINST THE RIGHTS OF THE PUBLIC.

AT BEST, THE RIGHT OF USE IS SUPERFLUOUS. IF THERE IS A NEED TO GOVERN THE MANNER IN WHICH COMPUTER PROGRAMS ARE TO BE USED, THIS MAY BE ACHIEVED BY CONTRACT.

THE FUTURE

IT IS NOW CLEAR THAT THE WORLDWIDE TREND IN JUDICIAL DECISIONS IS TO REINFORCE LEGAL PROTECTION FOR SOFTWARE UNDER EXISTING COPYRIGHT LAWS. NEVERTHELESS, AS LEGISLATURES STUDY THESE ISSUES SOME MAY DECIDE TO AMEND THEIR COPYRIGHT LAWS TO MORE EXPLICITLY PROVIDE STATUTORY PROTECTION FURTHER REDUCING AMBIGUITY, MINIMIZING LITIGATION AND ENCOURAGING INVESTMENT.

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REQUESTOR'S ID:
12LAURIE

AUTHOR'S NAME:
VS

DOCUMENT COMMENTS:

Legal Protection for New Varieties of Plants

Japanese Group, Committee No. 3
Subcommittee No. 3

K. Yamashita Sumitomo Chemical Co., Ltd.
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I. Introduction

As for legal protection systems of new plant varieties, it is the case that those vary from country to country in the world.

In the meantime, as modern genetic engineering techniques have recently come to be applied to production of new plant varieties and also as the researches and developments in this field have been expanded, legal systems for protection of new plant varieties have come to be frequently discussed.

Particularly, among others, the following opinion has come to be often emphasized; that is to say, if new plant varieties produced by genetic engineering techniques meet the general requirements for patentability, i.e. novelty, inventive step and so on, needless to say, including reproducibility, such plant varieties, whether process patent or product patent, should be regarded as eligible for protection within the framework of patent law. In other words, according to such opinion, it is hardly justifiable, at least in theory, that such new plant varieties should be excluded from the patent protection. International Convention for The Protection of New Varieties of Plants (UPOV) Art. 2 provides, in principle, so-called prohibition of double protection by both of a new plant variety protection law and a patent law. On the other hand, however, the UPOV also admits coexistence of both systems of protection with differing protective effect.

Taking into consideration the present situation on protection of new plant varieties in various countries and the impacts of applications of genetic engineering techniques to new plant varieties production, we would like to discuss some legal aspects of plant variety protection.

II. The Present Situation of the Protection of New Varities of Plants

In 1961, for the purpose of protecting the rights of breeders of new varieties of Plants, International Convention for The Protection of New Varieties of Plants (UPOV) was concluded at Paris. This convention resembles to the Paris Convention for The Protection of Industrial Properties in many aspects. For example, it contains the provisions relating to the principle of national treatment, the right of priority, the principle of the mutual independence of the rights and so on.

First of all, I would like to briefly explain the provisions on the substantial rights and obligations of the breeders of new varieties of plants.

1) Protectable Subject Matters

It is stipulated in the convention that the convention is applicable to all botanical genera or species.

Each member state, however, may limit the number of the botanical genera or species to which it applys the provisions of the convention at the time of the entry into the convention, and subsequently it has to take all measures necessary for the progressive application of the provisions to the largest possible number of the botanical genera or species.

2) Forms of Protection

Each member state protects the rights of breeders of new varieties of plants by granting either a patent or a special title of protection. Nevertheless, each member state may admit both forms

of protection provided that only one form of protection is given to one and the same botanical genera or species.

3) National Treatment

Like the Paris Convention for the Protection of Industrial Properties, nationals of a member state are treated in the same manner in other member startes as the nationals of such other states.

4) Right of Priority

As the Paris Convention, the UPOV Convention recognizes a right of priority for a period of twelve months from the date of the first application.

5) Requirements for Protection

It is necessary for a new variety of a plant to be protected to meet the following requirements:

1. It must be clearly distinguishable by one or more important characteristics from known varieties.
2. It must be sufficiently homogeneous having regard to the particular features of its sexual reproduction or vegetative propagation.
3. It must be stable in its essential characteristics.
4. It is prohibited from having been offered for sale or marketed, with the agreement of the breeder, at the time of the application (or for longer than one year) and it is prohibited from having been offered or marketed, with the agreement of the breeder, in any other state for longer than four years (six years for vines, forest trees, fruit threes and ornamental threes).

6) Variety Denomination

The variety must be given a denomination which must be different from every denomination of any existing botanical genera or species in any member states, and which must not be misleading or confusing.

Any person who offers for sale or markets reproductive or vegetative material of a protected variety must use the denomination of the variety.

7) Scope of Protection

1. The effect of the right granted to the breeder is that his prior authorization is required for
-- the production for the purposes of commercial marketing,
-- the offering for sale or
-- the marketing
of the reproductive or vegetative propagating material of the variety. It should be noted that what is protected is not the variety per se but its propagating material.

2. Ornamental Plants

The right of the breeder is extended to ornamental plants or parts thereof normally marketed for purposes other than propagation when they are used commercially as propagating material in the production of ornamental plants or cut flowers.

3. Creation of Other New Variety

No authorization of the breeder is required for
-- the utilization of the variety as an initial source of variation for the purpose of creating other varieties or
-- for the marketing of such varieties,
unless the repeated use of the variety is necessary for the commercial production of another variety.

4. More Extensive Protection

A member state may grant a more extensive right. It may extend the scope of the right to cover a marketed product of the variety.

8) Period of Protection

The period of the protection may not be less than fifteen years from the date of issue of the title of protection (18 years for vines, forest threes and ornamental trees).

9) Examination

Protection is given after examination of the variety in the light of the criteria mentioned above.

For the purpose of examination, examining authorities may require the breeder to furnish all the necessary information, documents, propagating material or seeds.

10) Nullity and Forfeiture of Right

1. The right is nullified if it is established that the conditions required for the protection were not complied with at the time of the grant of the right.

2. The right becomes forfeit if the breeder does not provide the competent authority with the propagating material of the variety, documents or information necessary for checking the variety when he is requested, or if he fails to pay fees which may be required to keep the right in force.

11) Member States

Presently, the seventeen states listed in Table I are the member states of the Union.

Table I States Party to the International Convention for the Protection of New Varieties of Plants

State	Date of the Entry to the Convention	Year of the Enactment of the Plant Variety Protection Act
Belgium	December 1976	1975
Denmark	October 1968	1962
France	October 1971	1970
Germany	August 1968	1968
Hungary	April 1983	(Protected under the Patent Law)
Ireland	November 1981	1980
Israel	December 1979	1973
Italy	July 1977	1975
Japan	September 1982	1978
Netherland	August 1968	1966
New Zealand	November 1981	1973
South Africa	November 1977	1964
Spain	May 1980	1975
Sweden	December 1971	1971
Swiss	July 1977	1975
U.K.	August 1968	1964
U.S.A.	November 1981	1970 (Plant Patent: 1930)

Total 17 states

(2) The Protection of New Varieties of Plants in Each State

Each member state, except Hungary where the breeder's right is protected under the patent law, enacted a special law for the protection of the breeder's right in the years shown in Table I, and grants the breeders the protection as provided in the UPOV Convention. However, the number and kinds of varieties of plants protected under such laws vary from state to state and the scopes of the protection also somewhat vary depending on the law of the member state.

In most of the member states, the breeders of new varieties of plants are given an exclusive right to produce the propagating material (e.g., seeds or seedings) of the variety for the commercial marketing, sell it, or offer it for sale as provided in the UPOV Convention. In these states, the breeder can not, however, prohibit or control the production of plants by others when the purpose of such production is not for the commercial marketing of the propagating material and he can not prohibit the sale of the products derived from the plants. Accordingly, a farmer who has legally obtained the propagating material, for example, by purchasing it, may freely produce the plants and sell the products of the plants.

The Spanish Plant Varieties Production Act clearly states in the Article 5 that the breeder's right shall not be violted by the use made by the farmer in his farm of seeds or any other vegetative material produced by him.

Thus, in these states, the breeders can only control the propagating material but not the variety per se.

On the other hand, in the United States, the breeders enjoy much more extensive right. The U.S. Plant Variety Protection Act (Article 83) grants the breeders the right to exclude others from selling the variety,
offering it for sale,
reproducing it,
importing it,
exporting it or

using it in producing a hybride or different variety therefrom.

In France, the breeder's right is the exclusive right to produce,
introduce into France,
sell or
offer for sale
the plant or parts thereof or the propagating material. (Art. 3)

In Israel, the breeder's right is the exclusive right to use the variety (Plant Breeders' Right Law Article 36).

In Italy, the breeder's right extends to the production, marketing, introducing into Italy of the products of the variety in cases where such variety is used for sale of the plants or parts thereof and ornamental flowers (Decree No. 974 of August 12, 1975 Art. 4).

Accordingly, in these states, the breeders may have much more extensive control over the production of the variety and products thereof.

Under the British system, the Ministers may, at their discretion, extend the breeder's right, in respect of certain prescribed varieties, to include the exclusive right to produce or propagate the variety for the purpose of selling such parts or products of the variety if they consider that the breeders will not receive adequate remuneration unless they have control over the produciton of the variety (Plant and Seeds Act, Article 4-(1)(c)-Schedule 3).

In the British Plant and Seeds Act (Article 4-(5)(a)), it is made clear that a sale of the reproductive material or a plant variety shall not imply that the seller authorizes the purchaser to produce the reproductive material of the plant variety for the purpose of selling it.

If the reproductive material is exported to the countries where no protection is given to the variety, the breeder can not control the production of the variety in

such countries. Under the German Plant Variety Protection Act (Article 15 (4)), anyone who transfers the propagating material to a territory where equivalent protection is not provided for the species of the said variety must obtain the breeder's prior authorization.

(3) Protection Under Patent Law

In ANNEX I, the provisions of patent laws of various countries relating to a plant invention and unpatentable inventions are shown.

Japan:

There is no provision distinguishing plant inventions from other types of invention in the Japanese patent law. With respect to a process for cultivating plants, the Japanese Patent Office has been allowing patents. But, it did not grant any patent on a new variety of plants until recently by the reason that no application which was directed to a sufficiently reproducible invention was subjected to the examination.

In November 1975, the Japanese Patent Office published the guideline for the examination on new varieties of plants.

In January 1983 it allowed an application on a new variety of plant and published the application (publication No. 58-3646) for opposition. An opposition was filed against this application and the application is still under examination.

According to the recent news paper, the Japanese Ministry of Agriculture, Forestry and Fisheries has raised an objection against the granting a patent on a new plant variety. One of the reasons of their objection is that the granting a patent on a new plant variety in addition to the protection under the Japanese Plant Variety Protection Act constitutes a violation of the UPOV Convention Article 2 (Prohibition of double protection). It is the position of the Patent Office that a new plant variety should be patented as far as it meets the patentability requirements. The issue is being discussed among the people concerned.

Anyway, in Japan the boundary of the patent law and plant variety protection Act is not clear and an adjustment of the relation of these two legal systems seems necessary.

U.S.A.:

In the United States, there are, at least, three legal systems for the protection of new varieties of plants. The United States Patent Law Article 161 provides the protection for asexually reproducible new varieties of plants (other than a tuber propagated plant or a plant found in an uncultivated state). On the other hand, sexually reproducible new varieties of plants (other than fungi, bacteria or first generation hybrides) are protected under the United States Plant Variety Protection Act. In addition to these, under the United States Patent Law, some patents have recently issued which contain claims to plants, plant cells, etc. (USP3,861,079; 4,378,655; 4,301,619) probably as a result of the U.S. supreme court decision in Chakrabarty v. Diamond where the court held that the patenting of an invention is not prohibited merely because the invention consists of a life form. Naturally, the requirements of the protection under these systems as well as the scopes of the protections are different.

Thus, the protection system for new varieties of plants in the United States is also complicated as that of Japan.

European Country:

According to Article 53 of EPC, plant varieties and an essentially biological process for the production of plants are unpatentable.

As shown in ANNEX I, many of European states have the same provision in their national patent laws as the Article 53 of EPC as far as plant varieties are concerned. In these states, new varieties of plants are protected under their national plant variety protection acts though the number of the protectable plant varieties in some of these states are rather limited.

Unlike other EPC member states, in France, Spain, West-Germany and Italy, the plant varieties to which no protection is given under the plant varieties protection acts are patentable if the requirements of general patentability are met (In Italy, only vascular type of plants are patentable).

With respect to the meaning of "plant varieties" of the EPC Article 53, the Bord of Appeal of EPO published their interpretation in its decision reversing the Examiner's rejection of an application of CIBA-GEIGY (26th July, 1983 T49/83) that it has the same meanings as used in the UPOV Convention. The Bord takes the position that Article 53 (b) of EPC is to be restrictly interpreted so as to prohibit only the patenting of plants or their propagating material in the genetically fixed form of the plant variety. The Bord explicitly states that innovations which can not be given the protection afforded to varieties (under national plant variety protection laws) are still patentable if the general prerequisites are met. This restrictive interpretation of the wording of the Article 53 EPC will probably be followed in many of European states.

China:

According to Article 25 of the Chinese Patent Law, a plant variety is unpatentable, but a process for the production of a plant is patentable.

There in no provision explicitly distinguishing an invention relating to a plant from other types of inventions. It seems, therefore, that other types of plant inventions than a plant variety, such as methods of culturing plants or plant cells will be given the protection under the Patent Law. But it will take some times for us to know how and what kinds of plant inventions are protected in China.

Korea:

There is the plant patent system is Korea which seems to be similar to that of the United States. Article 3 of

the Korean Patent Law provides that any person who invents a new and distinct variety of plant and reproduces it asexually may obtain a plant patent therefor; however, this provision shall not apply to tubers, tuberous roots and bulbs.

While, Article 4 of the Korean Patent Law, which lists unpatentle inventions, does not seem to distinguish inventions relating to plants from other types of inventions. This raises a question as to what kinds of plant inventions are patentable in Korea.

