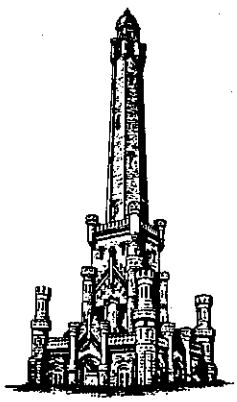
PACIFIC
INDUSTRIAL PROPERTY ASSOCIATION
太平洋工業所有権協会

PRESENTATIONS

The Sixteenth International Congress

Westin Hotel
Chicago, Illinois

October 9-11, 1985



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PROGRAM

WEDNESDAY, OCTOBER 9, 1985

7:30 a.m. REGISTRATION — Outside Cotillion Room North

9:00 a.m. OPENING CEREMONIES
Opening of the Congress — William R. Norris
Report on 1984 Activities — Akira Mifune
Installation of PIPA Officers for 1985
Keynote Address — Robert B. Benson, President of The American Intellectual Property Law Association (AIPLA)

Address by Honorable Mitsuaki Sato, President, JETRO, New York

Message from Honorable Donald J. Quigg, U.S. Commissioner of Patents and Trademarks

10:40 a.m. COFFEE BREAK

11:00 a.m. **REPORTS OF COMMITTEE NO. 1** — Procurement Law and Practice
Thomas Langer and Shigemitsu Nakajima, Chairmen

11:05 a.m. Amendments Enacted in 1984 to the U.S. Patent Statute and Proposed Patent Legislation
Donald W. Banner

11:30 a.m. Sufficiency of the Disclosure in the Anticipatory Prior Art
Takami Aoyama

12:15 p.m. LUNCHEON — Cotillion Room South

1:45 p.m. Significance of Criticality of Numerical Limitations in Claims
Masahiko Kato

2:10 p.m. Numerical Limitations in U.S. Patent Claims
J. Jeffery Hawley

2:35 p.m. Identity of Trademarks Considered from Trial Cases of Renewals and Cancellations by Non-Use
Kazuyuki Furukawahara

3:00 p.m. The New USPTO Disciplinary Rules
Frederick W. Padden

3:25 p.m. COFFEE BREAK

4:00 p.m. Introduction of The Internal Priority System in Japan
Makoto Hagiwara

4:25 p.m. U.S. CIP Practice
Lawrence T. Welch

4:50 p.m. Current Situation of Legal Protection for Computer Programs in Japan — Paper Presentation — Japanese Group

7:00 p.m. RECEPTION AND BANQUET — Hancock Center (95th Floor)
Presentation of PIPA Award to Martin Kalikow

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THURSDAY, OCTOBER 10, 1985

8:00 a.m. COFFEE — Foyer outside Cotillion Room North

8:30 a.m. **REPORTS OF COMMITTEE NO. 2** — Patent Licensing Law and Practice
William S. Thompson and Juro Ichimura, Chairmen

8:35 a.m. Panel Discussion: Collaborated R and D Works
PANELISTS

Richard Megley FMC	Katsuhiko Shimizu Ebara
Heinz Goretzky Westinghouse Electric	Kensuke Norichika Toshiba
Karl Jorda CIBA Geigy	Juro Ichimura Shin-Etsu

10:00 a.m. COFFEE BREAK

10:25 a.m. **REPORTS OF COMMITTEE NO. 3** — International Law and Practice
Paul D. Carmichael and Zenjiro Nakamura, Chairmen

10:30 a.m. Some Views on the U.S. Patent System from Foreign Applicants
Kenzo Hayashi

10:55 a.m. CAFC — Decisions and Directions of the Court
Maurice H. Klitzman

11:20 a.m. Information about the Patent Condition in the Peoples Republic of China — Paper Presentation — Japanese Group

12:00 p.m. BUFFET LUNCH — Cotillion Room South

1:15 p.m. BUS TOUR to Lake Geneva, Wisconsin

6:00 p.m. DINNER at Lake Geneva

9:00 p.m. Bus Return

FRIDAY, OCTOBER 11, 1985

8:30 a.m. COFFEE — Foyer outside Cotillion Room North

9:00 a.m. **REPORTS OF COMMITTEE NO. 3** — continued
Counterfeiting — A Global Look
Paul D. Carmichael

9:25 a.m. Recent Developments in Industrial Property Fields in Asian Countries
Hirohisa Suzuki

9:50 a.m. **REPORTS OF COMMITTEE NO. 4** — Dispute Resolution
William D. Roberson and Shin Ando, Chairmen

9:55 a.m. Technical Scope of a Patented Invention, the Claim of Which contains Numerical Limitations
Shin Ando

10:20 a.m. PIPA Award Acceptance
Martin Kalikow

10:30 a.m. COFFEE BREAK

11:00 a.m. Recent Court Decisions in Japan Relating to The Doctrine of Equivalents
Osamu Sato

11:25 a.m. Doctrine of Equivalents in Infringement Proceedings and Significance of Numerical Limitations
Warren W. Kurz

12:30 p.m. LUNCHEON AND CLOSING CEREMONIES — Cotillion Room South

CEREMONIES

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  President, JETRO, New York ----------13

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Opening of the Congress
by W.R. Norris
PIPA American President
October 9, 1985

It is my pleasure this morning to open the 16th Annual Congress of PIPA and to welcome you all to this windy city.

In the course of this week, you will see Chicago and perhaps visit some of its many, many highlights. Tomorrow night, you will see it from the 95th floor of the John Hancock Center which is just next door; lights beginning at the lake front and extending to the Western horizon in all directions.

Thursday, we will travel through some of the surrounding neighborhoods as we travel to Lake Geneva in Wisconsin for an afternoon of recreation and fun.

Chicago weather is always the topic. I think you have discovered why it's called the Windy City.

I'd like to comment, too, on the symbolism I think PIPA has to the Petoskey Stones which have been given out as a memento of this occasion. In their simple elemental form, the stones are souvenirs hunted by vacationers in Northern Michigan near a little town called Petoskey, which is how the stones happen to get their name. (This region is actually just north and across Lake Michigan from Chicago). The memento is a polished fossil in the shape of a mushroom which is set on the rough stone itself, and as the artist has created beauty in the polished stone, so do we, as Industrial Property Professionals, shape innovation to forms that can be appreciated and used by humankind.

Let me summarize my thoughts for the moment by reverting to one of my favorite forms of expression, Haiku. So:

Chicago Congress
PIPA Members Rendezvous
Opening New Doors

Working Together
Harmony and Unity
Visionary Challenges

Building Foundations
Intellectual Property
In Bonds of Friendship

With that, I open the 16th International Congress of PIPA; again, welcome to you all.

At this point, Dr. Mifune will give us a report of 1984 Congress activities of PIPA.

Report on 1984 PIPA Activities

Dr. Akira Mifune
President of the Japanese Group
October 9, 1985, Chicago

Good morning, distinguished guests and all the members of the Pacific Industrial Property Association. It is a great pleasure and an honor for me to participate with you as President of the Japanese Group in the opening ceremony of the 16th International Congress of PIPA and to report on our activities in 1984.

First of all, on behalf of all participants of the Japanese group, I would like to thank Mr. Norris and other Organizing Committee members of the American group and to extend warm greetings to all our American friends. This is the first time that we meet in the middle of the States so-called "Great Lakes Country" moving from the East Coast. Chicago is the second largest city in the States rich in heritage, and the Center of industries, commercial distributions and transportation in this continent. I have heard that it has been called "The host city in the State" because of its attractive scenery and strategical importance in business and "Windy City". It is very appropriate that we are invited here to exchange information and ideas relating to the industrial property system. We are also pleased to be welcomed by stormy rain which is to quite worthy another nickname "Windy City".

From another viewpoint, it is an event of great significance to have such a peaceful meeting at the year of the fortieth anniversary of the end of World War II, in order to find a way of collaboration in the industrial development from our mutual interests.

Although there seems to be some uncomfortable noises in the bilateral economic relations, we are sure that both sides can manage them reasonably and amicably before long and needless to say, we are clearly outside of this noise as before.

Today, I am very happy to introduce some of new members from Japanese group who have joined us for the past one year and, as a result, we have now 75 members in Japanese group. And totally we can count 148 members.

The 15th International Congress of PIPA, which was held in Sendai, North-East District of Japan, from 7th to 9th of November, 1984, was quite successful and 127 representatives including some observers from both the U.S. and Japan attended there. In addition to the informative and interesting presentation, boat tour through Matsushima Bay National Park was also a highlight, which entertained and refreshed us very much. After the PIPA Congress, PIPA America group also refresh the talking with JPO, as a follow up version of PIPA America group visit, February last year.

At the Congress, Mr. Shoji Matsui became the fourth recipient of the PIPA Award for his outstanding international patent and licensing activities, especially in the Pharmaceutical field.

The biggest event in the last one year was, needless to say, that the Patent Law became effective in The People's Republic of China on April 1, 1985. Before this, legislation of its Implementing Regulations was published on January 19, 1985. Japanese group collaboratively studied it as well as Patent Law itself together with Japanese Patent Association and sent many questionaire and comments to China Patent Office in order to clarify the details, which was followed by the visiting delegation of JPA to the China Patent Office middle of March and will be reported later at this congress. Although we still continue to pay attention to the future of this China Patent System and to do our effort assisting them to improve it into more harmonized and well developed level. This event have enormous value and immeasurable influence in the future development in the international transfer of technology as well as the industrial promotion in PRC.

For Japanese group, another big event was the Centennial Anniversary of Industrial Property System. In the presence of His Majesty, and over 2000 attendance. The memorial ceremony was solemnly held at the National Theatre in Tokyo on April 18, where Dr. Jorda, Mr. Bell and Mr. Smith were invited there as the representatives of PIPA U.S. group. Fairly big numbers of PIPA Japanese group members were awarded for their dedication to the development of Japanese industrial property system.

In WIPO, the heated debate arose as to the international protection for computer software and the grace period and both PIPA U.S. group and Japan group sent constructive comments respectively. In addition, Japanese group sent Mr. Ozawa, Yokokawa-Hokushin Electric, as a observer representing PIPA at the joint expert meeting of UNESCO and WIPO held from February 25 to March 1 in Geneva.

On the other hand, trilateral harmonization among USPTO, EPO and JPO took a big step forward to more practical approach. Two official experts meetings were held in Japan and the U.S., where the following several items were picked up as the comparative subjects.

1) Standardization of the application form (U.S.)
2) Protection of Biotechnological Invention (U.S.)
3) Unity of Invention (Europe)
4) Examination Standard for Computer Software (Europe)
5) Harmonization of Inventive Step (Japan)
6) Sufficiency of Disclosure (Japan)

In Japan, partial revision of Japanese Patent Law was legislated on May 29th. Certain articles corresponding to the revision of PCT became effective on October 1st and others relating to the introduction of internal priority system will be effective on November 1st. In this relation, the 1st committee of Japanese group will report later.

Last week, Japan Patent Association delegation to U.S.'s consisting of 30 members, mostly PIPA members, visited USPTO, ITC and CAFC. This was a return visit to the PIPA delegation to JPO, in February, 1984, and was collaboratively supported by PIPA American group. In order to understand U.S. patent system more deeply and precisely, we have exchanged views from vaious angles each other. We once again, wish to convey our sincere thanks to you for your kind advices and assistance to have had a fruitful meeting in Washington, D.C.

Finally, on behalf of all members of PIPA, I wish to express our great appreciation to Dr. Karl Jorda, the president of the American group during the year 1983-1984 and served as president of the whole association in 1983, for his contributions to the world industrial property field, especially in the U.S. and Japan.

Dr. Jorda, it is a real pleasure and an honor to present this plaque of citation and a gift as a token of our gratitude.

Congratulations to you and Mrs. Jorda!

Thank you.

KEYNOTE ADDRESS

Robert B. Benson, President
The American Intellectual Property Law Association(AIPLA)

Thank you for inviting me to be your keynote speaker. As a charter member of PIPA, I have observed over the years the great progress that you have made in developing a better understanding of our respective cultures, economic systems, and most importantly, our respective patent and trademark systems. I can recall addressing this organization at one of the first PIPA meetings in Japan about the advantages of the Patent Cooperation Treaty which had just been signed. Last year, Marty Kalikow talked to you about a much broader cooperation in the form of Harmonization of Patent Laws in the industrialized nations of the Free World. In between these events, there have been many meetings covering a wide variety of topics leading to, not only a better mutual understanding of the subjects, but also positive action to try to improve the laws and practices in the intellectual property field in both of our countries. Thus, PIPA has and continues to fulfill the goals of its founders and I am confident that it will continue to make significant contributions in the future.