In this regard, a Korean patent attorney is of the opinion that the Article 3 provides the protection only for a new plant variety per se and that other types of plant inventions such as seeds, a process for the production of a plant variety or a process for culturing a plant are unpatentable under the present Korean patent law.

With respect to the latter half of the Article 3, he is of the opinion that the plant varieties which are asexually reproducible by using tubers, tuberous roots or bulbes are exlcuded from patentable inventions.

Taiwan:

In Taiwan, no protection is given to a new variety of plant. Only a process for producing a variety of plant is protected under the patent law.

In the patent law of Taiwan, unpatentable inventions are listed in Article 4. Among the unpatentable inventions listed in the Article 4, it is only "new species of food products" (Art. 4-6) that seems to have some connection, if any, with a plant variety.

In this regard, we have obtained from a patent attorney in Taiwan the information that there is some dispute as to whether the statutory bar of Article 4-6 extends to plants or not. Critics are of the opinion that it was not the legislator's intent to extend the statutory bar of Article 4-6 to plants when the law was revised in 1979. On the other hand, conservatives argue that the

current patent policy is such that no "substance" shall be given exclusive rights and therefor a patent protection shall not extend to plants regardless of whether they are food products or not.

He informed us that the Bureau of Agriculture was in the process of drafting a new law for "New Plant Species", which would permit an exclusive ownership of a new plant species based on deposited samples and it would take, however, some years for such a draft law to be brought to the legislature.

Eastern European countries:

In Hungary, a new plant variety is protected under the patent law. While, in USSR, Bulgaria, Romania and other Eastern European states, a inventor's certificate may be granted on a new plant variety.

III. Future Problem on Protection of New Plant Varieties

(1) As apparent from the foregoing, in general there are presently two types of legal systems, namely 1) the Plant Variety protection law or the like (the titles of the type of laws vary with the countries) and 2) the Patent law (including Inventor's Certificate) or the like for the protection of new plant varieties.

On the other hand, there exists the International Convention for The Protection of New Varieties of Plants, the Article 2 of which provides, in principle, the prohibition of double protection by the former type and latter type, while admitting coexistence of both types of protection with differing protective effects.

As for available protection, it varies from country to country depending upon which protection system is adopted in the country. For example, there exist both of the above two types of laws in some countries and exists only either of them in other countries. Some countries have neither of the two types of laws and others make available the protection under the Trade Secret laws or unfair competition laws. Such being the case, it is

complicated and troublesome to seek protection for new plant varieties on the world wide basis. That is the reason why the establishment of legal system internationally harmonized and unified are desired.

(2) Concerning the kinds of plant varieties to be protected, the UPOV Convention contains a provision that protection shall extend to all the kinds of plant varieties (section 4 (1)), on one hand. However, on the other hand, the section 4 (2) and 4 (3) admit gradual expansion of the kinds of plants for which protection is conferred.

As a result, the kind of plant varieties for which protection is conferred varies depending upon countries. Thus, there may be some cases where a new plant variety which can be protected under the UPOV Convention in some countries cannot be protected under the same convention in other countries.

Even among the countries where a new plant variety can be protected under a patent law, there are some countries, such as U.S.A. and Japan, where the relationship between patent protection and plant variety protection is not so clear.

(3) In the case where a patent is granted on a new plant variety, the legal effect of such patent is the exclusive right to make, use and sell the patented variety, which will give the breeder of the variety a relatively good control over the variety. There are some countries where a new plant variety is protected under a plant variety protection act and the breeders only have a controll over the reproducing material. This type of the protection is not so extensive as a patent right.

(4) If you want to obtain the world wide protection for new plant varieties, you have to apply for either a patent or protection under a new plant variety protection act depending on the kind of the plant variety and the country where you want to have the protection. Such protection will be obtained only through very complicated and multiplied procedures.

Simplification and harmonization of legal systems for the protection of new plant varieties and expansion of the number and kinds of plant varieties to be protected under such system are highly desirous.

(5) With recent developments of genetic engineering techniques and the application of the techniques to production of new plant varieties, it has become a subject to be solved whether or not industrial property protection should be conferred, or what other types of protection should be endowed on new varieties produced by genetic engineering techniques, or on various materials such as vectors, genes and so on, which are employed in such techniques.

Taking up new plant varieties produced by biotechnology, the subject matters to be regarded as eligible for protection in connection with the production of such new plant varireties are exemplified by the followings:

1. New varieties produced by transferring genetic material from one species to another
2. Parts of plants
3. Specific breeding techniques
   - (1) Tissue culture
   - (2) Transfer of genetic material
     - (a) protoplasm fusion
     - (b) recombinant DNA
   - (3) Regeneration of whole plants
4. Materials for genetic engineering techniques
   - (1) Vectors
   - (2) Genes isolated from plants
   - (3) Adaptors
   - (4) Promoters
   - (5) Microorganisms
   - (6) Cell lines
5. Specific testing and assay techniques

The subject matters as listed above in the 3, 4 and 5 may be eligible as patent protection. New varieties above in the 1 can be subjects to be protected under so-called

new plant varieties laws, while being eligible as protection under patent law if those satisfy the statutory requirements. This is also true of the parts of plants in the 2. That is to say, while this subject matter may be possibly protected under both types of the laws. However, now that the boundary between protection by two different types of laws is not always clear, this is also another subject to be clarified.

Should the aforementioned subject matters be protected under patent law, there could be further raised questions as to whether those should be regarded as eligible for product protection or process protection, as to what disclosure should be required for specifications, and so on. Furthermore, in connection with the disclosure of the specification for inventions involving microorganisms and cell lines which are not generally available to the public, the problem of the necessity of depositing those must be solved.

ANNEX I

Provisions of Patent Law Relating to Plant Inventions

State	Provision of Patent Law	
Japan	There is no provision which distinguishes inventions relating to plants from other types of inventions.	
U.S.A.	1. U.S. Patent Law Article 161 A plant patent may be issued on asexually reproducible plant (other than a tuber propgated plant or a plant found in an uncultivated state). 2. U.S. Patent Law Article 101 The U.S. Supreme Court decision in Chakrabarty v. Diamond: A utility patent may be issued on a plant.	
E.P.C.	Article 53 Plant varieties and an essentially biological process for the production of a plant are unpatentable.	
U.K.	Article 1 (3) (b)	
Netherland	Article 3 (2)	
Swiss	Article 1 a. II	same as E.P.C. Art. 53
Sweden	Article 1 (4)	
South Africa	Article 25 (4) (b)	
France	Article 7 b	The plant varieties belonging to the species which are protected under the plant Variety Protection
Spain	Article 47 (7) a	

State	Provision of Patent Law
	Act and a process for the production of a plant are unpatentable.
Germany	Article 2 (2) The plant varieties belonging to the species which may be protected under the Plant Variety Protection Act and a process for the production thereof are unpatentable.
Italy	The presidential Decree No. 974 of August 12, 1975, Article 1. Patents for industrial inventions may be granted in respect of new plant varieties of the vascular type capable of industrial or agricultural application.
Israel	Article 7 Plant varieties are unpatentable.
China	Article 25 A plant variety is unpatentable, but a process for the production thereof is patentable.
Korea	Article 3: Plant Patents A plant patent may be granted on an asexually reproduciable plant (except tubers, tuberous roots, and bulbs).
Taiwan	Article 4: Unpatentable inventions are listed. Art. 4 - 6: new species of food products

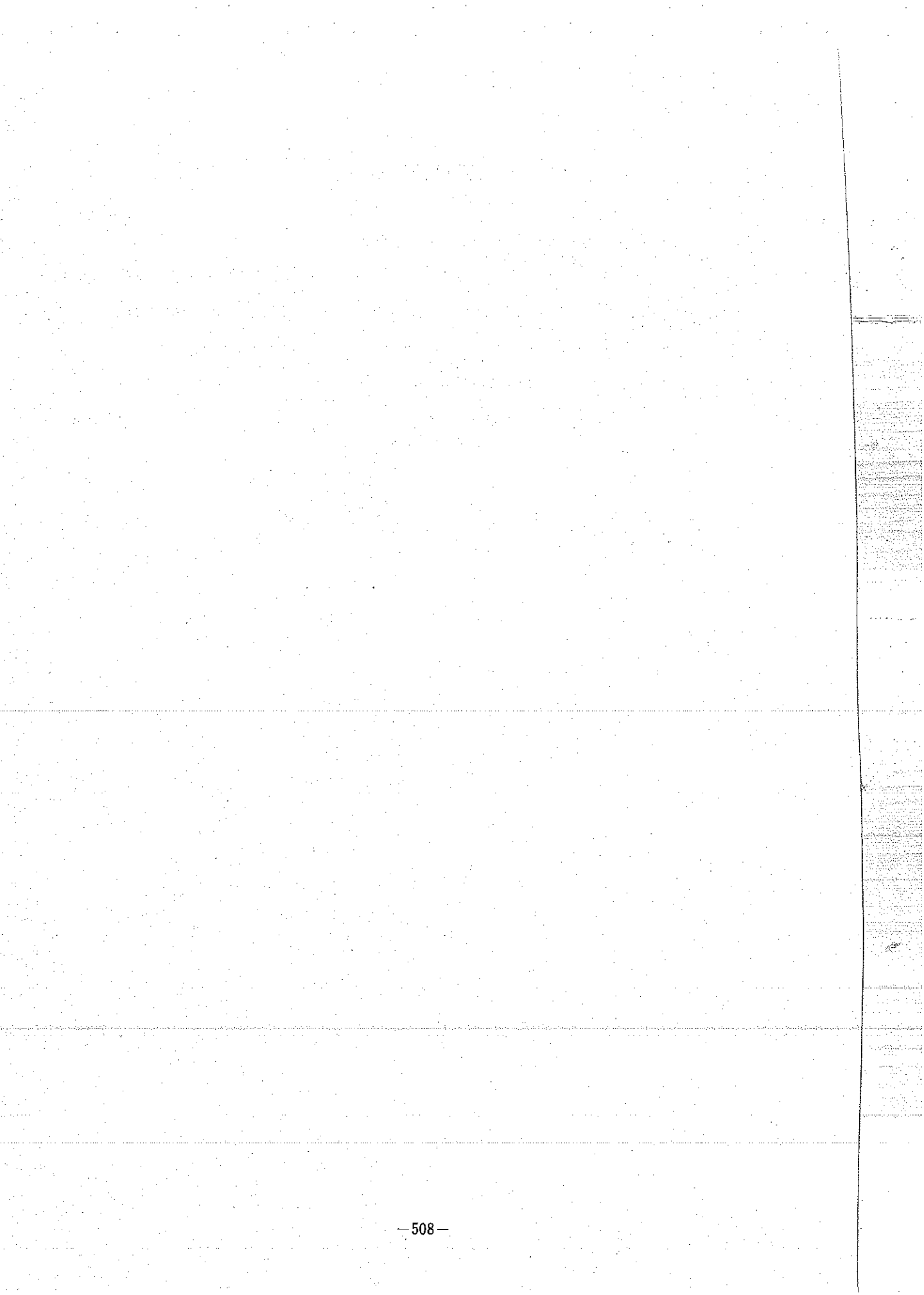
State	Provision of Patent Law
Hungary	Article 67: A patent may be granted on a new plant variety.
U.S.S.R.	Article 22: New varieties and hybrids of agricultural crops and other cultivated plants and their improvements are protected as inventor's certificates.
Bulgaria	Article 12 (3) (d) Agricultural new plant varieties of hybrides are protected as inventor's certificates.
Romania	Article 7 (b) In respect of a new and improved plant variety, A patent may be issued only to a state organization. The inventors may be granted inventor's certificates.

COMMITTEE NO.4

* Restrictions on Exercising Patent Right of Which Practical Application is Regarded Dubious
--- Shin Ando ---------- 509

* Update on the U.S. International Trade Commission and Section 337 Actions Brought Before it
--- Thomas Langer ---------- 536

* On Identity of Two Inventions Which Share the Same Specific Embodiment
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Title: Restrictions on Exercising Patent Right of Which Practical Application is Regarded Dubious

Japanese Group, Committee No. 4
Subcommittee No. 1

Hiroatsu Kaneko : Teijin, Ltd.
Kenzo Hayashi : Kanebo, Ltd.
Nobuaki Kawai : NEC Corporation
Norio Ohgo : Toshiba Corporation
Nagahisa Taniguchi : Mitsui Petrochemical, Ltd.

Speaker: ~~Kenzo Hayashi, Kanebo, Ltd.~~
Shin Ando, Kyowa Hakko Kogyo Co., Ltd.

Abstract

The Japanese Court is not in a position to judge a patent as invalid in the patent infringement suit. This is because invalidation of a patent is an administrative procedure and therefore lies within the exclusive jurisdiction of the Patent Office. This is different from the US legal practice. In the infringement suit for a patent with a cause for invalidation based on a publicly known technology, the Court renders its decision by reducing and interpreting the scope of patent claim having considered the known technology, or restricting the exercise of right as against the abuse of right.

The Court considers the known technology in the case where the patented invention and the known technology are identical, and no decision has been issued which went so far as to judge the scope of inventiveness.

It may be said, however, that from the way of attaching importance to stability of rights as exemplified by the term of exclusion the tendency in the court decisions is shifting toward the philosophy of placing the prime importance on the public interest under which truly valid patents alone are recognized of their value as the right.

Introduction

A patent remains valid until the decision of invalidation by the Patent Office becomes established. Unless this administrative procedure is taken by the Patent Office, the Court must treat even a patent which is deemed invalid because of a known technology as a valid patent. However, the Court allows the defendant to counter-argue relying on the theory of reduction interpretation of the claim and the theory of abuse of rights, and passes judgement which restricts the exercise of right deemed invalid. We shall explain hereinbelow how this judgement is reflected in the court decisions by taking examples rendered by the Japanese Court.

1.0 Handling of the Patent Right in the Court

1.1 Invalidation of the Patent

A patent right is granted as a result of the examination conducted by the Patent Office on whether an invention meets certain requirements for patentability; thus, it is an administrative procedure. Similarly, the patent invalidation procedure which retrospectively deems the patent right to have been non-existent is also an administrative measure taken by the Patent Office upon the demand of trial for patent invalidation. There are no means to invalidate a patent than that mentioned above. Therefore, the Court cannot proclaim a patent invalid in the patent infringement suit.

1.1.1 Grounds for Invalidation of a Patent

Art. 123-1 of the Patent Law (Art. 37-1 of the Utility Model Law) enumerates the grounds for invalidating a patent. The patentability provisions related to publicly known technology or prior applications are novelty (Art 29-1), inventiveness or height of invention (Art 29-2), identicalness with the specification of a prior application (Art. 29bis), and identicalness with the claim of a prior application (Art. 39).

In a patent infringement suit, on the other hand, an infringer most often relies on submission of known technology related to the above provisions. Publicly known technology is the technology which is known at the time of filing of the relevant application, and in most cases it is disclosed in a document or embodied in a product. In other words, the Japanese Patent Law provides that an invention on which a patent has been granted may be invalidated by a demand of trial if it was proven defective in its novelty and/or inventiveness after the grant. Therefore, an infringer usually alleges to the judges that the subject patent would automatically be invalidated once the invalidation suit was brought against it in the event that the subject patent was defective, and further alleges that no infringement would therefore be constituted. There is no time limit for filing a demand for invalidation trial.

1.1.2 Term of Exclusion

On the other hand, Art 124 of the Patent Law stipulates a certain limitation on the invalidation trial; it sets a so-called term of exclusion concerning Art. 29 that a publication distributed only abroad at the time of filing of the relevant patent application may be used as an evidence only during the period of 5 years after the registration of a patent (or 3 years for a utility model). This provision aims at equilibration between the public interest which gives protection under patent for a technology surpassing known technology and stabilizing the right. The 1921 Law provided an exclusion term of 5 years after the grant of a patent (3 years for a utility model) as the period during which a demand for invalidation trial may be filed. Under the prevailing Law (1959), this was changed to have only the above mentioned foreign publications subjected to this term of exclusion. Its significance is being questioned today, however, for providing such a period of exclusion only for foreign publications in this age of ever-active international technical exchange.

1.2 Confirmation of the Scope of the Right

It is a settled practice with the Court to render decisions in the patent infringement cases by considering the publicly known technology relied by the defendant in their counter-argument.

A defective patent may be invalidated by the invalidation trial at the Patent Office, and the Court may judge depending on the decision of the trial. However, the lengthy time required until the trial decision becomes confirmed and suspending the court procedures when the parties are aware of the defect of the patent result in futile prolongation of the legal procedure, and it is hoped that a speedy solution is reached. When a patent becomes finally invalidated after the decision that the patent was valid unless proven otherwise has been rendered disregarding the known technology, the infringer would have to take procedures twice or thrice even though he may be ultimately saved in the new trial. This is not desirable in view of the litigation economy.

Although the Court has no authority concerning the continued existence of a patent right, it deals with the procedural discrepancy mentioned above by confirming the scope of right by considering the publicly known technology, reducing the scope of right of a patent, even if defective, to an appropriate degree and thus to save the infringer.

If the publicly known technology submitted in the counter-argument was not so material as an evidence or as to affect interpretation of the patent, the Court judges that the patent would continue to exist validly until proven invalid. [1)]

1.3 Abuse of Right

Although in the lower courts decisions were rendered to the effect that exercise of the right of injunction based on a patent right all of which claims were publicly known was an abuse of right, this may be described as concluding the fact that the form of interpretation by reducing the scope of right discussed in 1.2 was manifested in the form of limitation to exercise of the right since the former did not quite meet the case where all the claims were publicly known technology.

2.0 Concrete Examples of Decisions Which Considered Publicly Known Technlogy

The decisions may be classified in form into the following two categories;

Category A: Claims are either literally (word by word) interpreted or reduced (by excluding the known portion from the claims) and interpreted.

Category B: (Those not falling in Category A) The exercise of right is limited because of the abuse of right or the use of publicly known technology since such technology is a common property of all.

Category A represents the concept of 1.2 above in terms of the decision, while B expresses that of 1.3 above.

Following are the examples.

2.1 Category A:

2.1.1 Decisions which held the claims to be literally interpreted;

Osaka High Court Case No. (ne) 603 of 1970 (Annex 1)

Osaka District Court Case No. (wa) 5686 of 1977 (Annex2)

Osaka District Court Case No. (wa) 1526 of 1972 (Annex 3)

Osaka District Court Case No. (wa) 3976 of 1973 (Annex 4)

Supreme Court Case No. (o) 659[2] of 1972 (Annex 5)

2.1.2 Decisions which held the claims to be interpreted by reducing the same to embodiments per se;

Tokyo District Court Case No. (wa) 12843 of 1970 (Annex 6)

Tokyo District Court Case No. (wa) 2557 of 1979 (Annex 7)

Osaka District Court Case No. (wa) 4423[3] of 1977 (Annex 8)

2.2 Category B

Nagoya District Court Case No. (wa) 1941 of 1974 (Annex 9)

Osaka District Court Case No. (wa) 412 of 1967 (Annex 10)

3.0 Judgement of Identicalness with Known Technology and Inventiveness

When a patented invention is deemed identical with a publicly known technology, judgement of either A or B discussed in 2.0 above is made.

The standard for judging the identicalness may be divided into the following two cases;

(1) When the two inventions are entirely identical. (Lack of novelty)

(2) When the two inventions are similar and may fall into the same scope in the light of the state of relevant technology at the time of filing.

No discussion is necessary for (1). As for (2), the decision rendered in Osaka District Court Case No. (wa) 3976 of 1973 mentioned above, for instance, deemed that there was identity and did not recognize the presence of novelty.

When the Court thus considers the publicly known technology cited by the defendant in his counter-argument, it is their set practice to take it up under the condition that the patent invention and the known technology fall within the same scope.

What about the case where the patent invention is different from the publicly known technology, but the former is obvious from the latter, or lacks the inventiveness? In such a case, the Court has followed the practice

of not taking account into inventiveness (Tokyo District Court Case No. (wa) 7998 of 1980).

There is a theory that the Court should judge only the identicalness and should let the Patent Office assume the responsibility of judging the similarity with the known technology or the inventiveness in their invalidation proceedings because it is not practical to place the burden on the judges with insufficient knowledge of specialized technical fields to judge the height of invention. [Nakayama, N. : "Patent Infringement Suit and Publicly Known Technology", Tokkyo News 81-11, pp. 17-18 (in Japanese)]

Where the probability of the patent being deemed as invalid by the Patent Office is great, there are decisions which dismissed the case of preliminary injunction (Osaka District Court Case No. (yo) 52 of 1981) or which negatively held that claims should be strictly interpreted word by word (Tokyo District Court Case No. (wa) 5875 of 1977). This may be signs of a gradual change in the policy of the Court that they would not at all judge the inventiveness of an invention. Confirmation of the scope of right and claim interpretation which falls within the arbitrary power of the Court always entails interpretation of equivalency. This interpretation also covers the judgement of whether the invention is easily surmisable or not (predictability). Thus there is little significance of excluding judgement on inventiveness from those made by the Court.

The publicly known portion of a defective patent should belong to the mass, and the exercise of such a patent right covering paid portion should be restricted in view of the public interest. Based on the above view, all the patents which are found to have any one of the grounds for invalidation as enumerated in Article 123-1 of the Patent Law should be viewed in the light of the publicly known technology. We look forward to the future decisions along this line.

4.0 Footnotes

Note 1): Tokyo District Court Case No. (wa) 14345 of 1969
Saga District Court Case No. (yo) 139 of 1967
Tokyo District Court Case No. (wa) 2387 of 1972

Notes 2) &3): Case concerning handling of the patent for which the term of exclusion has expired. Decision was rendered without considering the term of exclusion.

(1) Osaka High Court Case No. (ne) 603 of 1970

Decision dated February 10, 1976

Re: Apparatus for Braiding a Metallic Woven Basket

Appeal Trial for Osaka District Court Case No. (wa) 412 of 1967

This utility model was filed on March 27, 1959, registered on May 31, 1962 under the 1959 Law (hereinafter the New Law), and the present utility model right (hereinafter the present Right)was deemed to be the right under the New Law.

The decision held that the scope of the present Right should be defined based on the scope of Utility Model Claim as claimed in the specification appended to the application, that the principle of no one being allowed to demand a trial based on the same facts and the same evidence (Article 167 of the Patent Law to be applied mutatis mutandis under Article 41 of the Utility Model Law) is a rule prohibiting repeated demands of the invalidation trial for the same registration and therefore is not applicable to the patent infringement suit, that the Court may judge based on the public knowledge, and that all of the components of the present Right were publicly known and used at the time the present utility model application was filed.

It held that the authority of invalidating a registration rested with the Patent Office and not with the Court even if the utility model right contained a cause for being invalidated. It further held that the counter-argument based on so-called free technical standard could not be adopted because this handles de facto right as invalid.

The Court defined the technical scope of the present Right in the narrowest possible way on the ground that not limiting the scope of right which contains a ground for invalidation in absence of the invalidation decision was contrary to the intent of Article 1 of the New Law which is one of the purposes of the Law.

(2) Osaka District Court Case No. (wa) 5686 of 1977

Decision dated May 27, 1983

Re: Apparatus for Loop Line for Transporting Golf Bags at Golf Courses

A case which held that it was not permissible to interpret the technical scope of utility model registration by limiting it to a portion of components which had novelty and inventiveness based on the presence of publicly known technology which describes the other portion of the components of the invention.

Regarding allegation of the defendant concerning the first product that "the technical scope of the utility model registration should be defined by limiting it to the portion with novelty and inventiveness and by excluding the portion of the components which is publicly known", the decision indicated that the reason why the technical scope of the present utility model right (hereinafter the present Right) should be interpreted limiting the technical scope is not disclosed in the specification, and therefore the defendant's first product is included in the technical scope of the present right.

As for the allegation by the plaintiff that the "U groove system" adopted for the defendant's second product where the tracks are connected and buried underground and the "Open System" where the same tracks used

for the present Utility Model are supported by a plurality of posts erected on the surface of the course have the identical construction and therefore the two systems are equivalent to each other, the decision indicated that "U groove system" did not demonstrate the effect of the "Open System" and had the unique effect which was not present in the "Open System", thereby denying the plaintiff's allegation for equivalency, and that the defendant's second product did not fall within the technical scope of the present Right.

(3) Osaka District Court Case No. (wa) 1526 of 1972

Decision dated March 11, 1977

Re: Fastener

A case where the technical scope of a patented invention was interpreted by reduction because of the publicly known W. German Utility Model dated prior to the priority date of the present application, and the portion belonging to the publicly known technology was held not to belong to the technical scope of the patent invention.

Based on interpretation of the Claims, construction of the present invention was deemed to be characterized by the provision of "accommodation" and "spacing" to the fastener in order to solve the technical problems in the publicly known bearing joint mechanism.

Although said prior reference does not carry the description of "accommodation" and "spacing", it is inevitable in the manufacture to provide "accommodation" and "spacing" and the resulting effect is not so different from the effect of the present invention. As the specification of the present invention lacks description of concrete dimensions and unique effects of "accommodation" and "spacing" required for obviating the problems of the present invention, the present invention product "A" was held to belong to the category where the "accommodation" and "spacing" are

unavoidably present in the manufacture from known examples, and the scope of right of the present invention did not extend to those which were unavoidable in manufacture.

(4) Osaka District Court Case No. (wa) 3976 of 1973

Decision dated March 28, 1975

Re: Apparatus for Removing Rust from Wire Materials

A case accusing infringement of Utility Model Registration No. 975457 by the defendant's device which crosses the sliding circumferential surface of the wire brushes in the advance direction of the wire and rotates the same sequentially in order to remove rust. The claims of said right defines the subject to removing the rusts by rotation in the reverse direciton, but the plaintiff asserted that rotating in either direction was equivalent to each other. Advancing the wire in a certain direction and reversing its rotation as the need arises in slidably pressing the wire brush was a known technical thought.

Therefore, the present utility model registration contains no novel matter in the light of the technical standard prevailing at the time of filing. The Court indicated that such a utility model remained a device as described in the claims and did not extend its effect over the scope of equivalency, thus placing the defendant's apparatus outside the scope of right.

(5) Supreme Court Case No. (O) 659 of 1972

Decision dated June 28, 1974

Re: Shutter Apparatus for Compact Camera

Infringement Suit based on a Patent Right which Includes Publicly Known Portion

The present patent right is related to an automatic shutter apparatus for compact camera under which several Japanese photographic industry companies such as Nippon Kogaku, Canon, Asahi Kogaku were licenced. Having failed to reach an agreement over license conditions with defendants, the plaintiff (appellant) took the matter to the Court. In the infringement trial, the defendants cited the fact that a publication (US Patent Specification) had been received by the Patent Bureau Library prior to filing of the present patent invention. [Provided, however, no demand for invalidation trial had been made during the term of exclusion under the Taisho Law (Article 85-1 of the old Law),]

The decision held that "since the patent right is granted to a novel industrial invention, the portion which had been publicly known at that time could not have been deemed as a novel invention. In determining the technical scope of a specific patent invention, therefore, it is reasonable to understand that the portion publicly known at that time can be excluded to define the novel technical

thought", and approved the judgement of the lower court that the appellee's product did not belong to the technical scope of the present invention because of the differences in their construction and operational effect.

This case dismissed the patentee's unreasonable demand by reducing and interpreting the scope of the patent claims for the present patent invention for which the term of exclusion had expired and for which demand for invalidation trial had become impossible. The decision may be deemed as following suit of the Supreme Court Decision dated December 7, 1962 (Case No. (O) 464 of 1961) which held that "the portion publicly known at that time could not have been novel" in recognizing the scope of right in the light of the technical standard prevailing at the time of filing the application.

(6) Tokyo District Court No. (wa) 12843 of 1970

Decision dated September 29, 1972

Re: Work Gloves

A case which recognized the petition of confirmation of absence of the right for injunction because the work gloves manufactured and sold by the plaintiff did not belong to the technical scope of defendant's utility model registration No. 721100.