The future of intellectual property systems and the part that your organization might play in the enhancement of these systems is the subject I would like to address briefly today. We have had the Paris Convention for over 100 years, and the Patent Cooperation Treaty and the European Patent System since the

late 1970's. The success of these systems has clearly shown that cooperation among countries in the patent field is not only possible--it produces good results with no substantial detriments to the systems in the individual countries. In fact, in many cases, it improves the systems in individual countries. However, there is much more that can be done to improve the situation. For example:

1. More can be done to make the procedures for the preparation and prosecution of patent applications easier and more uniform. The goal that was established at the Patent Cooperation Treaty whereby the original patent application could be completely prosecuted in a single Office before any work is required on a corresponding application in other countries is still a laudable goal and should be pursued. The recent changes in the Patent Cooperation Treaty procedures are a positive step in this direction.

2. Further uniformity or harmonization in substantive patent law is desirable, but difficult to achieve in the short term. I am well aware that there are certain major problems in this area such as the "first to

invent" vs. "the first to file" philosophical dispute. However, there are other areas of difference that could be standardized in the interest of harmonization. For example, a uniform standard of invention (novelty) and a universal agreement of what subject matter can be patented could be agreed to with minimal adverse implications to the countries involved. In this area, we should continue to move forward step by step and not wait until all the issues are resolved before taking action.

In the area of enforcement of patents, I don't hold out much hope for harmonization. Enforcement is really in the hands of the Judiciary, which is much more difficult to control or change than the Patent Office rules or procedures. This is the way that each country can maintain its traditions of patent utilization while simplifying the granting procedures. However, if we had more standardization in the Patent Law in various countries, it might lead to more uniformity in enforcement of patents over a period of time.

The PIPA organization should be complimented on the accomplishments that they have achieved over the last few years in the area of cooperation between patent systems in our two countries. I especially refer to the meetings last year between patent practitioners in the U.S. and the Officials of the Japanese Patent Office and the recent meetings between Japanese practitioners and Officials from our Patent & Trademark Office. These meetings where Patent Officials listen to the legitimate concerns of their customers from foreign countries is bound to have a positive impact on the patent system.

The tripartite negotiations presently going on between the United States, Japanese and European Patent Offices relative to automation and making the prior art data bases of each Office available to the other Offices, if successful, is going to result in significant improvements in the quality and reliability of the three involved Patent Offices. The automation of the U.S. patent system alone is going to cost hundreds of millions of dollars. When these automated systems are fully operative, other countries are likely to lean more heavily upon one of these established systems for the examination of patent applications. It seems to me that many countries in which a very high percentage of their patents are also issued in other countries makes the

economics of preserving an independent system for examining patent applications economically unfeasible. It is my own personal belief that in a few years there will be only three patent examining systems in the free world: the European Patent Office, Japanese Patent Office and the U.S. Patent and Trademark Office.

One of the tasks that this organization could undertake is a greater effort to educate the developing countries about the advantages of maintaining a strong intellectual property law system which shows greater respect for the patent and technology rights of foreigners as well as their own nationals. I don't think it is any coincidence that the countries having the strongest economy in the free world also have the most highly respected patent law systems. Unfortunately, there is no easy way to leap-frog from a developing country to one having a strong industrial base, but a strong patent system would clearly help accelerate that process.

There are new areas for us to explore; for example, recently a bill was introduced into the U.S. Congress relating to the protection of inventions conceived in space. The efforts to adequately define protection for semi-conductor chips as evidenced by our new law passed in 1984 is another area which needs further exploration.

In addition, the problems that are surfacing in connection with the pirating of industrial designs has opened another area where international cooperation would be helpful in giving effective protection to intellectual property developments.

In areas of trademarks, it seems to me that there is room for improvement. As a corporate practitioner, I never could understand why we could not coordinate the renewals and payments of trademark fees in various countries, such as was contemplated under the illfated Trademark Registration Treaty. However, I am encouraged that the World Intellectual Property Organization (WIPO) is convening another meeting of experts to again consider the possibility of a Trademark Cooperation Treaty.

In conclusion, I urge you to continue your activities in advancing the legal systems for the protection of all forms of intellectual property throughout the world.

Sixteenth International Congress

Pacific Industrial Property Assocciation

Westin Hotel

Chicago

9 October 1985

Mitsuaki Sato

President

JETRO NEW YORK

Good morning, ladies and gentlemen:

I am honored to make the opening remarks for the sixteenth international congress of the Pacific Industrial Property Association. Actually, I am standing in for Mr. Uga, Director-General of the Japanese Patent Office. Under normal circumstances, someone in that position welcomes the attendants of this annual event and makes the opening remarks. This year, however, Mr. Uga, the current Director-General, cannot do so because he must be in Tokyo this month for the annual trilateral patent conference, which, this year, is to be held in that city. The trilateral conference is so-called, as you know, because it gathers together the representatives of the Japanese Patent Office, U.S. Patent and Trademark Office, and the European Patent Office.

I am at present President of JETRO, North America, a trade arm of the Ministry of International Trade and Industry, or MITI. But like a typical Japanese bureaucrat I have served at a variety of agencies, including the Patent Office, where I was director of the secretariat in 1976 and director of general administration in 1981. So I have some obligation to fill in for Mr. Uga. I might add that I am very much interested in international issues involving patent rights.

In April this year, Japan celebrated the one hundredth anniversay of the institutionalization of patents. And I am gratified to learn that the gathering held in Tokyo to commemorate the event was attended by a good number of people

from the United States. As you know, the United States will have the two hundredth anniversy in 1990.

Though Japan's history of patent protection is only half of that of the United States, Japan, like the United States, has been taking various steps to prepare itself for the 21st century in this area as well. Among such steps are the acceleration and increased accuracy in processing patent applications; improvement in the use of domestic and international patent information; and internationalization of the entire system.

More specifically, Japan is trying to deal straightforwardly with the four major problems any advanced nation faces: first, the continuous increase in the number of patent applications; second, the fact that technologies are becoming ever more complex, and so are the patents; third, the spectacular increase in the volume of information to be ~~verified~~ examined in issuing a patent; and fourth, as a result of all this, the greater amount of time needed to process a patent. The core of Japan's program to deal with these problems is computerization, the ultimate goal of which is to make the better part of patent processing "paper-less." This paper-~~reduction~~ loss project began last year, and it is expected to be completed in 10 years.

Another part of the present program aims to turn to the private sector for a good portion of the patent processing work. Despite the all-out effort to computerize the whole system, a substantial part of the examiniation process will continue to be done by the human brain. To rationalize this part of the patent processing work, we are, among other things, asking the patent

applicants, both individuals and corporations, to be more selective in their applications.

We are also making effort in other areas. For one thing, we are trying to increase the awareness among the Japanese of the foreign systems of patent protection in general and the importance of protecting well-known foreign trademarks in particular. For another, we are trying to increase familiarity with the Japanese patent system among foreign applicants.

Let me briefly touch on the international frictions we have seen recently on industrial property. The rapid advancement in high technology and the concomitant increase in technology trade in recent years have caused some disputes among the advanced nations as to industrial property protection and management. In an effort to reduce such frictions, the Japanese Patent Office held a series of international conferences to increase knowledge of the Japanese system among foreign applicants. One such conference was held in February last year with represenatives of 21 U.S. corporations participating; another, held in November last year, saw the participation of 11 U.S. corporations; and still another was held in February this year for 24 European corporations. Other conferences of similar nature have been held with the American Chamber of Commerce in Japan and the European Business Council.

Of the requests for improvement received in these conferences, those that could be acted upon at once have already been responded to, while those that require legislation will be

examined by the Council on Industrial Property. We expect the Council to hear the views provided by foreign patent applicants during its deliberations.

The Japanese Patent Office is always open to everyone. As part of its drive to internationalize itself, it is placing special emphasis on the effort to harmonize with other nations on the patent application procedures and patent management, and is pleased to hear about any recommendation that might aid that effort.

Finally, let me express the hope that this Chicago congress of the Pacific Industrial Property Association will be as fruitful as it has been in the past.

Thank you very much.

MESSAGE

from Honorable Donald J. Quigg
U.S. Commissioner of Patents and Trademarks

Mr. Norris, Dr. Mifune, Honorable Guests, Ladies and Gentlemen:

I am pleased to extend my congratulations to you upon the opening of the Sixteenth Congress of the Pacific Industrial Property Association in Chicago.

It has been my pleasure to be with you, both as speaker and observer, at several of your earlier Congresses. I am sorry to miss this one. I had been looking forward to participating in your ~~progress~~ Congress and renewing many old friendships.

You will be pleased to know, however, that my absence is entirely in keeping within the spirit of PIPA's goals and aspirations, namely, continued cooperation between the Japanese Patent Office, the European Patent Office, and the U. S. Patent and Trademark Office.

You have been advised of the cooperative effort by those major patent offices to harmonize automation efforts and procedures within the three offices.

This year's Trilateral Conference on Patent Office Cooperation is being held in Tokyo, ironically at the same time as your PIPA Congress.

While Director General Uga, President Braendli of th
and I are working in Tokyo toward patent office cooperat
you in Chicago also will be working toward continued mutual
understanding and cooperation in the protection and transfer
of industrial property rights.

By exchanging your views, openly in Chicago, as we are doing
in Tokyo, you serve to deepen the friendships you have already
established and to strengthen property rights throughout the
world.

So while you are working in Chicago toward the goal of international
cooperation, we will be working toward that goal in Tokyo.

I wish you success in your Congress, and I hope that I will
be able to join you at a future Congress to report on the
success of our common endeavor.

OW IN ACCEPTANCE OF THE PIPA AWARD

OCTOBER 11, 1985

nd feel deeply honored to be the recipient of In accepting this award, I would like to share about some emerging new responsibilities and activi... y now wish to emphasize during the coming years. Specifically, I believe that the PIPA organization has now achieved such great maturity and reputation, and PIPA's members have achieved such great understanding and influence in intellectual property matters, that PIPA should consider undertaking a more active, and sometimes leading role in the development, harmonization and use of intellectual property rights throughout the world. This would accelerate the day that we are all able to achieve the harmonized and automated World Patent System with three main patent offices in U.S.A., Europe, and Japan - as described by Bob Benson in his keynote address two days ago.

From the vantage point of active participation in PIPA since its inception 16 years ago, I have been in a good position to watch and appreciate the evolution of PIPA. During its first early years, PIPA was concerned mostly with organizational structure, the development of interpersonal relationships between the American and Japanese groups, and mutual education about each other's intellectual property systems.

During what I will call the "adolescent" years, from about the fourth to tenth years, PIPA expanded the scope of its interests to also include studies of the intellectual property systems of other emerging countries, such as Taiwan and Korea, as well as the worldwide licensing of intellectual property rights and the utilization of the PCT and the EPC. Throughout these "adolescent" years the quality and depth of the dialogue between our two groups greatly improved, and interpersonal relationships and friendships were further developed and cemented by many business discussions and social events. However, the nature of the PIPA organization remained primarily "educational" and its role in international forums was generally passive and reactive to whatever intellectual property questions happened to arise.

During more recent years, PIPA has reached maturity as an organization and is now beginning to play a more active role in intellectual property matters and to exert more influence upon the actual course of the development of worldwide intellectual property rights -- for example, PIPA's active opposition to any amendment of the Paris Convention to include exclusive compulsory licensing by developing countries, as well as the activities of PIPA and its members in assisting in the development of the patent law of the Piople's Republic of China -- and more recently, the arrangement by PIPA of direct educational discussions between patent representatives of U.S. industry and Japanese Patent Office officials. As one encouraging by-product of these discussions, we now have a worldwide thrust by the entire international patent profession toward greater harmonization of patent laws.

It therefore seems to me that the time may have come for PIPA affirmatively to accept and encourage its role as an active policy-making body. The respective American and Japanese PIPA committees could, in addition to their customary preparation of "educational papers", also regularly correspond in order to work out and submit "joint resolutions' to the Board of PIPA which contain proposals for advancing the development, harmonization and use of intellectual property rights. Moreover, once these "joint resolutions" are passed by the Board, both the American and Japanese members could cooperate in the implementation of such resolutions through their representation in national and international organizations, as well as by direct influence upon their respective patent offices, legislative bodies and other governmental agencies.

In this connection, it should be evident that PIPA is uniquely qualified to embark upon this expanded policy-making role. The U.S. and Japanese corporations represented by its membership hold a very large percentage, if not a majority, of all the world's patents. The Japanese representatives are usually also members, and often officers, of the influential Japan Patent Association as well as the Japanese national group of AIPPI, while the U.S. representatives are usually also members, and often officers, of the American Bar Association and the American Intellectual Property Law Association as well as the U.S. national group of AIPPI., known as the International Patent and Trademark Association.

ion, the commercial and legal interests of both the Japanese members are usually identical. As leaders in velopment, both the U.S. and Japnese corporations which t have a common interest in the sound development of property protection.

Moreover, in view of today's problems in balance of trade, it is very important for PIPA to emphasize the role which strong intellectual property rights can play to legitimately protect the flow of trade in newly innovated products and processes.

As one specific example of where and how PIPA could make such a positive contribution, I would like to refer again to the subject "Harmonization of Patent Laws". As mentioned previously, PIPA was instrumental in helping to arrange meetings between U.S. industry patent representatives and Japanese Patent Office officials during which the importance of such patent law harmonization has been raised and emphasized.