It was recognized that the structure of darning the periphery of the work gloves by placing the thread in zigzag was plublicly known as single sewing mode of an over-lock-machine, and held that "all the components of the present utility model are recognized to be publicly known. However, so long as the present utility model exists as a right, it is not possible to handle this right as containing nothing or to deem the registration as essentially invalid; then it is reasonable to interpret the present right in the narrowest possible way as having the word-by-word content as described in the published copy of the present utility model."

(7) Tokyo District Court No. (wa) 2557 of 1979
Decision dated November 26, 1980
Re: Pot for Drinking Water

A case where the demand for injunction and claim for damages based on the patent right for "Pot for Drinking Water" was excluded as the object of injunction did not belong to the technical scope concerned.

Concerning the patent claim comprising as one of the components a container inserted within a pot being divided into a cathode chamber and an anode chamber by a porous partition wall, the object in which the porous partition also acted as a container was disputed whether it was included in the technical scope of the former. Since the second invention was ~~prior~~ dated to the present patent and the container doubled also as a porous partition, the decision held that although to deem the sum of the patent invention the same as described in the claim would reduce it to be identical to the prior utility model and therefore to have a cause for invalidating the patent, it was reasonable to interpret the invention by limiting it to the embodiment(s) concretely disclosed in the specification, since the patent is treated as valid in the trial.

(8) Osaka District Court Case No. (wa) 4423 of 1977
Decision dated December 14, 1979
Counter Claim Case No. (wa) 1909 of 1978
Re: Apparatus for Supporting Chair Frames, etc.

In manufacturing and selling the support apparatus for fold-type bed, the plaintiff brought a suit asking for confirmation that the defendant had no right for injunction for his product. The present invention (Japanese Patent Publication No. 16156 of 1977; Japanese Patent No. 510873) was found to be substantially identical to that disclosed in the German Utility Model No. 1794881 dated prior to the filing of the invention. Since the W. Germany Utility Model was in the state of a copy in 35 mm negative film, the crucial points in the present dispute was whether or not it could rightly be understood as a "publication circulated" as defined in Art. 29-1-3 of the Patent Law, and that 5 years had elapsed since the date of registration of the right at the time the present suit was filed, thereby causing the patent to be subject to no demand for invalidation.

The decision indicated that the negative was to be interpreted as to have become a "publication circulated" at the time it was sent to Patent Dienst in West Germany, and that expiration of the term of exclusion was a separate matter from interpretation of the technical scope of the patent in view of the publicly known fact.

Thus, the decision held that the defendant had no right for demanding injunction since a patented invention all components of which were publicly known is to be limited to the technical composition disclosed in concrete form in the embodiments.

(9) Nagoya District Court Case No. (wa) 1941 of 1974

Decision dated November 26, 1976

Re: Glass Container with Legs

A case where the parties to the patent opposition settled amicably (by withdrawal of opposition & joint ownership of the right) while being aware that the patented method lacked novelty, and then sued a third party for the infringement of their right.

When the present patent method related to the application in the name of B, one of the joint owners, was published, C, the other of the joint owners, filed an opposition on the grounds that (a) the present patent method lacked patentability because the container could be easily manufactured from the Patent No. 122136 (Method for Manufacturing Glass Containers), and that (b) they had been practicing the method equivalent to the present patent method prior to the filing by using the metal moulds bought from X, not a party to the case. The defendant A filed an opposition that (C) the present patent method could be easily surmised from the description of the specification of USP No. 2289999. However, the defendants A, B and C filed the report of change in the name of patent applicants by attaching a copy of an Agreement that they will jointly own respectively 1/3 of the right to receive a patent, and

the defendant A and the joint owner C withdrew the opposition.

The decision held that "if a patent right is obtained by entering a contract for joint ownership of a right to receive a patent under the patent application with the patent applicant having withdrawn an opposition even though the opposer knew that the application method had no patentability, then exercising the right for demanding injunction under this patent right was unreasonable and should be called an abuse of right."

(10) Osaka District Court Case No. (wa) 412 of 1967

Decision dated April 17, 1970

Re: Apparatus for Braiding a Metallic Woven Basket

The plaintiff A filed the present UM application on March 27, 1959, had the application published on January 23, 1962 (UM Publication 997 of 1962), and registered as a utility model on May 31 of the same year under the number 571193. The plaintiff A had the transfer of the right A to B, the defendant company, by assignment registered in 1966.

The defendant D manufactured some 70,000 metallic woven baskets as containers for floss, sold all of them to the defendant E (Hankyu), who sold it to the defendant F (Kanebo). A demand for invalidation of the present utility model was filed with three parties as demanders which included one party outside this case (Trial No. 1456 of 1967) against the defendant A as the demandee, but the trial decision was that the demand had no grounds.

The Court deemed that a metallic woven basket having an identical structure as the present Utility Model was publicly known and used prior to filing of this UM application, that the technical thoughts described in the claims of this UM registration were all known, that it was impossible to recognize any novelty in conceiving an idea for solving the problems, and that there was not even a

room for interpreting the meaning of the claim in a limited way as asserted by the defendants.

In other words, the technology which had been publicly known and used at the time of filing belongs to the mass, and in view of the grand principle of the civil code that the private right is subordinate to the public interest, the exercise of exclusive right is not free of restrictions, and it is not allowed to exercise the right of prohibition over the third parties. The third party's use of the technology is understood to infringe no right.

UPDATE ON THE U.S. INTERNATIONAL TRADE COMMISSION AND SECTION 337 ACTIONS BROUGHT BEFORE IT

By Thomas Langer

The U.S. International Trade Commission ("ITC") has been the subject of at least two PIPA papers. In 1980 in a paper entitled "Patent Litigation and Licensing before the U.S. International Trade Commission" Edward Dreyfus comprehensively discussed actions brought under 19 USC 1337(a) (referred to hereinafter as "Section 337"). Then in 1983 Francis A. Paintin brought the Dreyfus paper up-to-date in his presentation entitled "Recent Developments and Changes in Section 337 Actions before the United States International Trade Commission".(1) Although only one year has passed since then, so much has transpired in the ITC that a further update was thought to be worthwhile.

I have attempted to be as current as limitations of practicality permit. The case law and administrative procedures(2) have been reviewed up to October 15, 1984. In fact, a discussion of a soon to be decided case(3) is also included because of the interest in the issues it raises. To satisfy my own curiousity as well as possibly that of the reader I undertook a statistical study of investigations brought by the ITC. I have heard and read various numbers, but have never seen anything which could be considered authoritative. I turn first to the latter.

STATISTICS ON ITC INVESTIGATIONS

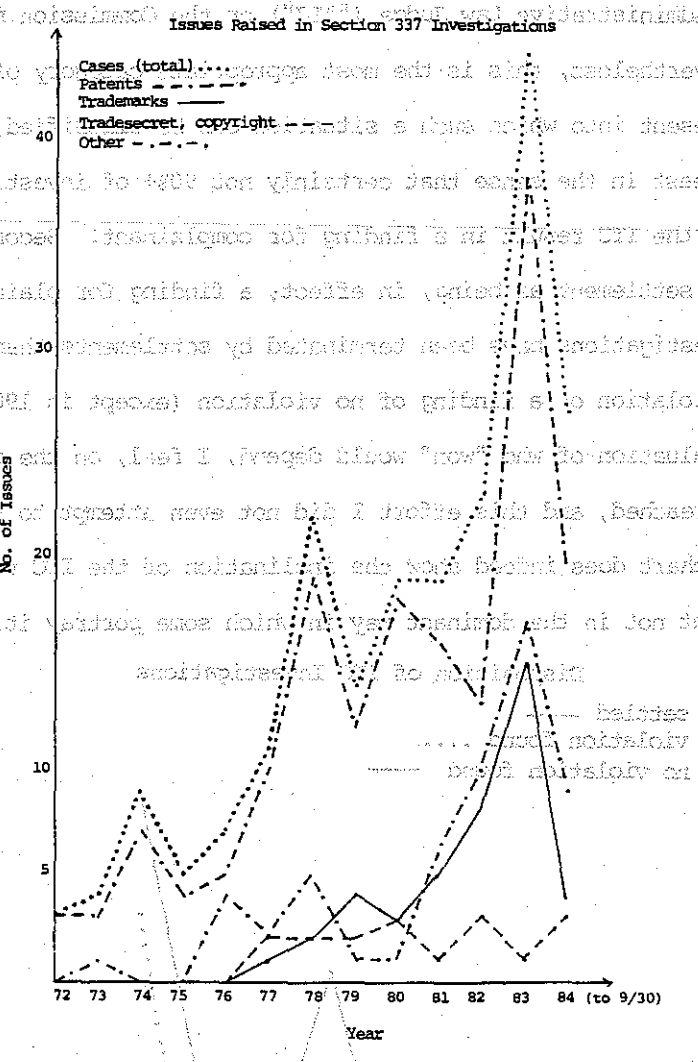
In attempting to learn more about this subject, I discovered that curiously enough even the ITC itself publishes no overall statistics about its activities. However, the staff readily sent me an internal report(4) describing the essentials of each investigation. I converted this raw data into the charts presented below. In so doing, some interpretation and judgement calls had to be made. For example, a selection of what is "high" technology as opposed to "low" technology had to be made based on only the name of the investigation which, in the case of ITC investigations, is

typically the actual name of the imported goods. I do not intend to analyze in detail each of the charts, but some observations will be made.

The ITC has initiated 205 investigations of which 28 have yet to be ruled upon. The chart below graphically illustrates how dramatically the workload has increased recently. From an average of 18.5 investigations started in the years 1978 through 1981, the case load rose to 23 in 1982, 44 in 1983 and 27 through September 30th in 1984. This has necessitated an increase in staffing (discussed below) since, regardless of the workload, by statute investigations must be completed within one year (18 months in complex matters) of the publication of notice in the Federal Register on the investigation being brought before the ITC. This chart also illustrates the evolution in the nature of the investigations. Patent issues still predominate, but more and more of the investigations involve other issues as well. (The reader will note that a summation of the numbers for each issue may exceed the total number of investigations because a multiplicity of issues can be raised in each investigation.)

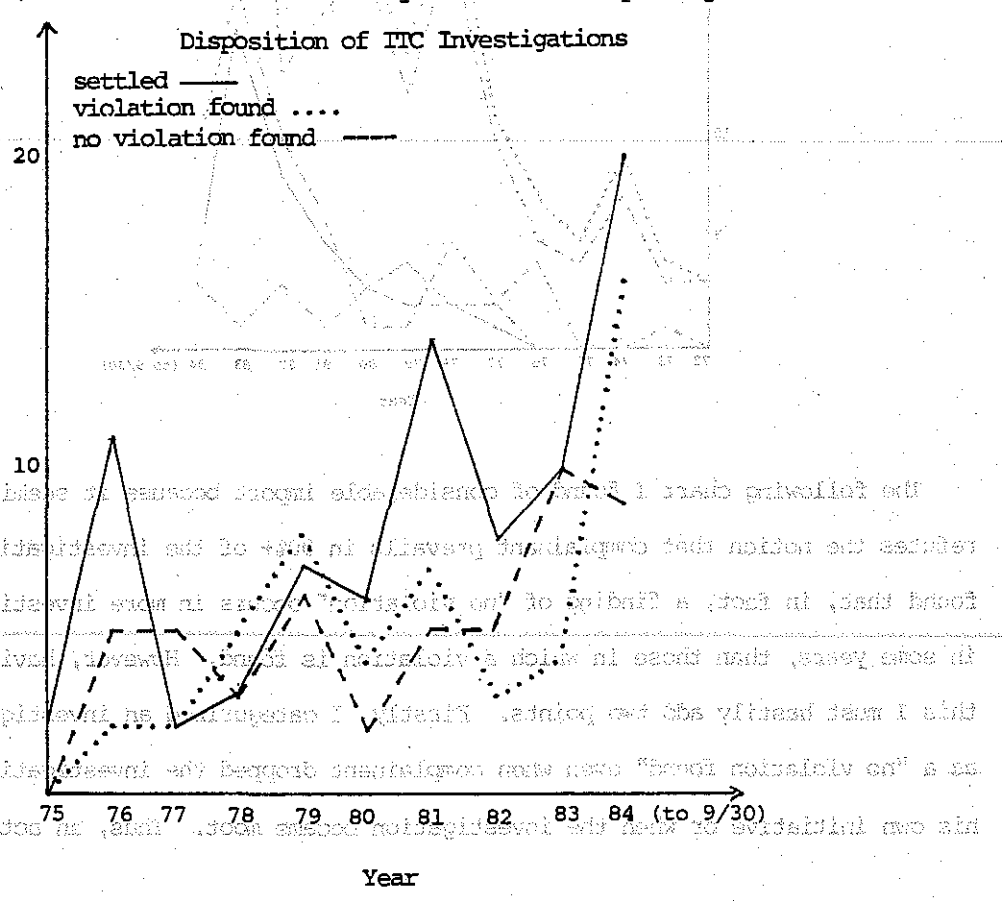
Below is a listing of all the unfair acts considered under Section 337 by the ITC and listed in the above-mentioned internal ITC report.