The USPTO, JPO and EPO have now included this subject of patent law harmonization in their trilateral discussions, and this subject is also being actively discussed by patent associations in the U.S., Japan and Europe. Periodic meetings are also being held on this subject between these patent associations and the three major patent offices.

WIPO has also held a series of meetings looking toward possible international treaties on certain harmonization proposals, including the question of a uniform grace period, as well as requirements for granting a filing date, and the requirements associated with the naming of the inventor. AIPPI has also established a special Committee on Harmonization of Patent Laws which is working closely with WIPO on these and other harmonization proposals.

However, for the reasons which I have previously mentioned, PIPA is probably one of the best qualified organizations in which such harmonization proposals ought to be developed and promoted. The American and Japanese groups could work out agreed-upon proposals for harmonization changes in both the U.S. and Japanese patent laws and practices and could jointly urge their respective patent offices and governments to implement these changes.

The USPTO and the JPO could then also promote similar harmonization changes in European patent law and practice during their trilateral conferences with the EPO. PIPA could also advocate such agreed-upon harmonization proposals and common positions in WIPO deliberations, and PIPA members could use their influence in other national and international intellectual property associations to bring about the implementation of such agreed-upon proposals and common positions. In this way, PIPA would be making an increasing contribution to the development of the world's patent system.

In this connection, I was most pleased and encouraged by the excellent paper delivered by Hayashi-san concerning the problems which foreign applicants have with the U.S. patent system. As Thompson-san noted in his comments on the paper, the U.S. applicants likewise have a list of problems which they have with the Japanese patent system. All of these problems should be openly and thoroughly discussed and agreed-upon proposals for harmonization eventually worked out. However, it would be better, at first, to concentrate upon the simpler procedural problems rather than upon the very difficult substantive problems arising from the first-to-file vs. the first-to-invent systems.

As just a few examples of the subjects which might initially be covered by such agreed-upon harmonization proposals I would include:

(1) Uniform maximum requirements for obtaining a filing date.
(2) Uniform procedures and time deadlines for meeting all filing requirements, and
(3) Uniform format for the disclosure on invention.

Ladies and gentlemen of PIPA, as you may appreciate, it is with deep emotion that I accept this award and join my dear friends Saotome-san, Banner-san, Matsui-san and Adams-san in this great honor. PIPA has always had a special place in my heart and has led to many deep friendships. Its development and success has also been a great source of pride to both Saotome-san and me, since we like to think of ourselves as its two grandfathers.

Since I will soon be retiring from the General Electric Company, this award is also a most appropriate retirement gift. However, I do hope to remain active in matters relating to the development of the world's patent systems and look forward from time to time to continue to be able to attend future PIPA congresses as a kind of ex-officio member.

Thank you very much.

The USPTO and the JPO could then also promote similar harmonization changes in European patent law and practice during their trilateral conferences with the EPO. PIPA could also advocate such agreed-upon harmonization proposals and common positions in WIPO deliberations, and PIPA members could use their influence in other national and international intellectual property associations to bring about the implementation of such agreed-upon proposals and common positions. In this way, PIPA would be making an increasing contribution to the development of the world's patent system.

In this connection, I was most pleased and encouraged by the excellent paper delivered by Hayashi-san concerning the problems which foreign applicants have with the U.S. patent system. As Thompson-san noted in his comments on the paper, the U.S. applicants likewise have a list of problems which they have with the Japanese patent system. All of these problems should be openly and thoroughly discussed and agreed-upon proposals for harmonization eventually worked out. However, it would be better, at first, to concentrate upon the simpler procedural problems rather than upon the very difficult substantive problems arising from the first-to-file vs. the first-to-invent systems.

As just a few examples of the subjects which might initially be covered by such agreed-upon harmonization proposals I would include:

(1) Uniform maximum requirements for obtaining a filing date.
(2) Uniform procedures and time deadlines for meeting all filing requirements, and
(3) Uniform format for the disclosure on invention.

Ladies and gentlemen of PIPA, as you may appreciate, it is with deep emotion that I accept this award and join my dear friends Saotome-san, Banner-san, Matsui-san and Adams-san in this great honor. PIPA has always had a special place in my heart and has led to many deep friendships. Its development and success has also been a great source of pride to both Saotome-san and me, since we like to think of ourselves as its two grandfathers.

Since I will soon be retiring from the General Electric Company, this award is also a most appropriate retirement gift. However, I do hope to remain active in matters relating to the development of the world's patent systems and look forward from time to time to continue to be able to attend future PIPA congresses as a kind of ex-officio member.

Thank you very much.

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ADDRESS BY DONALD W. BANNER TO

PACIFIC INDUSTRIAL PROPERTY ASSOCIATION

"1984 Amendments to U.S. Patent Law and Proposals for Additional Amendments"

The United States is attempting to improve its intellectual property laws in order to strengthen incentives for innovation, investment and creativity.

Last year the U.S. Congress made changes in our intellectual property laws which have been called the most significant since the adoption of the 1952 Patent Act. There were over 100 bills introduced on intellectual property in 1983 and 1984, and nine public laws that were enacted by Congress contained provisions affecting intellectual property.

Several of the bills that did not pass in the last Congress have been reintroduced this year. Also, some new legislative issues have emerged this year.

I would like to first review the highlights of last year's changes, and then discuss patent legislation which might be enacted into law in this year or next year.

PATENT LEGISLATION ENACTED

Patent Law Amendments Act of 1984

Many of the key changes made in the patent law last year were in Public Law 98-622, entitled the "Patent Law Amendments Act of 1984."

It amended section 103 of the patent law by adding a sentence at the end which disqualifies from prior art under section 103 certain unpublished subject matter which is commonly owned. Specifically, the new sentence at the end of section 103 reads as follows:

> Subject matter developed by another person, which qualifies as prior art only under subsection (f) or (g) of section 102... shall not preclude patentability under this section where the subject matter and the claimed invention were... owned by the same person...

The purpose of this provision is to prohibit the use of confidential technology developed by one member of a corporate or university research team for being used to prevent patenting of the invention of another team member. Related changes were made in section 116 of the patent law, also to facilitate team research. Section 116 now allows inventors to apply for a patent jointly even though (1) they did not physically work together or at the same time, (2) each did not make the same type or amount of contribution, and (3) each did not make a contribution to the subject matter to every claim of the patent.

The Patent Law Amendments Act also made a related change in section 120 of Title 35. That section now provides that an applicant can obtain the benefit of the filing date of an earlier application when not all the inventors named in the application are the same as the inventors named in the earlier application.

These changes in sections 103, 116 and 120 are very important to patent practitioners and they are also quite complex. The changes in these three sections go a long way to improve the law as it relates to inventors engaged in team research, but some further change may still be desirable.

I believe it would have been better if the amendment to section 103 which disqualifies subject matter under sections 102 (f) and (g) from prior art under section 103 had gone further and disqualified from commonly owned patent applications which qualify as prior art under section 102 (e). The problems with unpublished prior art would have been solved more completely if the new sentence at the end of section 103 had included a reference to section 102 (e).

In the rush to enact the legislation at the end of last year, the legislative history was not made as clear as it might have been concerning the intent of the changes. For instance, there was confusion about the need for changing the Patent and Trademark Office's policy on double patenting rejections involving two applications with common ownership but different "inventive entities". The legislative history states that Congress expected the Patent and Trademark Office to reinstitute the practice of rejecting claims in commonly owned patent applications of different inventive entities on the ground of double of patenting.

This statement in the legislative history is puzzling, because the amendments to sections 103, 116, and 120 seem to have nothing to do with double patenting. Nevertheless when the Patent and Trademark Office adopted its regulations to implement the new law, it announced it was changing its practice on double patenting. This topic came up recently in the Court of Appeals for the Federal Circuit In re Longi, 225 U.S.P.Q. 651 (1985). There the court ruled that Congress had reaffirming the practice of rejecting claims in commonly owned applications with different inventive entities on the ground of double patenting, and said that it had been inconsistent with earlier court

decisions for the Patent and Trademark Office to have ever stopped making this type of rejection anyway.

Turning now to other provisions of the Patent Law Amendments Act, the act overruled the Supreme Court's 1972 decision in the Deep South case. You may recall that the invention in Deep South was a shrimp deveining machine. Components were manufactured in the United States by a competitor of the patent owner and shipped to Brazil in less than completely assembled form. Final assembly in Brazil required less than one hour.

The Patent Law Amendments Act plugged this loophole in the patent law which had allowed competitors of patent owners to circumvent patents by moving offshore to complete final assembly of the invention. The law added a new subsection (f) to 35 U.S.C. 271 to make it infringement to supply components of a patent invention, or to cause components to be supplied, that are to be combined outside the United States.

The Patent Law Amendments Act also authorized parties involved in patent interferences to arbitrate their disputes. This change parallels a provision that had been enacted in 1982 to authorize arbitration of patent validity and infringement in other situations.

The Act also added a new section 157 to the patent law to establish an elaborate system for issuing statutory invention registrations, or "SIR's". SIR's are for people who elect to file a patent application and then waive their rights to obtain a patent. The original idea was to provide an alternative to patenting for government agencies. Subsequently the bill was broadened to allow private sector applicants to elect SIR's as well. I understand that the early statistics from the

Patent and Trademark Office suggest SIR's are not being used very much so far, either by government agencies or by private applicants.

The Act merged the PTO's Board of Appeals and Board of Patent Interferences into a new board called the Board of Patent Appeals and Interferences. The new board came into being in March. The new board has authority to decide issues of patentability during interference proceedings. Under the old law, the Board of Patent Interferences lacked authority to consider questions of patentability when determining priority of invention except when the patentability issues were considered to be "ancillary" to priority. The new law is intended to make interferences simpler and less costly.

Other 1984 Amendments

That completes my summary of the Patent Law Amendments Act of 1984. I will mention briefly some of the main provisions from a few of the other eight laws passed last year which affected intellectual property.

One law made several miscellaneous changes relating to government patent policy -- that is, the policy with respect to patents on inventions arising from government-funded research. The legislation repealed the five year cap on the length of exclusive licenses granted by universities and small businesses when they license inventions resulting from government-funded research. The legislation also added a requirement that preference be given to small business licensees. The longstanding proposal to give large business contractors the same rights to obtain title to Federally funded inventions that Congress gave to universities and small businesses a few years ago did not pass.

In the trademark area, the most important change last year was the "Trademark Counterfeiting Act of 1984." This legislation was passed in

an effort to stem the epidemic of counterfeiting of products bearing registered trademarks. Estimates have been made that American companies have been losing several billion dollars of sales a year because of counterfeiting.

Another piece of trademark legislation overruled the Ninth Circuit's test for genericness which was put forth in the Anti-Monopoly case. The legislation in essence amended the Lanham Act to make clear that a term can function as a trademark -- that is, can function to identify the source of goods or services -- even if the identity of that source is unknown.

The most significant legislation related to copyrights last year was the "Semi-conductor Chip Protection Act of 1984." Strictly speaking this is not copyright legislation. It takes the form of a separate chapter of the title of the U.S. Code which relates to copyrights. The act provides a ten year term of protection for "mask works" and allows competitors to engage in what is called "reverse engineering."

The law containing the Chip Protection Act also had a title called "Federal Courts Improvements." That title made several technical changes, including some affecting the Court of Appeals for the Federal Circuit. It eliminated the requirement that a party taking an appeal from the Patent and Trademark Office to the Federal Circuit in patent cases must set forth "reasons of appeal." It also gave the Federal Circuit jurisdiction over interlocutory appeals involving controlling questions of law when the subject matter of the appeal is within the Federal Circuit's jurisdiction.

Finally, the Trade and Tariff Act of 1984 was enacted with several sections making specific reference to the protection of U.S.

intellectual property rights. The act calls on the U.S. Trade Representative to identify instances of inadequate and ineffective protection of intellectual property rights in foreign countries. The Trade Representative is to make an assessment of the intellectual property laws of our trading partners in connection with the next annual report known as the National Trade Estimates. The act also requires adequacy of protection for intellectual property rights in developing countries to be taken into account when determining whether developing countries are entitled to trade benefits under the generalized system of preferences.

LEGISLATIVE ISSUES FOR 1985 AND 1986

Despite the large number of measures passed last year, there are several intellectual property bill pending in Congress again this year. Some of these are left over from last year and some are new.

One of the most important leftovers is the process patent legislation. This is the legislation that would make it infringement of a process patent to import into the United States or to use or sell in the United States a product made overseas by the patented process. The legislation is intended to keep competitors from avoiding the patent by moving offshore for their manufacturing.

Similar legislation has been proposed in the past. It was recommended by the 1966 Presidential Commission on the Patent System, and even earlier. The proposed legislation would put the U.S. patent law essentially on a par with the patent laws of many of our trading partners.