Breach of Contract	Patent Infringement
Collusive Bidding	Passing or Palming Off
Combination or Conspiracy to Monopolize and/or Restrain Trade	Pricing Allegations
Contributory Infringement	Refusal to Deal or Sell
Copyright Infringement	Reverse Palming Off
Failure to Mark Country of Origin	Trade Dress Misappropriation
False Advertising	Trademark Infringement
False Designation of Origin	Trademark Dilution
False Labeling	Trade Secret Misappropriation
Induced Infringement	Tortious Interference with Contractual Relations
Product Disparagement	Unfair Competition

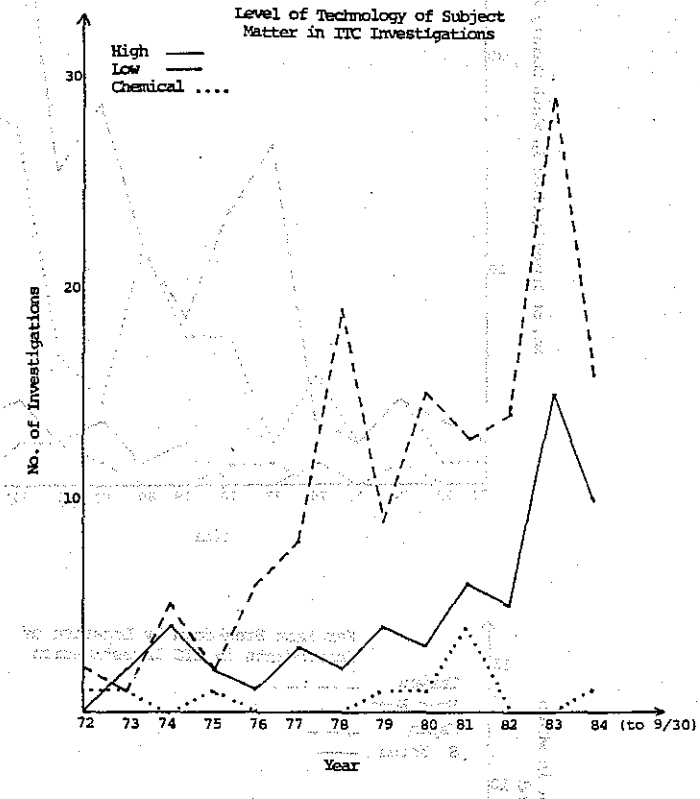


The following chart I found of considerable import because it seemingly refutes the notion that complainant prevails in 90%+ of the investigations. I found that, in fact, a finding of "no violation" occurs in more investigations, in some years, than those in which a violation is found. However, having said this I must hastily add two points. Firstly, I categorized an investigation as a "no violation found" even when complainant dropped the investigation of his own initiative or when the investigation became moot. Thus, an actual

finding by an Administrative Law Judge ("ALJ") or the Commission may not have been made. Nevertheless, this is the most appropriate category of the ones I selected to present into which such a situation can be classified, and it is revealing at least in the sense that certainly not 90%+ of investigations brought before the ITC result in a finding for complainant. Secondly, some may consider a settlement as being, in effect, a finding for plaintiff. Since 1980, more investigations have been terminated by settlements than either by a finding of a violation or a finding of no violation (except in 1983). However, an evaluation of who "won" would depend, I feel, on the specifics of the agreement reached, and this effort I did not even attempt to undertake. The following chart does indeed show the inclination of the ITC to find for complainant, but not in the dominant way in which some portray it.

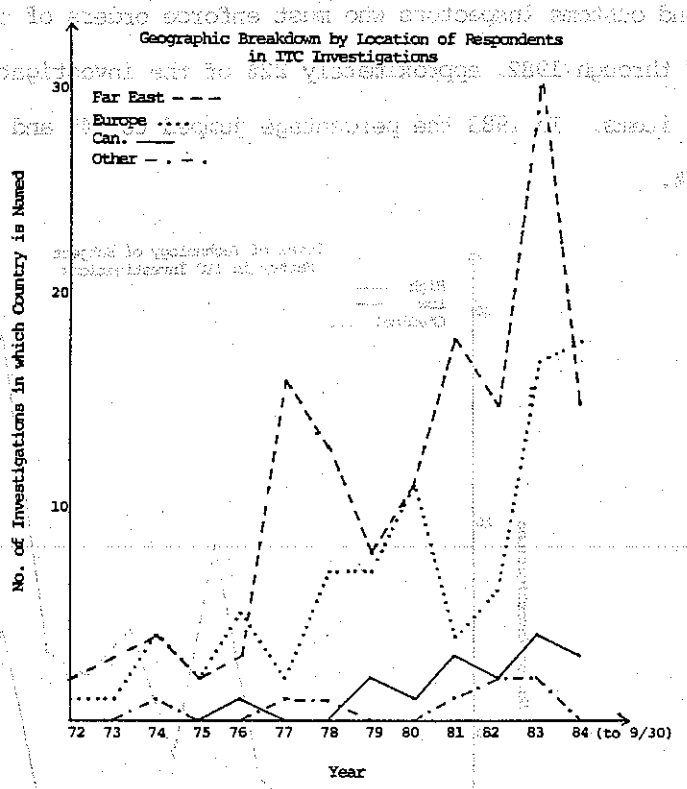


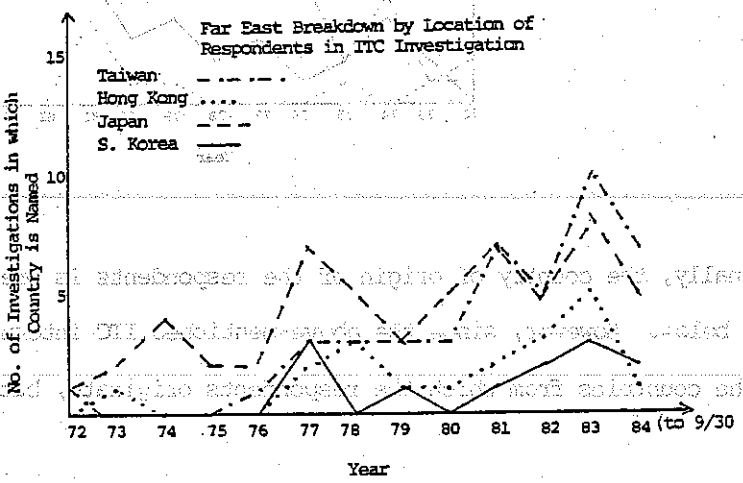
I felt the next chart may be of interest because it reveals the technical sophistication of the products at issue and is a barometer of the technical expertise required of the ITC staff responsible for investigating the subject matter and reaching a decision, lawyers who must advocate a position before the ITC, and customs inspectors who must enforce orders of the ITC. In the years 1977 through 1982, approximately 22% of the investigations involved high technology items. In 1983 the percentage jumped to 34% and to date in 1984 it exceeds 37%.



Finally, the country of origin of the respondents is presented in the two charts below. However, since the above-mentioned ITC internal report lists only the countries from which the respondents originate, but does not list the

origin of each of multiple respondents, the charts may not give a complete picture of country of origin. For example, in an action involving 21 respondents, 20 respondents might have been named from country A and only one from Country B, but the two countries are given equal weight in the statistics presented below.





CHANGES ON ITC STAFF

Significant personnel changes have occured on both the Administrative Law Judge ("ALJ") level and on the Commission itself. These are summarized below and personal biographies of the new Commissioners and ALJ's are appended to this paper.

ALJ's

Judge Janet D. Saxon replaced Judge Duval as Chief Adminstrative Law Judge.

Judge Duval has resigned.

New ALJ's:

James P. Timony

John J. Mathias

Paul J. Luckern

Commission

Dr. Paula Stern is now Chairwoman of the Commission, having replaced

Commissioner Eckes - Dr. Stern's term expires June 16, 1987.

Alfred E. Eckes is still on the Commission. His term expires on June 16, 1990.

New Appointees:

Seeley G. Lodwick - term expires December 16, 1991.

David B. Rohr - term expires December 16, 1985.

Susan W. Liebler - term expires December 16, 1988.

One position is vacant.

The new appointees have been serving for such a brief time period that it is too early to discern a trend in their rulings. However, this could be a period of adjustment and, therefore, some instability and possibly turmoil in the ITC at both the ALJ and Commission levels until the new appointees establish themselves. Dr. Stern committed herself to maintain an independent agency rendering decisions with a measure of predictabilty when she said

> "The world of business is without doubt unpredictable. Players in the marketplace face calculated risks on a daily basis. We, at the Commission, have a duty to avoid adding any unnecessary instability to the business environment. This objective can be met by always striving to clarify the level and economic principles underpinning our decisons, and then applying them consistently. I am committed to continue progress in this area.
> I plan to run an agency that continues to provide the public, the Congress and the Executive the very finest independent analysis. I believe that as an agency we can do better by making further improvements in our work product and I commit myself to this endeavor. We all recognize the need to respond as quickly as possible to Congress and the Executive with a quality product. But the value of our product is inextricable from its independent, nonpartisan character. So I also pledge to lead a Commission that is ever vigilant to protect its independent integrity."(5)

DEFINITION OF DOMESTIC INDUSTRY

Under Section 337, the existence of a "domestic industry" must be proven in order for the complainant to prevail(6). This wording first appeared in Section 316 of the Tariff Act of 1922 which is the predecessor statute to Section 337. Although no difficulty was then anticipated with the meaning to be attributed to these words at a time when U.S. industry manufactured its products domestically, this is no longer the case. Today, off-shore manufacture by U.S. corporations, for any one or more of several reasons, is a common fact. The Commission has ruled several times on the issue of whether a domestic industry exists when the product is manufactured off-shore by or for

the U.S. complainant. Four of these are rulings discussed in the above-mentioned Paintin paper.(7)

The most recent cases on this question are Microcarriers and Modular Structural Systems.(8) In Microcarriers, one patent covering a method and another covering a product were involved. The method was performed in the U.S. while the product was manufactured abroad. The Commission examined each patent separately and made two separate domestic industry evaluations. It found a domestic industry to exist for the method patent. However, as to the product it found that the domestic non-manufacturing activities and the resultant value added attributable thereto were minimal and inadequate to support a finding that a domestic industry existed. In so ruling, the Commission looked at 1) packaging - done abroad, 2) quality control - U.S. testing was considered "redundant", 3) value added - intra-company pricing rather than true value added was reflected in the 17% figure asserted by complainant, 4) R&D expenditures - these were related primarily to the other patent, 5) marketing activities - those alleged were minimally devoted to the product in question, and 6) product support - was "not of the same nature as the repair and installation activities found in Stoves ...".

In Modular Structural Systems, complainant had three patents covering a structural connector imported from Sweden in four component parts. The connector was used for attaching together aluminum extrusions of various types. Complainant's domestic handling of the patented article was essentially confined to a "minimal inspection" and sales activites. Therefore, to buttress its case, complainant argued that the relevant industry should include more than just the patented article; in this instance, it should include the combination of the patented connector with the aluminum extrusions it connects together. Thus, it was argued, the product of the

domestic industry is the combined modular connector-extrusions structure. Moreover, complainant argued that the U.S. value added should be calculated to include the value of the extrusions, purchasing effort, freight, customs duties and costs, inspection and quality control, installation and assembly, and profit. The ALJ found that a domestic industry existed, but the Commission reversed.

In its analysis, the Commission first sought to identify the industry at issue, and then to determine whether complainant's activities in that industry are adequate to characterize it as a U.S. industry. In reaching its decision, the Commission employed a three step analysis.(9)

Two steps are used to identify the industry. First,

> "The Commission has a longstanding practice of defining the industry in an intellectual-property-based section 337 case in terms of the article or articles resulting from the exploitaton of the involved intellectual property right...."

In a patent case, the Commission has interpreted this wording to mean that the Article must be covered by a patent claim(10). Having made this relatively definitive statement, the Commission expanded on (blurred?) it in its step two in saying

> "In certain circumstances, the realities of the marketplace require a modification of that principle."

As to what such "realities" are, the Commission went on to say

> "For example, it may happen that the article resulting from the exploitation of the involved intellectual property is not itself an actual article of commerce, but is physically incorporated in an article of commerce". (Citing Certain Personal Computers, 337-TD-140, March 1984.)

The Commission applied these two steps to the facts of the case at hand and concluded

"Applying that principle, it is clear that the 'industry' in this investigation should be defined in terms of FSD's #600 connector, which is protected by the claims of the patents.... No modification of the principle is required because it is clear that the FSD #600 connector is a separate article of commerce."

Thus, the Commission rejected complainant's attempt to characterize the product as including more than what is covered by the claims, namely the modular systems, and confined it to the connector.

The last of the Commission's three step analysis is explained as follows:

> "Having determined the industry in terms of the patented connector, it remains only to determine the nature and significance of FSD's activities in the United States with respect to the patented connector to determine whether there is an industry 'in the United States' within the meaning of Section 337 [footnote omitted]. As mentioned, FSD imports the #600 connector from Sweden in its four simple components, subjects it at best to a minimal inspection, and generally sells it to dealers in its four component parts. Such activities are insufficient to support a finding that there is an industry 'in the United States' within the meaning of section 337 as to the patented FSD #600 connector [footnote omitted]."

It further elucidated the above with

> "As to the value-added argument in this investigation, 'purchasing effort,' 'freight,' 'customs duties and costs,' and 'profit' are not includable in this analysis [footnote omitted]. As noted above, 'inspection and quality control' are minimal and 'installation and assembly' are only sometimes done by FSD [footnote omitted]. The value added is minimal at best."

This decision is significant for the following, in my view positive, reasons: one, it is the first on this question rendered by the Commission in

which the new appointees participated and, two, the Commission raised and decided this issue even though it was moot. This would indicate a desire by the Commission to clarify any confusion or uncertainty about its position. These two positive points are, unfortunately, counterbalanced in my view by the lack of adequate precision in its written opinion, for the reasons presented below, to provide complainants with a reasonable degree of predictability as to how the Commission will rule in other fact situations.

As to identifying the industry in patent cases, the resort to "realities of the marketplace" introduces a handhold for a complainant to grasp should his case be drowning due to lack of support in the claim language. It seems to open a Pandora's box for endless arguments specific to the particular situation, and of course they are all arguably different. It seems that clarity would have called for either a narrow approach limiting "industry" to only what is claimed or a broader one which includes that plus any product which directly competes with what is claimed (e.g. all vehicle toys which are battery- operated, all-terrain, and in a certain price range whether covered by the patent or not, as long as the patent covers one such commercial product).

On the "value-added" aspect of this question, the Commission has spoken with more clarity. It appears that more is required of complainant than his importation of the product. Some activity on his part must occur in the U.S. which is directly related to the product itself, and that activity must be significant. However, the Commission has not quantified what it means by "significant" or what the minimum percentage of "value added" must be to qualify the activity as a domestic industry. This, therefore, remains a source of unpredictability.

The Commission appears to have a way to go before Chairwoman Stern's goal of "predictability" is met on this issue.

As a final note, I understand that a soon to be decided case[11] has raised the issue of whether, in a patent infringement investigation, the domestic industry must be defined in terms of claimed subject matter. The Commission's opinion is due just before the PIPA Congress in Sendai and I hope to include it in my oral presentation.

EXCLUSION OF GRAY MARKET GOODS

The question of whether gray market (sometimes called parallel import) goods are excludable has not been ruled upon by the Commission as of this writing. However, it is nevertheless raised here because 1) it is a "hot" topic in the area of international trade, and 2) in a pending investigation[12] a decision by the Commission is expected by October 22nd (its administrative deadline which can, however, be extended as opposed to the one year statutory deadline which cannot). The opinion will be obtained promptly upon its release and a supplement to this paper will be made available, if possible, at the upcoming PIPA Congress in Sendai.

The following will provide background for the anticipated Duracell decision. Two recent cases will be discussed, with the courts having reached opposite conclusions on almost identical facts. In Osawa & Co. v B & H Photo[13], the U.S. District Court for the Southern District of New York granted a preliminary injunction to exclude cameras with the "Mamiya" trademark. Plaintiff is the registered owner of U.S. trademark rights in the "Mamiya" mark on photographic equipment. The equipment is manufactured in Japan by the Mamiya Camera Co. Defendant is a discount camera dealer

importing genuine goods of the same manufacture and bearing the same mark applied abroad by the foreign owner of the mark. Plaintiff sought relief under the "Genuine Goods Exclusion Act"(14) ("Section 526" hereinafter) as well as under Section 42 of the Lanham Act(15). Plaintiff was granted an exclusion order by the U.S. Customs Service in May 1982, but importation of such goods has nevertheless continued.

As to the trademark issue, under the Lanham Act, the court expressed the view that the principle of "territoriality" has generally replaced the principle of "universality". The latter, as applied for example in the Katzel decision(16), regards as lawful under trademark law the commercial use of a mark anywhere once it was lawfully applied in one country. However, this view has faded since the opinion by Justice Holmes reversing the lower court in Katzel(17) where he explained that the true significance of the trademark was not to indicate the origin or manufacture of the goods, but rather to signify the local business goodwill of the domestic owner of the mark. The District Court reiterated this view and expanded upon it in stating that the proper function of a trademark is to symbolize the domestic marketer rather than the foreign manufacturer. In this way the consuming public may rely with an expectation of consistency on the domestic reputation earned for the mark by its owner, and the trademark owner may be confident that his goodwill and reputation will not be injured through use of the mark by others. The repeal in 1962 of the earlier requirement of the Lanham Act that a plaintiff must show confusion as to "source of origin"(18) buttresses, in the court's view, this position.

The court also waived aside an argument by defendants on the "exhaustion" doctrine. Under the doctrine, the original markholder and his assignees can

control the goods in only one commercial transaction. The court noted, however, that this might be persuasive if no independent U.S. goodwill were represented by the mark. In this case, the court concluded that plaintiff had developed in the U.S. substantial goodwill separate and apart form the branded goods themselves.

As to the Section 526 issues, the court noted that Section 526 makes it unlawful to import into the U.S. any foreign goods that bear a trademark owned by a U.S. company. Defendants maintain however that the Customs Service violated its own, more restrictive, regulations in granting the May 1982 exclusion order. These regulations deny exclusion where the foreign and domestic trademark owners are in parent-subsidiary relationship or otherwise are under common ownership or control.(19) Plaintiff was in such a relationship to the owner of the mark elsewhere. The District Court, after stating simply that the defendants had not shown that the regulations were wrongly applied, then continued by questioning the "wisdom and necessity for such regulations".

> "The Customs regulations presume antitrust violation, without reference to market considerations, from the sole fact of common control of foreign and domestic trademark owners. I consider this unsound both as antitrust policy and trademark law."(20)

The above, plus the requisite showing by plaintiff of irreparable harm (which I shall not treat here) was considered sufficient to warrant a finding of entitlement to preliminary relief under Section 526 as well as under the trademark laws.

Three months after the Osawa decision, the U.S. Court of International Trade treated the same Section 526 issues in Vivitar Corp. v. U.S.(21). Plaintiff owns the "Vivitar" trademark in the U.S. for a variety of

photographic equipment. Plaintiff's subsidiaries market these goods outside the U.S. but were not licensed for the U.S. market. Third parties purchased abroad genuine goods bearing the mark and imported them into the U.S.

Plaintiff asserted its rights under Section 526 by bringing a declaratory judgment action to compel the U.S. Customs Service to exclude such gray market goods. As mentioned above, the Customs Service under its regulations refuses to exclude goods in a situation such as this where the trademark owner is affiliated with the foreign manufacturer. The court characterized this case as one which "presents a conflict between the expansive literal language of [Section 526(a)] and the much narrower construction contained in the legislative history and administrative practice". It added that the agency's construction must be upheld if it is a reasonable interpretation of the statute. After looking at the legislative history, the court concluded that the statute was enacted as a special remedy to protect American businesses that purchase the foreign trademarks of an independent foreign company from imports that violate the rights the American companies purchase. Thus, "the sole purpose of Section 526(a) was to resolve this problem" and the broad, literal reading advocated by plaintiff was found to be unacceptable.

The court refused to consider plaintiff's argument that gray market importers unfairly exploit its domestic goodwill on the ground that it is not a question with which Section 526(a) was intended to deal. The unfair exploitation of plaintiff's goodwill must be treated under the Lanham Act and by non-statutory law, and these were not before the court.

In summary, the Osawa court chastised the Customs Service for its regulations and found that gray market imports violate Section 526 while the Vivitar court upheld the Customs Service regulations as a reasonable

interpretation of the statute and found gray market imports not to violate Section 526 because the statute was enacted to treat a very specific problem and is, therefore, not properly applicable on a broad scale. Also, the Osawa court dealt with and found a violation of the Lanham Act while the Vivitar court did not consider this issue.

Because of the controversy regarding the regulations, the Customs Service is soliciting data[22] on behalf of the Working Group on Intellectual Property (WGIP) of the Cabinet Council on Commerce and Trade concerning the economic impact of gray market goods. In a telephone call to the WGIP on October 5, I was informed that data is still coming in and the report has yet to be drafted. I was also informed by another source that earlier this year suit was brought in the District of Columbia Court against the U.S. government by an organization called the Coalition to Presume the Integrity of American Trademarks ("COPIAT").[23] COPIAT has sued to compel the Treasury Department to change the Customs Service regulations. The parties are involved in pre-hearing skirmishing (motions, discovery, etc.) and it is not known when a decision can be expected.

The Commission will decide the Duracell case with the above as background and based upon facts which are classical for a parallel import type of case. Genuine Duracell batteries are manufactured and marked with the trademark in Belgium for sale only in Europe. However, U.S. and Canadian respondents import these into the U.S. Complainant has raised the following as issues: infringement of a registered trademark, misappropriation of trade dress, false designation and false description of origin, failure to mark the country of origin, and failure to identify the quantity or content of imported packages. The ALJ, Judge Duvall (who has resigned) found Section 526 inapplicable, agreeing with the Vivitar court, but did find trademark and other violations

based on his application of the "territoriality" principle, thus following the Osawa court. The Commission voted during the week of October 8th to issue a general exclusion order based on its finding of a Section 337 violation(24). Until its published opinion is released, however, the Commission's reasoning will not be known. Thus, its own position on Section 526 remains in doubt, but its adoption of the "territoriality" principle is likely.

SUBSTANTIAL INJURY TEST(25)

The Commission has a tradition of almost never declining to institute an investigation. Yet, on June 20, 1984 the Commission did just that against the recommendation of the Office of General Counsel and the Unfair Import Investigations Division on a complaint filed by the J.M. Smucker Co. Smucker alleged infringement of its registered trademark, infringement of its common law trademark, and false designation of origin and passing off. As to injury, Smucker alleged substantial lost sales, irreparable damage to its reputation and future ability to sell, and dilution of its goodwill.

In a 3-2 vote (Stern, Eckes and Lodwick against Liebeler and Bohr) the Commission declined to institute an investigation on the grounds that

> "the complaint and the attachments and supplements thereto did not include, as required by Commission rule 210.20(a)(8)..., data which would support the allegation that the effect or tendency of the importations or sales in question is to destroy or substantially injure an efficiently and economically operated industry in the United States."(26)

A significant split appears to exist at the Commission concerning the level of injury necessary to prevail under Section 337. It is without doubt that proof of injury is an "essential component" of a Section 337 action, requiring "proof separate and independent from proof of an unfair act"(27).

Certainly a good argument can be made that Smucker met this burden, at least for the purpose of initiating an investigation. After all, the complaint did allege lost sales due to infringements of various types by respondents. Even "a relatively small loss of sales" has been considered to establish "under Section 337(a), the requisite injury...".(28) In fact, even "mere conjectural and conceivable loss of sales has been held to have a tendency to substantially injure an industry."(29) Moreover, Smucker's complaint clearly alleged that infringement by respondents diluted its goodwill. This has been recognized by the Commission when it stated that "harm to intangible business assets" is "evidence of immediate and substantial harm to the domestic industry."(30) Goodwill was recognized therein as "a valuable, albeit intangible asset." Furthermore, Section 337 provides that "the Commission shall investigate any alleged violation of this section on complaint under oath". The Smucker complaint alleged a violation. In view of all of the above, which seems to be considerable support in favor of instituting an investigation, what is the Commission saying to the public in issuing this negative determination?

In attempting to extract something meaningful from the Commission's stance(31), we might regard it as a warning to potential complainants that the injury element of Section 337 actions must not be treated lightly. Also worthy of note from a review of the transcript of the Commission's briefing and vote is Smucker's data showing that its sales, production and net income were rising, and that retail prices charged by respondents were substantially higher than prices charged by Smucker. It appears that in such circumstances, convincing evidence of lost sales will be necessary to convince the majority that the requisite injury exists.

Further insight might be gained into Chairwoman Stern's vote in Smucker from her dissent in a previous case[32]. She found the evidence there insufficient to support a finding of immediate and substantial harm because despite the loss of some sales and potentially some lost goodwill, the industry was healthy and growing. In such a situation, complainant would appear to bear a heavy burden to establish injury before Chairwoman Stern.

REVISION OF COMMISSION RULES PERTAINING TO INVESTIGATIONS OF UNFAIR PRACTICES IN IMPORT TRADE

Numerous revisions have been proposed to the Commission's rules dealing with unfair practices.[33] The period for public comment expired June 25th. The writer has been informed by the Commission staff that the proposed revisions will be accepted in the near future substantially as proposed.

The revisions are primarily procedural and are not believed to merit an extensive discussion. The mere mention here of their existence should put the unwary reader on notice that he may be out of date.

The procedures for investigation involving request for temporary relief have also been changed[34]. Briefly, these changes are highlighted by the attempt to remedy a problem under prior Commission practice. Previously, at the institution stage, the Commission did not know how many respondents would be contesting the allegations in the complaint nor the substance and complexity of respondent's defenses. Thus, in its evaluation of the case for granting temporary relief, the Commission had to rely exclusively on complainants allegations. Under the new practice, respondents are permitted the opportunity to file a formal reply which is to be taken into account.

RES JUDICATA EFFECT OF CIVIL LITIGATION
ON A SECTION 337 PROCEEDING

A prior final judgment of a court in patent infringement litigation must be accorded res judicata effect by the ITC in a subsequent proceeding under Section 337.[35] The U.S. Court of Appeals for the Federal Circuit ("CAFC") so ruled in a case of "first impression."

A 1969 complaint filed in the Central District of California by Shur-Lok Corp., the patent owner, against The Young Engineers ("TYE"), alleged patent infringement by TYE. The complaint was dismissed with prejudice.

Shur-Lok filed a complaint with the ITC in 1981[36] alleging that six respondents, including TYE, infringed its patents. TYE moved for summary judgment prior to the hearing on the merits arguing that the res judicata effect of the district court judgment must preclude an ITC investigation. The Commission, after denial of the motion by the ALJ, found the proceeding to not be barred by the doctrine of res judicata. It also found the patents valid and infringed.

The CAFC recognized that an argument can be made against applying res judicata because the relief available in a Section 337 action (i.e. total exclusion of foreign infringing merchandise) was not available in the district court. The principle of "claim preclusion" (on which applicability of res judicata must rest here) which operates to bar a subsequent assertion of the same transactional facts in the form of a different cause of action or theory of relief therefore does not apply here. Nevertheless, the CAFC did apply res judicata by adopting the following more pragmatic approach:

> "It is correct that a Section 337 proceeding is not purely private litigation "between the parties" but rather is an investigation" by the Government into

> unfair methods of competition or unfair acts in the importation of articles into the United States. Significantly, however, any determination of unfair acts is dependent upon the private rights between parties in the position of complainant and respondent. The 1975 amendment of the statute which added the provision in Section 337(c), 'All legal and equitable defenses may be presented in all cases' was a major change which reflects a recognition that essentially private rights are being enforced in the proceeding. Were we to adopt the view that there is no bar to the reassertion of the same factual basis for relief simply because the Government is a party or the relief was not available in the first proceeding, we would effectively negate a significant defense which otherwise could be determinative of private rights. Moreover, if a complainant's infringement claim has been judicially settled and there is a legal right in the respondent to do the act claimed to be infringing, there would be no legitimate basis for the Commission's finding that such acts are 'unfair'. The additional requirements for relief in a Section 337 proceeding, e.g., that the patent must be the basis for a domestic industry, narrow the class of patent owners entitled to its benefits. Such requirements do not express an overriding independent governmental interest which insulates the Government from private defenses between parties, but rather these provisions restrict the instances in which relief can be granted.
>
> Thus, we conclude that where the 'infringment claim' which is the basis for the Section 337 investigation is a claim which would be barred by a prior judgment if asserted in a second infringement suit, that infringement claim may also be barred in a Section 337 proceeding."

The CAFC then noted that the question of whether the same infringement claim is being relitigated must still be resolved. TYE must show that the devices it is selling and which are named in the Section 337 action are the same devices as those involved in the 1969 patent infringement charge. Since TYE made no such showing, the CAFC concluded that res judicata had not been established, and affirmed the determination of the Commission.