So far this year two bills have been introduced on process patents. In the House of Representatives, Congressman Moorhead has introduced H.R. 1069. More recently, at the end of July, Senator Mathias introduced S. 1543, with seven other U.S. Senators as co-sponsors. Senator Lautenberg of New Jersey has taken a particular interest in this legislation and appeared with Senator Mathias at the news conference announcing the introduction of the bill.

The only known opposition to the legislation is from the generic pharmaceutical industry. The generic companies claim the legislation would cause higher prices for generic drugs. Most of the materials used in generic drugs are imported.

The Mathias bill contains a "grandfather clause" intended to alleviate the concerns of the generic drug companies by allowing competitors of the patent owner who are importing materials before the date of introduction of the bill to continue to do so after introduction. It appears doubtful whether this has eliminated the opposition of the generic companies.

Both the Senate and the House of Representatives may hold hearings on the process patent legislation soon. I believe it will be a significant improvement in U.S. patent law if this legislation is passed.

A major bill that has been introduced in the U.S. Congress very recently is S. 1647, Senator Lautenberg's proposal to amend section 337 of the Tariff Act. The bill is called the "Intellectual Property Rights Enforcement Amendments of 1985." Senator Lautenberg introduced it on September 13.

Section 337 of the Tariff Act is the section which authorizes the U.S. International Trade Commission to issue exclusion orders to prevent importation of articles into the United States in certain circumstances. S. 1647 would eliminate the requirement for patent, trademark and copyright owners to show that the importation would "destroy or substantially injure" a U.S. industry. The bill also eliminates, for patent, trademark, and copyright cases, the need to establish that there is any "industry" larger than the patent, trademark or copyright owner itself.

In addition, the bill would eliminate the requirement to prove that the industry is "efficiently and economically operated". The bill would also make a number of other changes to strengthen the relief available under section 337, including requiring the ITC to act within 90 days on any application for a temporary exclusion order.

According to Senator Lautenberg, S. 1647 is not a substitute for the process patent bill, S. 1543. He has stated that he believes the two bills complement each other, and that both are needed.

S. 1647 is complicated legislation. Most members of the U.S. patent bar have not yet had time to study all the details.

A bill that appears to be non-controversial is S. 1230, introduced by Senator Mathias to implement Chapter II of the Patent Cooperation Treaty. Chapter II, of course, deals with international preliminary examination of patent applications. The bill may be approved by the Senate Judiciary Committee soon.

Senator Mathias has also introduced S. 1093 to extend patents to compensate for delays in obtaining marketing approval from the Environmental Protection Agency for inventions in the agricultural chemical field. This legislation is similar to the patent term extension bill for drugs which passed last year.

A highly controversial matter this year has been the legislation to authorize appropriations for the Patent and Trademark Office for the next three years. The House of Representatives has already passed a bill, H.R. 2434. The House-passed bill and a Senate bill recommended by the Reagan Administration, S. 866, are currently pending in the Judiciary Subcommittee.

Intellectual Property Owners, Inc. and other private groups have strongly opposed the Administration's proposed cut of $16.9 million in public funding for the Office. The private sector is very interested in maintaining and improving the quality of patent examination performed by the Patent and Trademark Office. The bill passed by the House restores the $16.9 million also adds to the various provisions supported by the private sector relating to PTO fees and automation of the PTO search files. H.R. 2434 limits the amount of future fee increases, prohibits the Office from charging the public for access to the patent and trademark search rooms, and prohibits spending user fees to fund automation projects. Finally, the bill prohibits the Patent and Trademark Office from entering certain exchange agreements with private companies relating to automatic data processing.

The Patent and Trademark Office authorization legislation is expected to be reported out of the Senate Judiciary Committee in the near future.

Senator Metzenbaum has introduced S. 1358 to authorize the U.S. Department of Justice to challenge patents in court when owners fail to file interference settlement agreements in the Patent and Trademark Office. This legislation would overrule the Third Circuit decision of a few years ago in the FMC case, which held that the Justice Department lacks standing to challenge patents for failure to file settlement agreements.

Another legislative proposal relating to interference settlement agreements, which was considered last year and might be considered again, is a change to make it easier to excuse an inadvertent failure to file a settlement agreement in the Patent and Trademark Office. Last year's proposal would have changed the "inadvertence" standard to "through error and without deceptive intent." The legislation also would have eliminated the six month time limit on the Office's discretion to excuse failure to file a settlement agreement.

Another left over item on which a bill has not yet been introduced, but may be, is the proposal to modify the doctrine of the Supreme Court's 1969 decision in Lear v. Adkins. Before the Lear case, a licensee was "estopped" from questioning the validity of a patent under which he was licensed. Unfortunately the Lear opinion and subsequent lower court interpretations left the licensor in an unfair bargaining position. The legislation which may be considered this year would attempt to restore an equitable balance between the rights of licensors and licensees. The legislation which may be considered again this year would attempt to restore an equitable balance between the rights of licensors and licensees. The legislation would allow the parties to negotiate an agreement (1) giving either party the right to terminate

the license in the event of a validity challenge and (2) obligating the licensee to continue to pay royalties during litigation if the license was not terminated.

The Reagan Administration is expected to propose again this year its legislation to eliminate the judicially-created patent misuse doctrine. Under the misuse doctrine patents are held unenforceable because of practices which courts consider improper even when the antitrust laws are not violated. The Administration's legislation would make the antitrust laws the sole standard for judging whether licensing practices are improperly anti-competitive.

Three related bills have been introduced relating to transfer of technology from Federal laboratories. These are S. 65, H.R. 695, and H.R. 1572. These bills as initially introduced contained a provision requiring that inventors employed by the Federal government be given at least 15 percent of the royalties when the government licenses a patent. This provision has evoked opposition. I understand that the bills are being revised.

Congressman Moorhead has introduced H.R. 1900 to provide copyright-like protection for industrial designs. This legislation has been introduced in each of the last several Congresses. There is some reason to believe it might garner more support this year.

Congressman Kastenmeier, the Chairman of the House Judiciary Subcommittee which has jurisdiction over patents, trademarks and copyrights, has held a hearing on H.R. 2725, a bill which provides that activities occuring on a U.S. space vehicle in outer space would be treated as if they occurred in the United States for purposes of U.S. patent law.

* * *

As you can see, the legislative agenda is a busy one. It is too early to predict with any certainty which items are likely to pass. There is wide-spread support from industry and the patent bar for the process patent bill and some of the other measures.

For the most part, I believe the legislation enacted last year and the proposals being considered this year are improvements which will strengthen U.S. patent law.

THE SUFFICIENCY OF DISCLOSURE IN THE ANTICIPATORY PRIOR ART

Japanese Group, Committee No.1
Subcommittee No.3

TAKAMI AOYAMA, TOYOTA MOTOR CORPORATION
TOSHIHIKO AKIYAMA, Mitsubishi Electric Corporation
NOBUYUKI IJICHI, DENKI KAGAKU KOGYO KABUSHIKI KAISHA
YOSHIMITSU ONO, Ube Industries, Ltd.
TAKEFUMI SATO, Japan Synthetic Rubber Co., Ltd.
KENJI DOI, FUJITSU LIMITED.
HIDEAKI NAGAYOSHI, Fujikura Ltd.
SHIGEYASU HORIGOME, IWATSU ELECTRIC CO., LTD.
YOSHINAGA MATSUSHIMA, Hitachi, Ltd.

It has passed fifteen years since Japanese Patent Law Article 29-2 became effective. Among those decisions Tokyo high court rendered based on the article are found some interesting cases judgements with regard to the sufficiency of the invention disclosure as an anticipatory prior art. The first, the invention to be cited should be completed, that is, the completeness of the invention cited as a prior art may be an issue wheher or not it could be a prior art. The second, it is shown that the more objective logic has been recently necessary when the reasoning "substantially identical with the prior art" is applied in the examination.

I. Forward

In case that the invention of the present application is considered to be unpatentable over the prior art cited by the Examiner, the applicant may question how sufficiently the prior art is disclosed in connection with the invention, and whether or not the invention is truly unpatentable thereover. This question is particularly of importance when the invention of the present invention is considered to be identical or substantially identical with the prior art. Aside from a case where the invention of the present application is clearly identical with the prior art, a determination of whether or not the invention is "substantially identical" with the prior art appears to be controversial. The Manual of Patent Examining Procedure by the Patent Office provides the criteria for "identical" as well as "substantially identical" by way of example. However, the issue of "substantially identical" is always raised by respective cases.

The number of cases where the decisions are given on the grounds of "substantially identical" has increased, especially since Article 29bis of JPL is added by the Patent Law Amendments Acts of 1970 (May 22, 1970.) To this end, the sufficiency of disclosure in the prior art is of great concern. It should also be mentioned that the issue of "identical" and "substantially identical" is raised in case of Article 29, Paragraph I and Article 39 of JPL as well as Article 29bis of JPL.

It has been fifteen years since Article 29bis of JPL was

added. A number of decisions have been given on the grounds of "substantially identical" under Article 29bis of JPL in connection with the issue of patentability.

The cases where the test of patentability is directed to "substantially identical" will be analyzed below. The sufficiency of disclosure in the prior art is discussed in the event that both inventions at issue are decided to be substantially identical, and that the prior art is not sufficiently disclosed and is considered to be incomplete, and thus, can not be used at a reference.

Ⅱ. Comparison of relevent Articles in the cases

There will be analyzed the decisions given by the Tokyo High Court and the Supreme Court since 1975 where the issue of "identical" and "substantially identical" is raised in connection with Article 29, Paragraph I, Article 29bis and Article 39 of the Japanese Patent law as well as Article 3, Paragraph I, Article 3bis and Article 7 of the Japanese Utility Model Law.

1. Summary of the Decisions

Attached hereto is a list of the decisions, showing case number, brief summary of the decisions, "identical" "substantially identical" and applicability of prior art.

2. Tendency in cases

(1) Tendency of application of "substantially identical"

In these cases, the followings are statistics in respect of cases where the issue of "substantially identical" is raised.

Article 29, Paragraph 1 of JPL	19% (10 out of 53 cases)
Article 29bis of JPL	50% (9 out of 18 cases)
Article 39 of JPL	29% (7 out of 24 cases)
	(Note: see Attachment)

As is clear from the foregoing, the issue of "substantially identical" is raised more in the cases where Article 29bis of JPL is applicable than in the other cases.

It is assumed that this is due to the character of Article 29bis of JPL per se.

Article 29, Paragraph 1 of JPL is applicable to cases where the invention of the present application is considered to be identical with the prior art already known at the time of filing the same. If not identical, however, when the

invention of the present invention may readily be made on the basis of the prior art and other related prior art, the invention may be considered to be unpatentable under Article 29, Paragraph 2 of JPL. Application of Article 29bis of JPL is limited to cases where an invention disclosed in the specification of an earlier filed application, which has not been laid-open at the time of filing the present invention, is identical with the present invention. Accordingly, when Article 29, Paragraph 1 of JPL is applicable, namely, when the prior art is publicly known, the invention of the present application may be rejected as being obvious (for lack of an inventive step) over the prior art in view of other related prior art, even if the invention disclosed in the prior art is assumed to be substantially identical therewith. This is intended to avoid an unnecessary issue of whether the decision is proper or not. It will be noted that Article 39 of JPL is applicable only to cases where the invention of the present application is identical with an invention claimed in an earlier filed application. To this end, since Article 29bis of JPL is added upon Amendment, such a case has been limited where a rejection of an application requires application of Article 39 of JPL.

Thus, the issue of "substantially identical" is of importance in cases where Article 29bis of JPL is applicable. It should be mentioned that specifically as today, the harder the technical competition, the greater the application of Article 29bis of JPL, and that the test of "substantially identical" will be more significant in patent practice than ever.

(2) Test of identicalness

As is clear from summary of the decisions given in the respective cases, there is no difference between the respective Articles of the JPL in connection with the test and criteria of "identicalness" inclusive of "substantially identical". It is understood, therefore, that the test of "identicalness" by the Court does not differ from the standards for "identicalness" by the Japanese Patent Office.

(3) Sufficiency of Disclosure in the Prior Art

The sufficiency of disclosure in the prior art has rarely been discussed. However, there are some valuable cases requiring that "the invention of an earlier filed application be complete." Heretofore, the completeness of prior art has not been discussed at great length, but attention should henceforth be paid to this matter from the standpoint of patent practice. This will be discussed in paragraph III in more detail.

(4) In view of the importance of a determination of whether an invention claimed is substantially identical to an invention already claimed, the practical points therefore will be analyzed.

Most of the decisions stating that inventions cpmpared are substantially identical under Article 29, Article 29bis, or Article 39 of JPL are made on the grounds of "difference in constructional features therebetween." In recent cases, however, conclusions tend to be drawn after the differences between the prior art and the invention in question are analyzed at great length. Therefore, this will leter be discussed in paragraph IV with attention paid to its analysis.