*I gratefully acknowledge the able and enthusiastic assistance of my colleague at Schlumberger Limited, Lee Patch.

FOOTNOTES

(1) Other helpful sources of information are the 1982 APLA Quarterly Journal Vol. 10, No. 3 and the two volume treatis (updated as of June 1984) "International Trade Practice", by Kaye, Plaia and Hertzberg, published by Shepard's/McGraw-Hill.

(2) Search of available data sources and telephone conversations with ITC staff members.

(3) "Duracell Alkaline Batteries", 337-TA-165.

(4) "Section 337 Investigations since Trade Act of 1974" - September, 1984.

(5) Reaffirmation of Oath, Capitol Hill, Washington D.C., August 9, 1984.

(6) Section 337 (19 USC Section 1337(a)) states:
"Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sales by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or to substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful...".

(7) "Certain Ultra-Microtome Freezing Attachments", 337-TA-10, USITC Publication 771 (Apr. 1976); "Certain Airtight Cast-Iron Stoves, 337-TA-69, 215 USPQ 963 (USITC 1980); "Certain Miniature, Battery-Operated, All-Terrain, Wheeled Vehicles", 337-TA-122, USITC Pub. No. 1300, UI.T.R.D.1920; and "Certain Cube Puzzles", 337-TA-112, 4SITC Pub. No. 1134 (1982), 4I.T.R.D.2102.

(8) "Certain Limited-Charge All Culture Microcarriers", 337-TA-129, 221 USPQ 1165 (USITC 1983) "In Re Certain Modular Structural Systems", 337-TA-164 Commission Memorandum Opinion, August 3, 1984, Pub. No. __ , _____ USPQ _____.

(9) I am indebted for at least some of the following discussion to an article by R.V. Lupo and Donna M. Tanguy titled "The Domestic Industry Requirement of Section 337: A Definitional Problem In View of Off-Shore Manufacture", to be published in the August, 1984 issue of the Journal of the Patent Office Society.

(10) See "Certain Miniature Battery-Operated, All-Terrain, Wheeled Vehicles", Inv. No. 337-TA-122, 4 ITRD 1920 at 1923.

(11) "X-Ray Image Intensifier Tubes", 337-TA-180

(12) "Duracell Alkaline Batteries", 337-TA-165.

(13) 223 USPQ 124 (S.D.N.Y. 1984). Note - volume is not yet published.

(14) 19 USC 1526. Section 1526(a) states, in pertinent part:
"Except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States....".

(15) 15 USC 1124. It states,, in pertinent part:
Except as provided in subsection (d) of section 1526 of Title 19, no article of imported merchandise which shall copy or simulate the name of...any domestic manufacture, or manufacturer, or trader,...or which shall copy or simulate a trademark registered in accordance with the provisions of this chapter or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured, shall be admitted to entry at any customhouse of the United States...".

(16) A. Bourjois & Co. v Katzel, 275 F.539 (CA2 1921), rev'd. 260 U.S. 689 (1923).

(17) 260 U.S. 689 (1923).

(18) 1962 amendment to Section 32 of the Lanham Act, 15 USC 1114.

(19) 19 C.F.R. Sections 133.21(c)(2), 133.2(d), and 133.12(d).

(20) Id n. 13 at page___.

(21) BNA's Patent, Trademark & Copyright Journal, Vol. 28, pg. 519, August 20, 1984, ____ USPQ ____.

(22) The solicitation for economic data was published in the May 21, 1984 issue of the Federal Register (49 Fed. Reg. 21453).

(23) Docket No. 84-390, filed Feb. 6, 1984. Other plaintiffs are involved. Also, private defendants have intervened.

(24) Source for this information is a member of the ITC staff in a telephone conversation on October 15.

(25) I am indebted for portions of the following discussion to an analysis of the Smucker case which appeared in the Sept., 1984 issue of "337 Newsletter I.T.C. Trial Lawyers Association".

(26) Contained in a one-paragraph letter from the Commission to Smucker's counsel explaining its determination.

(27) "Plastic Food Storage Containers", 337-TA-152 (Aug. 1984).

(28) In Bally-Midway Mfg. Co. v U.S.I.T.C., 714 F.2d 1117, 1124 (Fed. Cir. 1983).

(29) In re Von Clemm, 229 F.2d 441(C.C.P.A. 1955), dissenting opinion at pg. 447.

(30) "Coin-Operated Audio-Visual Games and Components Thereof", 337-TA-105 (Feb. 1982), Federal Register March 16, 1982 Commissioner Stern dissenting.

(31) It must be mentioned here that the Commision staff has indicated to the writer its bewilderment as to what the implications are.

(32) Id n. 30

(33) Federal Register May 11, 1984.

(34) 48 Federal Register 35386, Aug. 4, 1983 as corrected in 48 Federal Register 45544, October 6, 1983

(35) The Young Engineers, Inc. v U.S. International Trade Commission, Nov. 8, 1983; BNA's Patent, Trademark & Copyright Journal, Vol. 27 p. 52, Nov. 17, 1983.

(36) "Molded-In Sandwich Panel Inserts and Methods for their Installation", 337-TA-99

BIOGRAPHIES OF NEW ADMINISTRATIVE LAW JUDGES

Judge Mathias was an ALJ at the Federal Trade Commission. He has previously served as an ALJ at the Civil Aeronautics Board and as a trial attorney at the FTC. Judge Mathias received his J.D. from Georgetown University Law Center.

Judge Timony was an ALJ at the FTC. In the past he has held temporary assignments as an ALJ in other Federal agencies. His previous positions also include serving as a trial attorney at the Bureau of Competition and at the General Counsel's office of the FTC. Judge Timony has also been in private practice. He received L.L.M. and L.L.B. degrees from Georgetown University Law Center, and a B.S. in Commerce from Ohio University.

Judge Paul J. Luckern previously served as an ALJ at the Social Security Administration. Prior to that, his positions have included serving as trial attorney at the Department of Justice, associate and junior partner of a patent law firm, examiner at the U.S. Patent and Trademark Office, technical advisor to a C.C.P.A. Judge, and chemist and patent consultant in private industry. Judge Luckern received a L.L.M. and L.L.B. from the Georgetown University Law Center, a B.S. in chemistry from Georgetown University and a M.S. in organic chemistry.

BIOGRAPHICAL DATA May, 1984

SUSAN W. LIEBELER

Susan W. Liebeler was sworn in as a member of the United States International Trade Commission on April 20, 1984. The term will expire on December 16, 1988.

Prior to her appointment, Commissioner Liebeler was a law professor at the Loyola Law School in Los Angeles, Calif., where she taught courses in corporations, securities regulations and financial institutions. She has also lectured at advanced seminars on corporate and securities laws.

Liebeler, 41, served as special counsel to John W. R. Shad, chairman of the Securities and Exchange Commission from August 1981 until July 1982. She was also a visiting professor at the University of Texas Law School in Austin, during the summer of 1982.

In addition to her teaching responsibilities, Liebeler has served as a consultant to public and private organizations including the U.S. Price Commission, the Enrironmental Protection Agency and the U.S. Railway Association.

Prior to teaching, Liebeler was engaged for several years in the private practice of law in Los Angeles, Calif.

Liebeler began her law career in 1966 as a law clerk to Judge Gordon L. Files of the Court of Appeals for the state of California. She is a member of the California State Bar Association, the Los Angeles County Bar Association and the Womens Lawyers Association of Los Angeles.

Born in New Castle, Pa., Liebeler received her law degree from the University of California at Los Angeles and her bachelor's degree in political science from the University of Michigan in 1963. While attending law school, she was a senior editor of the Law Review and a member of Order of the Coif.

Commissioner Liebeler is married and has three children.

BIOGRAPHICAL DATA

SEELEY G. LODWICK

Seeley G. Lodwick of Iowa was sworn in as a member of the United States International Trade Commission on August 12, 1983. The term will expire December 16, 1991. Lodwick, 62, is the first Iowan to serve on the Commission since its inception in 1916.

Before his appointment to the Commission, Commissioner Lodwick served as Undersecretary of Agriculture for International Affairs and Commodity Programs between 1981 and 1983.

In 1980, Lodwick was co-director of the Farm and Food Division of the Reagan-Bush Committee and from 1977 to 1979, he was an agricultural consultant and farm manager.

Lodwick was Iowa administrator for Senator Roger Jepsen from 1979 to 1980. From 1962 to 1969, he served as state senator in Iowa and was elected president pro tempore from 1968 to 1969. He also has farmed and managed livestock and grain farms, and farm supply and grain elevator businesses.

From 1976 to 1977, Lodwick was an associate administrator of the Agricultural Stabilization and Conservation Service and before that he served as director of Government Relations for the American Farm Bureau Federation.

At the Department of Agriculture, Lodwick also held the positions of secretary to the Commodity Credit Corporation and executive assistant to the administrator, Agricultural Stabilization and Conservation Service from 1970 to 1973. Previously, he was the director of the Conservation and Land Use Division of the Agriculture Stabilization and Conservation Service from 1969 to 1970.

Lodwick is currently a member of the Iowa Farm Bureau, American Soybean Association, Iowa Corn Growers Association, Soil Conservation Society of America, Society of American Farm Managers, Society of Agricultural Consultants and Rotary International.

He was formerly a member of the Iowa Agriculture Promotion Board, Iowa Air Quality Commission, Food and Agriculture Committee of the U.S. Chamber of Commerce, Blue Shield of Iowa Board of Directors and the American Soybean Association.

During World War II, Lodwick served as a lieutenant in the First Marine Division.

In 1942, Lodwick received a B.S. degree in agricultural economics from Iowa State University. He and his wife, Pat, currently reside in Arlington, Va.

Commissioner Lodwick was born October 19, 1920 in Evanston, Illinois.

September, 1983

BIOGRAPHICAL DATA April 1984

DAVID B. ROHR

David B. Rohr was sworn in as a member of the United States International Trade Commission on March 27, 1984. The term will expire on December 16, 1985.

Before his appointment to the Commission, Commissioner Rohr served as staff director of the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives. In addition to his responsibility for staff work on tariff and trade legislation, Rohr was the House staff advisor on U.S. trade agreements and trade negotiations. He also served as the principal liaison with the U.S. International Trade Commission, the U.S. Trade Representative and other federal agencies responsible for administering U.S. trade agreement programs and trade statutes. From 1974 to 1980, he was a professional staff member of the Subcommittee on Trade.

Besides his experience as a congressional staff member, Rohr served with the executive branch of government as director of Trade Negotiations and Agreements Division, Office of International Trade Policy, Department of Commerce. When he joined the Department of Commerce in 1961, Rohr held the position as international economist in the Office of Commercial and Financial Policy until 1970.

Rohr spent a brief period in Denver, Colo., from 1959 to 1960, as supervisor of the Master Scheduling Staff for the Stanley Aviation Corporation.

Born in Hartford, Conn., on April 18, 1933, Rohr served in the Military Police Corps with the U.S. Army from 1953 to 1955. He is a graduate of Colorado State University and received a bachelor's degree in business administration and a master's degree in economics. In 1967, he was a National Institute of Public Affairs Fellow at Stanford University.

A resident of Laurel, Md., Rohr is married and has two children.

On Identity of Two Inventions Which Share the Same Specific Embodiment

Japanese Group, Committee No. 4
Subcommittee No. 2

Susumu YANAGIHARA, Fujikura Ltd.
Masato SUZUKI, Ricoh Company, Ltd.
Masao SHIMOKOSHI, Ajinomoto Co., Inc.
(Speaker)

Abstract

The Japanese Patent Law defines an "invention" as the highly advanced creation of technical idea(s) by which a law of nature is utilized (Art. 2(1)), and that this technical idea is embodied as a process or a product and described in the claims of the specification. The Law further defines that the claim(s) shall state only the indispensable constituent features of the invention(s) described in the detailed explanation of the invention (Art. 36).

This occasionally results, notwithstanding that two inventions have the same embodiment or example, in the two inventions being patented because these inventions are deemed to have the different constituents and therefore different technical ideas.

This granting of two patents implies double patenting as far as the embodiments common to the two inventions are concerned, and leads to several problems. Similar problems also arise when one of the inventions was described in a printed publication circulated prior to filing of the other invention.

This paper proposes solutions to such problems based on the first-to-file principle and the principle of exclusion of double patenting which form the basis of the Japanese Patent Law.

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1. Where the Problems Lie

The Japanese Patent Law defines an "invention" as the creation of a high level technical idea utilizing natural laws (Art. 2(1)), and further that this technical idea is embodied as a process or a product and is described in the claim(s) of the specification. In other words, the specification to be attached to a patent application must carry the detailed explanation of the invention and the claim(s) along with other matters, and the detailed explanation shall state the purpose, constitution and effects of the invention in such a manner that a person having ordinary skill in the art to which the invention pertains may easily carry out the invention. The claims must state only the elements essential to the constitution of the invention (Art. 36).

Thus, two inventions having the common embodiment may happen to be granted a patent each because these inventions are deemed to have different constitutions in claim(s) and therefore have different technical ideas.

Thut such two inventions should be granted a patent each means the existence of ~~double patenting~~ * two patents on one invention as far as the identical embodiment is concerned, and gives rise to several problems. In the case where one of the inventions was described in a printed publication dated prior to the filing of the other invention, similar problems also arise.

2. Actual cases

We shall cite a few actual cases of two inventions sharing the identical embodiment being granted a patent each because these inventions had different constituents in claim(s) and therefore different technical ideas, and of the case where one of such inventions was granted a patent even though the other invention had been described in a publication dated prior to filing of the first invention.

(a) The first case concerns the Tokyo High Court case No. (Gyo-na) 39 of 1955 where the applicant appealed the final rejection made by the Patent Office.[1] The High Court

correction as of November 9, 1984

decided December 11, 1956. The Supreme Court supported the Tokyo High Court in its decision dated July 11, 1958.

The inventions may be summarized in the following manner to facilitate understanding.