Ⅲ. Requirements of the invention as are prior art to be cited

1. The following inventions quality as prior art.

(1) An invention which was publicly known.
(Article 29, Paragraph 1, Item 1 of JPL)

(2) An invention which was in public use.
(Article 29, Paragraph 1, Item 2 of JPL)

(3) An invention which was described in a printed publication.
(Article 29, Paragraph 1, Item 3 of JPL)

(4) An invention (or device) which was described in the specification or drawings as originally annexed to another patent (or utility model) application.
(Article 29bis of JPL)

(5) An invention which is identical to an invention of another application.
(Article 39, Paragraph 1, Item 2 of JPL)

2. Examination in the Japanese Patent Office

The Japanese Patent Office has acknowledged that "the Standards for identicalness of Inventions" are not applicable

to cases where an invention defined in a reference cited is incomplete. Namely, none of incomplete inventions quality as prior art.

The following is an excerpt from "the Standards for Identicalness of Inventions" prepared by the Patent Council on patent examining standards on August 24, 1977.

Title: the Standards for Identicalness of Inventions

(1) Remarks

1. Applicability of the Standards

(i) The Standards are intended to determine as to whether or not an invention claimed in one case is identical to invention already claimed under Article 29 as well as Article 39 of JPL.

NOTE: A description of the Standards is mainly directed to the test of indenticalness of inventions under Article 39 of JPL, but the Standards are appropriately applicable to cases under Article 29 of JPL.

(ii) Only the identicalness of inventions is mentioned herein, but identicalness of utility models as well as between an invention and a utility model is tested in a similar manner.

(iii) The Standards shall not apply to any incomplete inventions.

3. Cases

There are only a few cases where the incompleteness of prior art is discussed, but the judge's point of view is shown therein.

(1) In the case of Showa 57 (Gyo Ke) No.79

(i) Summary

The Court holds that the present invention is identical with the invention of the earlier filed application, although the appellant alleges that the invention of the earlier filed application is incomplete on the grounds that only a few embodiments are described in the specification of the earlier

filed application, and that the magnetic properties is low.

(ii) Reasons for the decision

Six embodiments are shown, but are not sufficient. However, magnetic alloy including added elements other than Ta is disclosed and the magnetic properties thereof is also shown. Further, there is no evidence showing that the invention has not been completed at the time of filing the earlier application. It can not be stated that the invention of the earlier filed application is incomplete since the embodiments described in the specification and drawings are few in number. It should also be mentioned that the invention is complete as far as the magnetic properties are concerned.

(iii) Comment

It is decided that the invention of the earlier filed application meets the disclosure requirements at the time of filing of the same and is considered to be complete. It is shown that an invention of an earlier filed application is required to be complete as a prior art.

(2) In the case of Showa 41 (Gyo Ke) No.76

(i) Summary

The appellant states that the invention of the earlier filed application is incomplete and can not be used as a reference. However, the Court holds that if an invention of an earlier filed application is found defective, the invention is only subject to rejection or nullification, but still qualifies as prior art, and that the present invention is identical with the invention of the earlier filed application.

(ii) Reasons for the decision

The appellant states that an inventive concept in which glycine copper is an active ingredient in the invention of the earlier filed application, is shown for the first time when an amendment is filed on November 12, 1975. On the other hand, the appellant acknowledges that it is publicly well known, at the time of filing of the present application, that the glycine copper belongs to organic copper chloride. To this end, it is pointed out that the above statement is unreasonable. The appellant also states that the invention of the earlier filled application is incomplete. It is decided, however, that even

if such statement is true, the invention is only either rejected or nullified, but still qualifies as prior art.

(iii) Comment

It is decided that if an invention of an earlier filed application is incomplete, the invention is subject to either rejection of nullification, but still qualifies as prior art. It is understood from this decision that an invention of an earlier filed application is not required to be complete. It will be noted that requirements for completeness of and invention and the relationship between an incomplete invention and amendment are not discussed hersin. This decision appears to be controversial in that it is not clear whether the invention of the earlier filed application qualifies as prior art since the present invention is considered to be substantially identical therewith in view of the known matter in the art.

(3) In the cace of Decision by the Supreme Court 1983 August 9.

The decision which invalidated the patent is reversed since an unsuccessful invention was erroneously recognized as a successful one in the decision.

("Tokkyoho Gaisetsu" by Yoshifuji, page 49)

(4) Even in the few cases as above, the determination of whether "completeness" of an invention of an earlier filed application is necessary appears to be inconsistent. However, it is obvious from the latest Tokyo High Court decisions that an invention of an earlier filed application is necessary to be complete.

4. Academic theory

According to the academic theory, it is required that an invention of an earlier filed application be complete.

(1) Any prior art must literally be complete to negate the novelty of subsequently filed applications.

(an excerpt from "Tokkyoho Gaisetsu" by Yoshifuji, page 99)

(2) The patentability (novelty) of a successful invention should not be negated by an unsuccessful invention of an earlier filed application.

(ditto)

(3) With regard to Article 29bis of JPL, Goto states as follows:

It must be an invention or a utility model described in the specification and drawings that negates the patentability of an invention of a subsequently filed application. Also, when a divisional application is to be filed, features of the invention must be fully described in the earlier filed specification and drawings so that the divisional application is entitled to the original filing date thereof. The so-called incomplete invention is irrelevant to the invention as herein set forth. In the event that temperature characteristics need be described to disclose certain material, if such properties are not described, even if other properties are described, the disclosure of an invention is considered to be insufficient.
(Chukai Tokkyoho Vol.1, page 185)

(4) It should be understood that an invention of an earlier filed application citable is necessary to be complete, in other words, features of the invention must clearly be described so as to enable any person skilled in the partinent art readily to make and use the same.
(REMARKS: Article 29, Paragraph 2 of JPL specifically states as follows: "When an invention of a patent application is identical with an invention or device described....." It is to be understood that the expression "an invention of a patent application" is used to mean the feature of the invention as defined in the claims (see Article 65, Paragraph 3 of JPL.) When an invention of an earlier filed application is described in a speculative or suggestive manner, it is believed that such invention does not qualify as prior art to negative the patentability of subsequently filed applications. However, this should carefully be dealt with, otherwise, such patent requirements become meaningless.)
(an excerpt from "Knowledge about Patents" by Takeda, page 167)

5. Consideration

(1) It is obvious from the foregoing cases and academic theories that any prior art used as a reference must be in complete form.

(2) However, conditions for completeness of an invention is not necessarily clear.

(3) One of the foregoing cases, Showa 57 (Gyo Ke) 79, will again be discussed below.

> With regard to the alloy depicted in the claims, a method of making the alloy, and composition and magnetic properties thereof are described in the detailed description of the invention and drawings contained in the specification of the earlier filed application. The claims appear to particularly point out and distinctly claim the subject matter, and to conform to the detailed description of the invention and drawings. It can not be recognized that the manufacture of the magnetic alloy in the claims is technically impossible. Therefore, the invention of the earlier filed application is fully disclosed in the specification and is thus considered to be complete. Also, it can not be concluded that an invention of an earlier filed application is incomplete on the grounds that only a few embodiments are described in the specification and drawings.

It is understood from this decision that if an invention of an earlier filed application is described in the detailed description of the invention and drawings in such a manner as to enable any one skilled in the pertinent art to make and use the same, the invention is considered to be complete.

(4) Academic theory in connection with conditions for completeness of an invention will next be considered. Haruo Goto states that when a divisional application is to be filed, features of the invention of an earlier or parent

application must fully be disclosed in the specification and drawings in order for such a divisional application to be entitled to the original filing date thereof, and that the so-called incomplete invention is irrelevant to the invention as herein set forth.

Takeda also states that it should be understood that an invention of an earlier filed application needs to be complete, in other words, features of the invention must clearly be described so as to enable one skilled in the pertinent art to readily perform the same.

It is recognized that the foregoing theory suggests that an invention be disclosed in such a manner as to enable one skilled in the pertinent art to perform the same.

The following paragraphs are directed to the question of incompleteness of an invention and of inadequacy of a disclosure in respect of an invention as set forth in Article 29bis and Article 39, Paragraphs 1 and 2 of JPL.

> There are essential differences between the incompleteness of an invention and the inadequacy of a disclosure in a patent application (Note; see Article 36, Paragraphs 4 and 5.) It is of the reason that no amendment is made to complete an invention of a patent application, which is considered to be incomplete, since it extends beyond the content of the application. On the other hand, an amendment may be made to complete the disclosure. Thus, whether an invention of a patent application is considered to be incomplete, or is not fully disclosed in the specification, largely effects the possibility of entering amendments. Furthermore, it is relevant to the validity of the invention of the earlier filed application, in case of Article 39 of JPL.
> (an excerpt from "Knowlegde about Patents" by Takeda, page 60)

In respect of an invention of an earlier filed application as set forth in Article 29bis of JPL, it is not clearly stated in the law that an invention described in the specification and drawings, which is irrelevant to the claimed invention of the earlier filed application, qualifies as prior art. The Japanese Patent Office may use such an invention as a reference. However, it would be practical for such a case, if any, to be limited to cases where the inventions in question are technically related to the claimed invention to some extent.

(an excerpt from "Tokkyoho Zakkan" by Miyake, page 100)

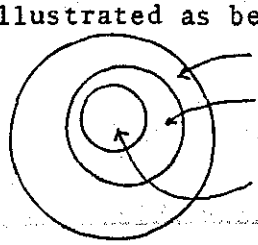
As mentioned, it is recognized that the foregoing theory suggests that an invention be disclosed in such a manner as to enable one skilled in the pertinent art to perform the invention.

(5) Definition of the Invention

(i) As defined in Article 2, Paragraph 1 of JPL, the term "invention" means a highly advanced creation of a technical idea on the basis of a natural law. It is understood, therfore, that this definition is applicable to inventions as set forth in Article 29, Paragraph 1, Items 1 to 3, Article 29bis and Article 39, Paragraphs 1 and 2 of JPL.

(ii) Each invention as set forth in Article 29bis and Article 39, Paragraphs 1 and 2 of JPL is an invention of another patent application and is thus considered to be an ivnention capable of industrial application.

(iii) An invention as defined in the Japanese Patent Law may be illustrated as below.



(iv) The following theory will be found helpful upon interpretation of an invention as set forth in Article 2, Paragraph 1 of JPL.

① An invention is a concept and is, therefore, naturally in abstract form. At the same time, however, such a concept must be embodied to achieve the objects of the invention.

That is, it may not necessarily be embodied forthwith, but must possitively be embodied at least in the future. (an excerpt from "Tokkyoho Gaisetsu" by Yoshifuji, page 51)

② An invention as defined in the Patent Law ia a creation of a technical idea. However, being such creation requires not only an idea itself but the embodiment thereof. The present case of an machinery invention embraces a question of insufficient disclosure or scarcity of a requried embodiment as a machine. In this case, therefore, the invention can not be considered datisfying the law requirements.

(High Court, April 27, 1976; excerpt from "Knowledge about Patents" by Takeda, page 63)

③ An invention involves a creative idea relating to certain technique on the basis of a natural law. It is required, however, that in consideration of the spirit of the patent systems, the invention be intended to enable anyone having ordinary skill in the art to which the invention partains to perform the same repeatedly so as to achieve its objects and obtain technical effects. (Japanese Supreme Court in the case of "Nuclear furnace" (December 8, 1969); excerpt from "Knowledge about Patents" by Takeda, page 46 to 47 and 58 to 59)

(v) In connection with the inventions as set forth in Article 29, Paragraph 1 of JPL, the following is a list of disqualified inventions in accordance with "the Standards of Qualification".

DISQUALIFIED INVENTIONS

Excluded as not being inventions which meet the requirements as set forth in Article 29, Paragraph 1 of JPL are as follows: (Disqualified invention)

I. (Non-invention)

I-1 "The invention of an application" which is a natural law per se.

I-2 "The invention of an application" which is not a creation, but a mere discovery.

I-3 "The invention of an application" which is made against a natural law.

I-4 "The invention of an application" which is not made on the basis of a natural law.

I-4-1 "The invention of an application" which is made on the basis of a law other than the natural law.

I-4-2 "The invention of an application" which is made on the basis of a mental act.

I-4-3 "The invention of an application" which can not repeatedly be made.

Ⅱ. (Incomplete invention)

Ⅱ-1 "The invention of an application" wherein achievement of the objects is remarkable questionable in view of a natural law.

Ⅱ-2 "The invention of an application" which does not completely define a technical idea.

Ⅱ-2-1 "The invention of an application" which lacks all the technical expedients necessary for achieving its objects.

Ⅱ-2-2 "The invention of an application" which lacks part of the technical expedients necessary for achieving its objects.

An incomplete invention as set forth in "the Standards for Identicalness of Inventions" is pertinent to an incomplete invention as listed above. A non-invention is not an invention and can in no way be used as a reference. It can be said that under Japanese patent practice, the above definition of an incomplete invention is applicable to all the inventions as set forth in Article 29, Paragraph 1, Items 1 to 3, Article 29bis, Article 39. Paragraphs 1 and 2, and Article 2, Paragraph 1 of JPL.

(6) It is understood that when an invention is objectively complete as an inventive concept as defined in Article 2, Paragraph 1 of JPL, the invention is considered to be complete. It should by mentioned, however, that when such an invention is used as a reference, particularly under Article 29bis of JPL, a test of completeness of the invention depends solely upon how

sufficiently the invention is disclosed in the specification and drawings of an earlier filed application. It is for this reason that even if the invention is objectively complete, it may be considered to be incomplete provided that the disclosure of the invention is insufficient.

(7) In view of the foregoing, in order for an invention of an earlier filed application to be used as a reference, it is required that the invention be disclosed in the specification and drawings in such a manner as to enable any person skilled in the pertinent art to perform the same.

Ⅳ. Mere modification of technical features

1. Standards

According to the standards enunciated by the Patent Council on patent examining standards on August 24, 1977, "Mere modification of technical features in an invention means replacement, addition or deletion of a standard technical expedient employed by one skilled in the pertinent art as a means for achieving objects of the invention. Such modification is not intended to cause remarkable change in objects and advantageous effects of the invention, and for example, includes as follows:

(a) mere change of conventional means
(b) mere addition or deletion of conventional means
(c) mere change of materials or replacement of equivalent
(d) mere change of equivalent means
(e) mere limitation or alteration of configuration, number or arrangement
(f) mere limitation or alteration of numerical value.

2. Requirements

In the event that there is a difference between the invention A and the invention B of a cited reference in respect of technical features, the test of whether or not both inventions are substantially identical involves the examination of such a difference. According to the standards, the requirements for which "both inventions are substantially identical" are as follows:

(a) The above-noted difference between be technical features

a-1) one skilled in the pertinent art

a-2) can duly apply a mere modification to an invention so as to be identical

(b) The above-noted difference does not cause remarkable changes in objects and effects of the invention.

That is, when the invention A is compared with the invention B, the following points (requirement (a) and requirement (b)) should be discussed.

i) With regard to the requirement (a), the issue of whether or not "such a difference is due to mere modification of technical features employed by one skilled in the art" be discussed. The cited reference may be supplimented by means of various evidences already known prior to the filing of the application.

ii) With regard to the requirement (b), the issue of whether or not "there is a difference between the inventions A and B in respect of objects and effects" be discussed.

It will be concluded that when "different technical features of both inventions is only due to mere modification", "the both inventions are considered to be substantially identical." The test of sameness of devices will be carried out in the same manner.

According to the following list, even if there is a difference in technical features of both inventions, when it is recognized that there is no remarkable change in objects and effects of the both inventions, it be concluded that the both inventions are substantially identical.

		Requirements (a) a-1) one skilled in the art a-2) can duly apply a mere modification to an invention so as to be identical		
		No difference	Difference is due to mere modification	Difference is due to more than mere modification
Requirement (b) Does the difference in technical features of inventions result in remarkable changes in objects and effects thereof	No difference	identical	Substantially identical case (1)(3)(5)(6)(9)	Not identical case (2)
	slight difference	identical	Substantially identical	Not identical
	remarkable difference	identical	Not identical cases (7)(8)	Not identical case (4)

NOTE: Case numbers indicate the numbers within the parenthesis shown in chapter IV, paragraph 3.

3. Cases

There have been eighteen decisions given by the Tokyo High Court, inclusive of two decisions by the Supreme Court, in respect of Article 29bis of the Japanese Patent Law (or Article 3bis of the Japanese Utility Model Law) up until now (April, 1985) since the regulation is enforced on 1971. Of these decisions, nine decisions are directed to the issue of difference in technical features of the inventions (substantially identical). As a result of analyzing the content thereof, the following criteria are shown in respect of the above-noted requirements.

(1) Showa 54 (Gyo Ke) 43 (see Attachment No.1)

(The difference in technical features of the inventions is due only to addition of conventional technique: substantially identical.)

(i) With regard to the requirement (a); The difference of technical features is due to modification employed by one skilled in the art:

Technical features of the present invention are different from those of the invention described in the specification (cited reference) of the earlier filed application. It is decided, however, that the inventions are substantially identical on the grounds that modification of the technical features (difference) results from addition of known technique described in a known printed publication.

That is, "forced cooling by means of spraying of water" for "solidifying the top surface to form a cover" is not described in the invention of the cited reference. However, such a means is described in the printed publication (supplimental evidence to the cited reference) prior to the filing of the present application. Further, judging from standard technical knowledge, the invention of the cited reference does not exclude "the forced cooling."

(ii) With regard to the requirement (b): Advantageous effects are not specifically taken into consideration.

In the present case, there is no substantial difference between objects and effects of the inventions. It is assumed, therefore, that advantageous effects are not specifically taken into consideration. No difference of effects is found.

(iii) Conclusion; substantially identical.

(2) Showa 56 (Gyo ke) 255 (see Attachment No.2)

(The difference of technical features is not due to modification of conventional means: unidentical)

(i) The requirement (a); The difference of the technical features is due to more than mere modification employed by one skill in the art.

It is decided that the present invention is unidentical with the invention of the cited reference on the grounds that the difference of the technical features is irrelevant to conventional means according to the present invention.

The present invention relates to a paper folding machine wherein paper is pressed by a piston-type press mechanism with electric cams, ane differs from a press arrangement mechanism of the cited reference. "The piston-type folding machine" is not technically related to the press arrangement mechanism and can not thus be used as an evidence.

(ii) The requirement(b); Advantageous effects are not specifically taken into consideration.

It is understood that in the present case, substantial differences have been found in respect of objects and effects of the inventions, and therefore, such effects are not specifically taken into consideration. No difference of effects is found.

(iii) Conclusion; not identical

(3) Showa 56 (Gyo ke) 288 (see Attachment No.5)

(The difference of technical features is obvious to one skilled in the art: substantially identical)

(i) The requirement (a); The difference of technical features is due to modification employed by one skilled in the art:

The technical features of the present invention are different from those of the invention described in the specification (cited reference) of the earlier filed application. It is decided, however, that the inventions are substantially identical on the grounds that modification of the technical features (difference) results from addition of known technique described in the known printed publication.

The present invention relates to packers for use in a tying device. It employs three packers, where as the cited reference employs two packers.

However, the use of more than three packers is described in the utility model publication and also, in the specification of the present application as prior arrangement. It will be understood that such difference is obvious to one skilled in the art.

(ii) The requirement (b); Advantageous effects are not specifically taken into consideration.

It is understood that in the present case, substantial differences have been found in respect of objects and effects of the inventions, and therefore, such effects are not specifically taken into consideration. No difference of effects is found.

(iii) Conclusion; substantially identical

(4) Showa 56 (Gyo Ke) 178 (see Attachment No.6)

(The subject matter of the present invention is misunderstood: not identical)

(i) The requirement (a); The present invention is misunderstood. Substantial difference of technical features is found.

The description of "joint" in the specification of the present invention is of importance since it points out a distinctive technical feature of the first invention directed to a process. The decision stating that the description of" a joint engageable with a sheet material provided in a carrier" is insignificant in a process invention is incorrect. Also, such description should not be amended to read "a sheet material is moved along with movement of a carrier." The subject matter of the present invention is clearly defined in the claims.

The subject matter of the present invention is directed to "movement of a carrier together with a sheet material connected thereto." Thus, the cited reference differs in construction from the present invention in various points.

(ii) The requirement (b); Notable advantageous effects are obtained in the present invention, resulting from the difference of technical features between the inventions: The present invention may eliminate error in drive and transmission

means due to slippage, tension, looseness, play and the like. Such effects can not be obtained in the cited reference.

(iii) Conclusion; not identical

The first invention is different from the cited reference in that the essential technical features of the present invention are not disclosed in the cited reference. Hence, the decision on the grounds of "substantially identical" is incorrect.

(5) Showa 56 (Gyo Ke) 251, Showa 56 (Gyo Ke) 115 (see Attachment No.8)

(A number of differences are found in technical features of the inventions: substantially identical)

(i) The requirement (a); The difference of the technical features results from mere modification employed by one skilled in the art:

It is decided that the difference of the technical features results from mere modification employable by one skilled in the art.

That is, the use of "a surface cutting method" is well known (no argument presented by the appellant.) The limitation of "an upper half of a life cloth" is disclosed in the cited reference as an inventive concept. The numerical limitation of "inclined approximately at an angle of 35° is a matter of design choices.

(ii) The requirement (b); No remarkable effects result from the difference of the technical features of the inventions:

As the appellant has acknowledged, the use of the surface cutting method is well known in the art to provide easy manufacturing. Such use is disclosed in the prior art. No difference of effects is found between the inventions.

Expansion of the trunk portion may result in securement of oxygen, easiness of wearing, and easy movement while wearing. Such advantageous effects can be obtained by the both inventions. Therefore, no substantial difference of effects is found therebetween.

(iii) Conolusion; identical

(6) Showa 57 (Gyo Ke) 276 (see Attachment No.9)

(An evidence is submitted to suppliment described in the cited reference: substantially identical)

(i) The requirement (a); No difference of technical features results from mere modification employable by one skilled in the art:

It is set forth in the cited reference that fixing and bleaching are effected in a "conventional manner" to eliminate silver after color developing is stopped. The cited reference is not intended to exclude or limit to a specific method. It is understood, therefore, that the present invention employs fixing and bleaching of known manner (It is found by the evidence that both monobath and bibath treatments are public known.), at the time of filing the prior art application, for the purpose of eliminating silver after color developing is stopped. No difference of the technical features between the present application and the invention of the cited reference is found.

(ii) The requirement (b); Advantageous effects resulting from the difference of the technical features of the inventions are well known.

It is well known to one skilled in the art, prior to the filing of the present application, that the monobath treatment is technically more advanced than the bibath treatment. Thus, no substantial difference of effects between the inventions is found.

(iii) Conclusion; identical

NOTE: It is decided that the inventions in this case are identical however, they should be decided to be substantially identical.

(7) Showa 57 (Gyo Ke) 97 (see Attachment No.14)

(Both inventions belong to different categories: not identical)

(i) The requirement (a); The difference of technical features result from more than mere modification employable by one skilled in the art:

The device described in the cited reference is not specifically different in construction from the device for use in a method according to the present invention. The difference of the technical features is found since operation of the invention is neither disclosed nor suggested in the cited reference.

(ii) The requirement (b); Remarkable difference of effects

In the present invention, melting and discharging of residual fats and oils in a oil tank are effected by heating. As compared to the method of the cited reference, notable advantageous effects may be obtained by the present invention since consumption of heat is reduced.

(iii) Conclusion; not identical

NOTE; The device described in the cited reference is not specifically different in construction from the device for use in the method according to the present invention. In addition, operation of the invention is disclosed or suggested in the cited reference. In this case, no difference of technical features of the inventions is found and the both inventions are identical.

Also, when it is clear that the device of the cited reference is usable in the method of the present invention, it is considered that there is a difference between the technical features of the inventions resulting from mere modification employable by one skilled in the art. Furthermore, upon consideration of the requirement (b), the both inventions may be decided to be substantially identical.

(8) Showa 58 (Gyo Ke) 5 (see Attachment No.16)

(9) Showa 57 (Gyo Ke) 241 (see Attachment No.17)

(No notable effects resulting from the difference between technical features of the divices is obtained: substantially identical.)

(i) The requirement (a); There is a difference between the technical features of the devices resulting from mere modification employable by one skilled in the art: In the present device, two plate-like permanent magnets are juxtaposed in spaced relation. In the cited reference, on the other hand, an annular permanent magnet with a central hole is used. However, to change from the annular permanent magnet to the two plate-like parmanent magnet is a mere modification.

(ii) The requirement (a); Better advantageous effects are obtained by the cited reference than by the present device. (no difference):

The arrangement of the present device in which the two plate-like permanent magnets are juxtaposed in spaced relation

is less in absorbability than the device of the cited reference using the annular permanent magnet.

(iii) Conclusion: substantially identical.

NOTE: The appellant states that the product of the device may readily be manufactured. However, such statement is not sustained in that such effect is not directed to the claimed device.

NOTE: Remarkable advantageous effects resulting from "fixing means is constructed of two juxtaposed plate-like permanent magnets" should have been described in the specification of the present application.

4. Standard in the cases

(1) Evidence intended to complete the disclosure of the prior art

(i) The Supreme Court Holds that an evidence may be submitted to complete the disclosure of the prior art and thereby to broadly read "the scope of the prior art," and that as a rusult, the present invention may be considered to be substantially identical with the prior art. (Supreme Court case No.3; Showa 59 (Gyo Ke) 23)

(ii) Acceptance of the evidence

When an evidence discloses the content of the art (invention) which is pertinent to the present invention or the prior art having the same objects, and plus when a distinctive technical features (not decribed in the prior art, but is relevant to the technical features of the present invention) is disclosed, such an evidence may be used to complete the disclosure of the prior art.