* Cited patent for which the application was filed earlier:
(Vitamin B_1) + (thiourea)
(provided, however, it had an example of (Vitamin B_1) + (thiourea) + (Vitamin C)).

* Subject application which is a later application:
(Vitamin B_1) + (thiourea) + (reducing substances other than thiourea)
(provided, however, Vitamin C is cited as an example of such reducing substances other than thiourea)

According to the specification of the subject application which is the later application, the invention relates to "a method of preparing durable injections containing Vitamin B_1 characterized in that the injection comprising Vitamin B_1 or containing the same as the main ingredient concurrently contains thiourea and reducing substances other than thiourea". ※"~~The injection containing Vitamin B_1 as the main ingredient~~" ~~means that of combined Vitamins containing Vitamin C, etc. in addition to Vitamin B_1, and~~ "Reducing substances other than thiourea" means reducing substances such as ascorbic acids like L-ascorbic acid or d-arboascorbic acid ....

The cited prior patent discloses "a method of preparing a stable solution containing Vitamin B_1 characterized in that the solution comprising Vitamin B_1 or containing Vitamin B_1 as the main ingredient also contains thiourea", and "the solution containing Vitamin B_1 as the main ingredient" as mentioned above means the solution of combined Vitamins containing Vitamin C, etc. in addition to Vitamin B_1.

While the prior patent lists the solution of combined Vitamins containing Vitamin C in addition to Vitamin B_1 as "the injection containing Vitamin B_1 as its main ingredient", Vitamin C in the subject invention is cited as a reducing substance and is the same as ascorbic acid. Therefore, the two inventions may at times be held as indistinguishable from each

* correction as of November 9, 1984

other in respect of their examples. However, the Tokyo High Court held that the two inventions were not the same since their constituents are different, and judged that the trial decision of the Patent Office be revoked and the later application be also patentable.

In this connection, the Patent Office had judged that the use of Vitamin C as a reducing substance to prepare the desired injection in the later application was not at all different from the use of both Vitamin B_1 and C to prepare the desired injection in the cited patent, and the two inventions were identical in this context.

(b) The second case concerns the Tokyo High Court case No. (Gyo-na) 10 of 1960 (decision dated January 19, 1967). The Supreme Court sustained the decision of the Tokyo High Court on July 10, 1975.

This case concerned a certain electro-communication system. Since the invention is related to a rather sophisticated and complex technology, we will introduce only the main point of the decision made by the Court. The Tokyo High Court held that "while it was undeniable that the two inventions at times overlapped with each other in their embodiments, they are not deemed identical so long as they have different constituents" in the claim(s).

Naturally, there are cases of decisions which indicated judgement contrary to the above. One such case is the Tokyo High Court's decision dated May 28, 1970.[2)]

The Patent Office's "Examination standards on Identity of Inventions" still maintains its position, even after rendering of the 1st and the 2nd case decisions, that "two inventions of which the specifications describe respectively the embodiment common to two inventions are deemed to be identical". We believe that such examination practice is correct and support the same.

(c) The third case is a decision rendered on June 28, 1977 by the Tokyo High Court case No. (Gyo-ke) 13 of 1976. This case concerns "A Percussive Machine for a Chisel and the like".

While the first and the second cases are involved with

the prior inventions already patented and the patent was cited against the invention for which the patent application has been filed, the third case had a GB patent specification cited which had been circulated prior to the date on which the patent application in issue was filed.[5]

Since the subject technology is somewhat complex, we will limit our explanation to the main point of the Court's decision. The Court held that "since the drawings attached to the cited reference (GB patent specification) were not design drawings and not to be recognized as having been drawn with practical measurement ratio for all the parts of the machine, the dimensions which the Patent Office trial decision had recognized were shown accidentally and did not give the technical disclosure of the invention".

The above mentioned three cases, particularly the third case, remind us of "Doctorine of Accidental Prior Use[3]" under the US patent practice.

3. Problems and their Solutions

3.1 Solutions ex post facto

We have already discussed the instances where, notwithstanding that two inventions sharing the same embodiment or example, two patents may co-exist, and the reasons leading to such instances. The presence of such two patents means ~~double-patenting~~ * two patents on one invention as far as the common embodiment is concerned. This is contrary to the principle ~~of exclusion of double-patenting, i.e.,~~ * of one patent on one invention.

Although we are not aware of any actual patent infringement suit concerning a ~~double patenting~~ * two patents on one invention case in such a context (partial double-patenting), we would like to presuppose the problems and their solutions.

Prior to considering possible solutions of the problems, we will discuss the past decisions which may prove to be a key to the solutions.

From the view point of distribution of the authority between administration and jurisdiction, a court decision reflecting one of the two extreme opinions says that "a patent having a reason for invalidating itself may also freely

* correction as of November 9, 1984

exercise its exclusive controlling right without any restriction from others until the Patent Office trial decision for invalidating the same becomes final and conclusive. Since granting of a patent is an administrative procedure and comes with a certain official power, even the Court can not disregard it. Therefore, the Court is not permitted based on its own judgement to restrict exercise of the patent right which is the legal effect of said administrative procedure without the final and conclusive judgement by the Patent Office trial for invalidating said right". (Yamaguchi District Court Decision dated September 30, 1964).

We should, however, note that both the first and the second cases discussed heretofore will not induce invalidation of the later patents so long as the invention is interpreted as the creation of a technical idea through the matters indispensable to the invention described in the claim(s).

The other of the two extreme opinions is represented by the decision[4] which concerns the case where all the constituents of the patented invention were found described in a foreign publication dated prior to filing of the patent application, and the period during which a demand for the invalidation trial based on a prior foreign publication (term of exclusion) had expired. This decision is also based on the distribution of the authority between administration and jurisdiction, and assumes the stand that the deciding of the technical scope of a patented invention without regard to the patent validity exclusively belongs to the authority of the Court dealing with the infringement suit. This view attaches more importance to the practical validity rather than to legal stability by holding a patent right substantially invalid which can no longer be invalidated by the Patent Office.

A defective patent may of course be invalidated by the invalidation trial at the Patent Office, and the Court may render its judgement after the judgement in the Patent Office trial. However, the extensive period before the Patent Office judgement becomes finally binding and suspension of court procedures over a patent which is known as defective would futilely prolong the court procedure. It is hoped that a

speedy resolution may be reached. In the event that a patent becomes invalid after a decision by the Court holding that a patent right remains valid until proven invalid having disregarded the publicly known technology, the alleged infringer would have to resort to the legal procedures twice or more in order to obtain relief in the re-trial. This is not desirable in view of litigation economy.

Thus between these two extreme instances, there are many cases where the Court judged substantially the validity of the patent based on various interpretation of the Patent Law aiming at an early and reasonable settlement of the case. Please refer to the report made today entitled "Restrictions on Exercising Patent Right ~~of Which Practical Application is Regarded Dubious~~ * on which Doubt Exists as to Validity".

The problems presupposed and their solutions in sum may be induced from the first-to-file principle and the principle of ~~excluding double patenting~~ * one patent on one invention, all of which form the basis of our Patent Law and/or the legal principles of interpreting the Patent Law as reflected in the above cases:

(a) The earlier application has already issued as a patent and still exists when the later application issues as a patent, the owner of the later patent may not practice the invention in respect of the common embodiment without a licence from the owner of the earlier patent.

(b) When two patents co-exist, a third party wishing to practice the invention in respect of the common embodiment merely needs to obtain a licence from the earlier patent owner without the licence of the owner of the later patent.

(c) In the event when the earlier patent expired and the later patent alone exists, both the owner of the earlier patent and the third parties may freely practice the common embodiment without the licence from the later patent owner.

(d) In the third case, any party may freely practice the invention of the machine with the same measurement ratio as those of the machine described in a prior art reference without obtaining the licence from the owner of the patent obtained by overcoming said reference.

* correction as of November 9, 1984

3.2 Solutions in advance

In the preceding section, we considered some problems and their solutions involved with the situations where two inventions embodied in the identical embodiment were patented and where an invention covering another invention which had been described in a publicly known publication was patented because the description in question was recognized as accidental prior disclosure. We will now examine measures which might prevent such a situation.

A method to prevent such a situation would be to maintain the examination practice at the Patent Office that "the two inventions should be deemed identical if embodiments common to both inventions are described respectively in the specifications", and to encourage prevalence of the solutions discussed in the preceding section at the Courts.

This is based on the idea that the applicant for the later patent application which has the same embodiment as the prior patent is expected to delete such an embodiment in the course of examination at the Patent Office. This is because if the applicant contests the rejection by the Patent Office by bringing the matter to the Tokyo High Court and spends time and money in having the patent issued on the invention which includes the embodiment which is the same as that of the earlier patent as in the case of the first or the second case, the portion relating to the embodiment in question would be a void right.

As regards an accidental prior use or disclosure, if such use or disclosure is held not to anticipate the subject invention, i.e., the invention is considered novel and thus patentable and issued as a patent, then would the accidental prior user or discloser (and the third party public) be able to practice the invention used or disclosed accidentally and earlier without the licence from the patent right holder? It is our belief that there arises no infringement of the subject patent even if the invention is practiced witout permission from the patent holder. We would welcome the opinions of the US members as to whether we are correct in thinking this.

Notes:

1) According to its specification, the present application invention relates in sum to "a method of preparing a durable Vitamin B_1 injection characterized in that the injection comprising Vitamin B_1 or containing the same as a main ingredient further contains thiourea and reducing substances other than thiourea", and said "injection containing the same as a main ingredient" means the injection comprising combined Vitamin injection containing Vitamin C and the like in addition to Vitamin B_1, and the "reducing substances other than thiourea" include substances as ascorbic acids and their salts such as L-ascorbic acid, d-araboascorbic acid, sulfite, sodium hydrogensulfite, sodium sulfite and Rongalit. Said specification is recognized to describe the synergistic effects of thiourea which effectively prevents deposition and coloring of Vitamin B_1 solution and reducing substances other than thiourea which prevent photo-decomposition of thiourea, thereby keeping Vitamin B_1 solution stable for a long period of time.

According to the published copy of the prior art reference, the cited invention relates in sum to "a method of preparing stable Vitamin-B_1-containing-solution characterized in that the solution comprising Vitamin B_1 or containing the same as a main ingredient further contains thiourea", and said "solution containing the same as a main ingredient" means combined Vitamin-solution containing Vitamin C, etc. in addition to Vitamin B_1, and said specification is recognized to describe that thiourea is characterized in its effect of keeping Vitamin B_1 solution stable by preventing sedimentation, coloring, etc. of the same.

Comparing the present invention and the prior art invention, we find that the two inventions are common to each other in that thiourea is contained in the solution comprising Vitamin B_1 or containing the same as a main ingredient (injection) in order to prevent sedimentation, coloring, etc. of the Vitamin B_1 solution. The present invention aims at overcoming the defect of the cited invention in that addition of thiourea alone tends to induce photo-decomposition; in other words, it adds reducing substances other than thiourea in order to

obtain Vitamin B_1 injection which is more durable and stable than the cited invention injection. The present invention may be described to come with different constituents than those of the cited invention, and therefore the two inventions should be regarded as different.

Since the cited invention, as aforementioned, lists Vitamin C as an additional ingredient in a combined Vitamin solution to be used as "a solution containing Vitamin B_1 as a main ingredient", and since the present invention recites Vitamin C as one of the reducing substances and is the same as ascorbic acid, there may arise instances where the two inventions are found indistinguishable from each other in any one of their examples. However, inclusion of Vitamin C in addition to Vitamin B_1 in the cited invention is not directly relevant to the purpose of Vitamin C addition of preventing sedimentation and coloration of Vitamin B_1 solution. Therefore, this can not be deemed as an essential constituent of the invention, and even if there happens to occur a situation where one example of said cited invention is indistinguishable from the present invention where Vitamin C is added as an essential reducing substance, this situation can not be held as a ground for deeming the two inventions as identical.

In conclusion, the present invention should be deemed as a different invention from the cited invention because it holds as an essential requirement for constituting the invention "concurrent inclusion of reducible substances other than thiourea in addition to thiourea". The Patent Office trial decision which rejected the present invention based on the view contrary to above should be called unreasonable, and therefore, should be revoked.

2) In an invention related to preparation of azo dyes by the coupling reaction of diazo component and coupling component, the present invention diazo component falls within the category of aromatic amines of the prior invention, while the prior invention coupling component falls within the scope of compounds represented by the general formula described in the present invention; the two inventions at times may

coincide with each other in respect of both diazo and coupling components. Since there are no specific limitation on operative steps for coupling reaction, it is clear that the present invention and the prior art invention at times may form the identical dye compound. Therefore, the two inventions are conclusively identical. The differences between the two inventions are not contradictory to the fact that the two inventions may at times comprise identical components and the identical dye is formed. The differences between the two inventions can not be held as a ground to revoke the above mentioned judgement that the two inventions are the same. (Tokyo High Court Decision dated May 28, 1970).

3) As for Doctorine of Accidental Prior Use, reference should be made to "Tokkyo Kanri (Patent Management)", Vol. 33, No. 12, 1543-1553 (1983) and J.P.O.S. July 1983, Vol. 64, No. 7, pp. 392-414, and J.P.O.S. November, 1974, Vol. 56, No. 11, pp. 687-698.

4) Interpreting the technical scope of a patent by various materials within the intent of Article 70 of the Patent Law truly belongs to the exclusive authority of the infringement suits. There is no rational reason to make an exception of a case where said material happens to be a publication circulated in countries other than Japan. The fact that said patented invention was publicly known from a foreign publication at the time of its filing is not to be eradicated, and it would be more than natural to deem this fact as a material for establishing the technical scope of said patented invention. Disregarding this fact just because 5 years have elapsed since the registration would result in disregard of the consideration and intent of the Court for limited interpretation as an exception of the technical scopes of all the patented inventions which were known publicly at the time of filing even though there may only rarely have been such a situation. It would also not be reasonable if the technical scope to be judged was affected by the timing of judging the same, i.e. if it was

prior or before the time point when the five year period after registration expired or not. (Osaka District Court Decision dated December 14, 1979).