Accepted	cases (1), (3) and (5)	
Unaccepted	cases (2) and (8)	(the art is irrelevant to the prior art)
	case (7)	(no description concerning the difference of the technical features)

(2) The requirement (a)

(i) Even if there are a plurality of differences between the technical features of the invention of the prior art and the present invention, when such differences result from mere modification employably by one having ordinary skill in the

pertinent art, the inventions are considered to be substantially identical. Case No.5

NOTE: When the issue is directed to a combination thereof, it will be controversial.

(ii) In a case where two inventions are directed to two difference categories, even if a device usable in a process invention is disclosed in the prior art,

- o When operation of the device is not disclosed or suggested in the cited reference, or
- o if there is no evidence to show it generally possible to operate the device cited in the manner of the operation method which is claimed,

the two invention are not considered to be identical or substantially identical. case (7)

(iii) Even if the difference of technical features are described in the cited reference in the form of when the cited reference does not fully disclose the technical features of the present invention (device),

(iv) In the event that the technical features of the present invention are pervertedly interpreted, it will be decided that the subject matter of the present invention is erroneously recognized. case (9)

(3) The requirement (b)

With respect to effects resulting from the difference in the technical features of the article, the effect in the process of manufacturing the article is not used for the judgement based on "the substantial identical" standard. Differences of effects from that of the cited reference should be resulted in the article structure itself, otherwise such effects are not considered in the judgement for "the substantial identical" standard.

5. Consideration

There are only twenty cases dealt in the Toyko High Court plus the Supreme Court in connection with Article 29bis of JPL (Article 3bis of the Japanese Utility Model Law.) The tendency of the decisions given in the cases in respect of an evidence and advantageous effects will be discussed below.

(1) The prior art cited under Article 29bis of JPL, if literally interpreted, can not be used to reject an invention

of a subsequently filed application in view of other related prior art as is in the case of 35 USC 102. The Supreme Court holds that an evidence may be submitted to complete the disclosure of the prior art and thereby to broadly read the same. (Showa 59 (Gyo Tsu) 23: Decided on May 25, 1984) It is believed, however, that such a supplimental evidence is intended only to determine whether or not the difference of technical features of the inventions at issue resulting from mere modification employable by one skilled in the art. That is to say, the evidence is intended only to proof known or conventional technique for the purpose of completing the disclosure of the cited reference. To this end, the use of an evidence is natually limited. Standard therefore is now being developed in view of the latest Tokyo High Court decisions. This will be more clear as the number of related cases increases.

(2) In earlier cases, a test of whether or not the present invention and the invention of the cited reference are substantially identical is decided immediately upon examination of the difference between the technical features of the both inventions. However, such test does not involve the issue of whether or not advantageous effects are different therebetween. In recent cases, such test tends to involve the examination of an evidence as well as that of advantageous effects.

In recent cases, decisions are given in light of relationship between "the cited reference and supplimental evidences" as well as "between the difference of technical features and advantageous effects.

Ⅴ. Conclusion

1. It has become clear that the completeness of the invention cited as a prior art . Heretofore, the invention of the present application has been compared with the invention of the cited reference in respect of novelty and inventive step. This tendency will continue henceforth. The test of whether or not the cited reference is complete will be of importance.

As among industries are seen more competition in R & D, it will result in that there are many patent applications on the same subject whose filing dates are very close. The earlier filing will be more important. Because of the chesty

filling the disclosure in specification might be less sufficient Therefore "complete" or "in complete" will be a material issue in judging whether or not the disclosure will be a gualified prior art.

2. Prior art subject to the test of "Completeness"

(1) When the invention of the cited reference invloves an inventive step, the invention may include "unable" embodiments. It is claer that such invention is considered to be incomplete. However, the invention of the earlier filed application may include "enable" embodiments. Under these circumstances, when such embodiments are identical with the invention of the present invention, the cited reference qualifies as prior art.

(2) When the invention of an earlier filed application is not sufficiently disclosed and one skilled in the pertinent art is unable to perform the same, the invention is considered to be "incomplete." Also, even if technical expedients are diclosed to solve problems exsistent in the prior art, when a method of making same, materials operation and advantageous effects are not sufficiently disclosed, any third party may not perform the invention. This is true, especially when an invention is directed to chemical products, metal composite and the like.

(3) Meaningless numerical disclosure in the prior art

Even if an earlier application discloses the same numerical value as the present application, when reasons, whether background, operation and advantageous effects are not clear, it appears to be controversial whether the invention of the earlier filed application is complete. Although it depends upon the art to which the invention pertains, attention should be paid to subsequent relevant cases.

3. The issue of whether or not an invention is complete is dealt with on a case by case basis. It should be mentioned that the determination of completeness may depend upon the background of the respective inventions, the level of technique at the time tne invention is made, and the art to which the invention parairs. Attention should also be paid to decisions by the Patent Office and the Court in this respect.

4. It is preferable that the patentablity is objectively decided.

5. In view of the circumstances under which the test of identicalness of inventions involves the issue of operation and effects, it is of importance that objects of the invention, operation, and effects are fully descreibed. It would also be advisable that the patentability of an invention is decided in light of the difference of operation and effects.

ATTACHMENT I

Listed below are cases in connection with Article 29, Paragraph 1, Item 3 of the Japanese Patent Law and Article 3, Paragraph 1, Item 3 of the Japanese Utility Model Law.

A-1: Appeal from the decision of the Board of Appeals of the Patent Office in the ex parte case.

A-2: Appeal from the decision of the Board of Appeals of the Patent Office in inter parte case.

A-3: Appeal from THC in A-1 case.

A-4: Appeal from THC in A-2.

A-5: Appeal for reuocation of the decision that correction of the specification or drawing (s) is to be rejecied.

THC: Tokyo High Court

SC: The Supreme Court

DGPO: Director-General of the Pattent Office

UM: Utility Model

1, A-1 49 (Gyo Ke) 19
THC (May 28, 1975)
Appellant: Kiichiro Katsukura
Appellee: DGPO
Issue: Patent (identical)

Identical technical features involved.
No difference between advantageous effects of the inventions found.

2. A-2 49 (Gyo Ke) 136
THC (July 30, 1975)
Appellant: Takahiro Koyama
Appelle: Keneshika Koto Kosyo K.K.
Issue: UM (substantially identical)

A metal mud-board is obviou in the pertinent art.
More change in material.

A-3 52 (Gyo Tsu) 104
SC (December 22, 1977)
Appellant: ditto
Appellee: ditto
UM The decision by the Tokyo High Court is upheld.

3. A-1 47 (Gyo Ke) 88
THC (February 18, 1975)
Appellant: Lion Yushi K.K.
Appellee: DGPO
Issue: Patent (identical)

A determination of whether or not the inventions are identical should not reply on descriptive differences in the specification in respect of operation and advantageous effects of the inventions.

4. A-1 47 (Gyo Ke) 87
THC (October 22, 1975)
Appellant: Eastman Kodak Company
Appelle: DGPO
Issue: Patent (substantially identical)

Technical features of the inventions does not differ.

5. A-1 47 (Gyo Ke) 141
THC (March 17, 1976)
Appellant: Lachem Corporation
Appellee: DGPO
Issue: Patent (identical)

No numerical properties disclosed.

6. A-1 51 (Gyo Ke) 3
THC (July 28, 1976)
Appellant: Take Okamoto
Appellee: DGPO
Issue: UM (identical)

Identical inventive concepts are not involved.

7. A-1 49 (Gyo Ke) 1
THC (September 29, 1976)
Appellant: Kenkichi Tsukamoto
Appellee: DGPO
Issue: Patent (not substantially identical)

Known or conventional technique not employed.

8. A-1 49 (Gyo Ke) 152
THC (March 23, 1976)
Appellant: Kiyoshi Takemoto
Appellee: DGPO
Issue: UM (identical)

Broad claims including prior art.

9. A-1 49 (Gyo Ke) 31
THC (January 26, 1977)
Appellant: Showa Densen Denki K.K.
Appellee: DGPO
Issue: UM (identical)

Technical matter misunderstood.

10. A-1 50 (Gyo Ke) 10
THC (March 15, 1977)
Appellant: Moboru Mimura
Appellee: DGPO
Issue: Patent (identical)

Construction of the cited reference is errorneously recognized.

11. A-2 42 (Gyo Ke) 92
THC (March 2, 1977)
Appellant: Daiei Denki Seisakusho
Appellee: Jinko Denki K.K.
Issue: Patent (identical)

The same advantageous effects are assumed to be obtained in that technical features of the inventions are same.

12. A-2 50 (Gyo Ke) 4
THC (April 24, 1977)
Appellant: Koichi Yamano
Appellee: DGPO
Issue: Patent (substantially identical)

Technical features of the inventions are same. Further, no special measure is taken to obtain further advantageous effects.

13. A-2 47 (Gyo Ke) 106
THC (May 18, 1977)
Appellant: Kazuharu Kusaka
Appellee: Toyoharu Kasai
Issue: Patent (identical)
(NOTE: The Supreme Court decides that the inventions are same

"R" is considered to be "cerium" and thus, the same composition is employed in the inventions.

14. A-1 51 (Gyo Ke) 13
THC (July 28, 1977)
Appellant: Sakuji Yamada
Appellee: DGPO
Issue: UM (identical)

The size shown in the drawings of the cited reference appears to be determined in an unintentional way and is, therefore, not concerned with an inventive step.

15. A-2 51 (Gyo Ke) 83, 86, 87
THC (June 8, 1977)
Appellant: Kenji Ichikawa et al.
Appellee: Toyokuni Hanbai K.K. et al.
Issue: UM (identical)

No difference between technical features and advantageous effects of the inventions found.

16. A-2 48 (Gyo Ke) 28
THC (July 14, 1977)
Appellant: Toyo Gobaku Kagaku Kogyo K.K.
Appellee: Toyo Gomu Kogyo K.K.
Issue: Patent (identical)

Considered to be not identical on the grounds that technical features and advantageous effects of the inventions differ.

17. A-2
THC (August 24, 1977)
Appellant: Fukuoka Seishi K.K. et al.
Appellee: Isao Kuroki et al.
Issue: UM (identical)

Considered to be same on the grounds that the material is coated by a water-proof film, although the formation of the coating is not described in the cited reference.

18. A-2 48 (Gyo Ke) 8
THC (November 30, 1977)
Appellant: Universal Oil Product
Appellee: Asahi Denka Kogyo K.K.
Issue: Patent (identical)

No technical expedients are disclosed in the cited reference to achieve the objects of the invention.

19. A-1 52 (Gyo Ke) 129
THC (July 27, 1978)
Appellant: Kisaburo Sato et al.
Appellee: DGPO
Issue: Patent (identical)

It is understood from the content of the specification that the invention should be directed to a product, rather than a method. Therefore, the composition of the present invention is included in the composition of the cited reference.

20. A-1 47 (Gyo Ke) 10
THC (September 20, 1978)
Appellant: Americal Chain and Cable
Appellee: DGPO
Issue: Patent (identical)

Technical features of the inventions are partly identical.

21. A-1 46 (Gyo Ke) 5
THC (October 4, 1978)
Appellant: Hatsuda Seisakusho
Appellee: DGPO
Issue: Patent (substantially identical)

It appears to be within the normal capacities of one of ordinary skilled in the pertinent are to provide the rate of drawing described herein. Also, arrangement of the numerical value does not appear to obtain notable advantageous effects.

22. A-2 52 (Gyo Ke) 77
THC (November 22, 1978)
Appellant: Harold Philip
Appellee: Haris Corporation
Issue: Patent (identical)

Technical features of the inventions are identical. To provide means for adjusting surface pressure is obvious in the pertinent art.

A-3 54 (Gyo Tsu) 78
SC (September 26, 1980)
Appellant: ditto
Appellee: ditto
(identical)

23. A-1 48 (Gyo Ke) 155
THC (November 28, 1978)
Appellant: Shigenobu Matsui
Appellee: DGPO
Issue: Patent (identical)

It is unreasonable to broadly read the scope of the invention and therby to decide that the inventions are identical.

24. A-1 52 (Gyo Ke) 37
THC (December 20, 1978)
Appellant: T.E.A Industrial Product
Appellee: DGPO
Issue: Patent (identical)

Objects, technical features, operation and advantageous effects of the inventions differ from each other.

25. A-2 51 (Gyo Ke) 57
THC (January 18, 1979)
Appellant: Toyotomi Kogyo
Appellee: Yamatake Haoneywell
Issue: Patent (identical)

The case is directed to the issue of intorpretation of a technical term recited in the claims which is not normally used.

26. A-2 52 (Gyo Ke) 45
THC (February 14, 1979)
Appellant: Kenzo Hamada et al.
Appellee: Kao Sekken K.K.
Issue: Patent (identical)

The present invention includes the compound used in the cited reference. The respective inventions do not appear to include compounds which are different in the melting point and effects.

27. A-1 50 (Gyo Ke) 7
THC (April 23, 1979)
Appellant: T.P.C.
Appellee: DGPO
Issue: Patent (identical)

Technical features of the inventions are identical. The inventive concept of the present invention is the same as that of the cited reference, although the present invention points out some advantageous effects which are not presented in the cited reference.

28. A-2 52 (Gyo Ke) 212
THC (May 17, 1979)
Appellant: Shibazaki Seisakusho
Appellee: Ishida Press Kogyo
Issue: UM (identical)

Only a slight difference between technical features of the inventions recognized.

29. A-1 51 (Gyo Ke) 117
THC (September 27, 1979)
Appellant: Ginsaburo Yamada et al.
Appellee: DGPO
Issue: Patent (identical)

The reasons for the decision is not unreasonable, even if the known matter is not mentioned therein.

30. A-2 50 (Gyo Ke) 111
THC (October 30, 1979)
Appellant: Asahikasei Kogyo K.K.
Appellee: Union Carbide Corporation
Issue: Patent (identical)

No ground for which in the method of the cited reference, the material is used under anhydrous conditions.

31. A-2 49 (Gyo Ke) 141
THC (October 24, 1979)
Appellant: Scotish Agricultural Industries
Appellee: Limited
Issue: Patent (identical)

The amount of water contained in the solid constituent in the present invention is different from that of the cited reference upon calculation thereof. Therefore, the inventions are considered not to be identical.

32. A-2 54 (Gyo Ke) 68
THC (July 31, 1980)
Appellant: Corona Sangyo
Appellee: K.K. Goko et al.
Issue: UM (identical)

Although the concaved portion is shown in the drawings of the cited reference, there is no description in connection with the technical problemes to be solved.

33. A-1 54 (Gyo Ke) 119
THC (March 10, 1981)
Appellant: Fujita Jidosha Kogyo K.K.
Appellee: DGPO
Issue: UM (identical)

The difference between the inventions at issue would be an obvious design choise.

34. A-2 53 (Gyo Ke) 23
THC (September 17, 1981)
Appellant: Kiichiro Abe
Appellee: Seibu Denki Kogyo K.K.
Issue: UM (substantially identical)

An obvious choise in designing.

35. A-2 53 (Gyo Ke) 176
THC (October 20, 1981)
Appellant: Osumi Seisakusho
Appellee: Toyota kogyo K.K.
Issue: Patent (identical)

The inventions are considered to be identical if the subject matter of the present invention is partly identical to that of the cited reference, even if they are not wholly identical.

36. A-2 54 (Gyo Ke) 107
THC (November 5, 1981)
Appellant: Becham Group Limited
Appellee: Brist Rumyers Company
Issue: Patent (Identical)

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The concept of the present invention is included in that of the cited reference. Also, advantageous effects of the present invention is not superior to those of the cited reference.

37. A-1 54 (Gyo Ke) 156
THC (February 25, 1982)
Appellant: Dulux, Australia
Appellee: DGPO
Issue: Patent (identical)

Inventions can not be considered not to be identical, if starting materials are different, even if the same materials are present on the way.

38. A-2 55 (Gyo Ke) 75
THC (May 11, 1982)
Appellant: Canon
Appellee: Ricoh
Issue: Patent (identical)

No substantial difference between technical features of the inventions.

A-3 57 (Gyo Tsu) 116
SC (January 25, 1983)
Appellant: Canon
Appellee: Ricoh
Issue: (identical)

39. A-2 54 (Gyo Ke) 162
THC (January 27, 1982)
Appellant: Fujitsu
Appellee: Oki Denki
Issue: Patent (identical)

Whether or not a gate electrode is available is insignificant in this case.

40. A-1 56 (Gyo Ke) 11
THC (November 29, 1982)
Appellant: Union Carbide
Appellee: DGPO
Issue: Patent (identical)

The inventions are not distinguishable and are, thus considered to be identical.

A-4 58 (Gyo Tsu) 51
SC (February 26, 1985)
Appellant: Union Carbide
Appellee: DGPO
Issue: (identical)

41. A-1 56 (Gyo Ke) 57
THC (May 25, 1982)
Appellant: Seitaro Sato
Appellee: DGPO
Issue: UM (identical)

The article of a design application may involve an inventive concept.

42. A-1 55 (Gyo Ke) 402
THC (June 23, 1983)
Appellant: Pilkinton Brothers
Appellee: DGPO
Issue: Patent (identical)

The invention of the cited reference does not involve the inventive step which is anticipated by the present invention. Technical features of the inventions are different.

43. A-1 55 (Gyo Ke) 353
THC (August 16, 1983)
Appellant: Cabot Corporation
Appellee: DGPO
Issue: Patent (identical)

The appellant's statement that the invention of the cited reference (filed by same) includes incorrect content is not sustained.

44. A-2 57 (Gyo Ke) 24
THC (December 26, 1983)
Appellent: T.D.K. K.K.
Appellee: Diamond Shamlock Technology SA
Issue: Patent (identical)

In the event that technical features of the inventions are wholly or partly identical, the same objects are achieved and same advantageous effects are obtained under normal circumstances.

45. A-1 56 (Gyo Ke) 84
THC (June 28, 1984)
Appellant: Argus Chemical Corporation
Appellee: DGPO
Issue: Patent (identical)

A mixture of mono-body and di-body is naturally obtainable.

46. A-1 57 (Gyo Ke) 186
THC (February 27, 1984)
Appellant: Tetsumasa Ikeda
Appellee: DGPO
Issue: Patent (substantially identical)

The difference between the present invention and the invention of the cited reference results from more addition of conventional means.

47. A-1 56 (Gyo Ke) 286
THC (April 24, 1984)
Appellant: H. R. Electronic Company
Appellee: DGPO
Issue: Patent (substantially identical)

Considered to be substantially identical when judging from standard technical knowledge.

48. A-1 56 (Gyo Ke) 105
THC (September 27, 1984)
Appllant: Nihon Keikinzoku
Appellee: DGPO
Issue: UM (substantially identical)

In respect of construction of the inventions, it is a matter of design choises.

49. A-1 57 (Gyo Ke) 253
THC (November 29, 1984)
Appellant: Rauel Corporation
Appellee: DGPO
Issue: Patent (identical)

Technical features of the inventions are same, although technical problems to be solved are not recognized.

50. A-1 54 (Gyo Ke) 170
THC (December 19, 1984)
Appellant: Showa Sangyo
Appellee: DGPO
Issue: Patent (identical)

The first and second processes are substantially different.

51. A-2 57 (Gyo Ke) 140
THC (January 29, 1985)
Appellant: Toa Tomiji
Appellee: Kanto Seiya Pipe
Issue: Patent (identical)

Construction and material for use in the present invention are the same as those of the cited reference. In addition, there is no ground for denying that the invention of the cited reference is resistant to fire and has thermal insulation properties. Thus, the inventions are considered to be same.

52. A-1 54 (Gyo Ke) 105
THC (April 30, 1985)
Appellant: Globe Union Corporation
Appellee: DGPO
Issue: Patent (identical)

The composition of A, B and C of the cited reference is not identical to the composition of B and C of the present invention unless to compound A is obvious.

53. A-1 58 (Gyo Ke) 32
THC (April 10, 1985)
Appellant: Seiren Kogyo
Appellee: DGPO
Issue: UM (substantially identical)

An obvious design choise.

ATTACHMENT II

Listed below are cases in connection with Article 29bis of the Japanese Patent Law and Article 3bis of the Japanese Utility Model Law.

1. A-1 54 (Gyo Ke) 43
THC (April 28, 1981)
Appellant: K.K. Ito Seitotsusho
Appellee: DGPO
Issue: Patent (substantially identical)

Article 29bis of the JPL is applied in consideration of the printed publication published prior to the filing of the earlier filed application and the standard technical knowledge in addition to the description of the specification and drawings of the earlier filed application.

2. A-1 56 (Gyo Ke) 255
THC (August 20, 1983)
Appellant: Seiei Kikai Seisakusho
Appellee: DGPO
Issue: Patent (identical)

A piston-type press means is used as a press arrangement mechanism in the present invention (paper folding machine.) Also, such a piston-type press means is not conventional. Therefore, the inventions are not identical.

3. A-1 56 (Gyo Ke) 155
THC (September 29, 1983)
Appellant: Fuji Shashinkoki K.K.
Appellee: DGPO
Issue: Patent (identical)

The decision the invention of the earlier filed application (the lump is lighted on and off in response to the number of the input pulse) corresponds to the invention of the present application (the limp is selectively lighted on and off by a combination of the output of the flip-flop group) is sustained.

4. A-1 57 (Gyo Ke) 121
THC (September 29, 1983)
Appellant: General Electric Co., Ltd.
Appellee: DGPO
Issue: Patent (identical)

The decision that the present invention is the identical with the invention described in the publication of the earlier filed application is reversed.

5. A-1 56 (Gyo Ke) 285
THC (November 16, 1983)
Appellant: Iseki Noki K.K.
Appellee: DGPO
Issue: UM (substantially identical)

The difference between the provision of three packers in the present device (packers for use in the tying device) and the provision of two packers in the cited reference is a matter of design choises.

The Tokyo High Court upholds the decision.

A-4 59 (Gyo Tsu) 23
Sc (May 25, 1984)
Appellant: ditto
Appellee: ditto
Issue: UM (substantially identical)

The Supreme Court upholds the decision that the present device is rejected upon broad reading of the scope of the claims of the earlier filed application by means of the evidence submitted.

6. A-1 56 (Gyo Ke) 178
THC (January 19, 1984)
Appellant: The Gava Scientific Co., Ltd.
Appellee: DGPO
Issue: Patent (identical)

The Tokyo High Court Reversed the decision that the description "the joint engageable with the sheet material provided in the carrier" in the present invention is irrelevant in this method.

7. A-1 57 (Gyo Ke) 137
THC (February 29, 1984)
Appellant: Iseki Noki K.K.
Appellee: DGPO
Issue: Patent (identical)

The Tokyo High Court upholds the decision that the amendment filed after the present application is published is rejected and that the device of the present invention is identical with the earlier filed application.

A-4 59 (Gyo Tsu) 66
SC (October 26, 1984)
Appellant: Iseki Noki K.K.
Appellee: DGPO
Issue: UM (identical)

In view of the evidence, the decision that the amendment filed after the present application is published is rejected since it is intended to alter the scope of the claims is reasonable.

8. A-1 56 (Gyo Ke) 115, 251
THC (June 14, 1984)
Appellant: Shigeru Hatano
Appellee: DGPO
Issue: Patent (substantially identical)

The present invention is directed to surface cutting of known method. The invention is the same as the device of the cited reference, although some limited numerical value is presented.

9. A-1 57 (Gyo Ke) 276
THC (July 30, 1984)
Appellant: Fuji Shashin Film K.K.
Appellee: DGPO
Issue: Patent (substantially identical)

The art "stopping, fixing and bleaching are effected in a conventional manner" described in the specification of the earlier filed application includes monobath and biobath treatment. There is no reason to exclude the monobath treatment. Thus, the present invention is identical with the invention of the cited reference.

10. A-2 57 (Gyo Ke) 79
THC (July 31, 1984)
Appellant: K.K. Inoue Japaks Kenkyusho
Appellee: Nihon Gakki Seizo K.K.
Issue: Patent (identical)

The appellant's statement that the invention described in the specification of the earlier filed application is incomplete, is not accepted. And the invention of the present invention is considered to be identical with the invention of the earlier filed application. The inventions have the same inventive concept since the objects of the inventions and technical expedients used to solve problems are identical.

11. A-1 58 (Gyo Ke) 27
THC (November 21, 1984)
Appellant: Sumitomo Denki Kogyo K.K.
Appellee: DGPO
Issue: Patent (identical)

The Tokyo High Court upholds the decision that the present invention (light-piping fiber) is substantially described in the cited reference.

12. A-1 57 (Gyo Ke) 154
THC (November 21, 1984)
Appellant: Nihon Kokan K.K.
Appellee: DGPO
Issue: Patent (identical)

The Tokyo High Court upholds the decision that the present invention is described in the cited reference.

The staving temperature prior to milling in the cited reference includes the temperature of 1100 to 1250 limited in the present invention.

13. A-1 58 (Gyo Ke) 127
THC (December 17, 1984)
Appellant: U.O.B
Appellee: DGPO
Issue: Patent (substantially identical)

The invention of the present application and the device of the cited reference relates to heat transfer metal pipes. The width t of the top portion in the groove increases propotionally as the diameter D of the metal pipe increases. Therefore, it is recognized that the device of the cited reference include t (greater than 0.5 inches) of the invention of the present application. The technical features of the invention and device overlap. There is no difference between the invention and the device in view of the above limitation.

14. A-1 57 (Gyo Ke) 97
THC (January 24, 1985)
Appellant: Fuji Seiyu K.K.
Appellee: DGPO
Issue: Patent (identical)

In the present application, the oils and fats are melted by high temperature oils and fats injected from the nozzles. In the invention of the cited reference, on the other hand, the oils and fats injected from the nozzles are used to stir the melted oils and fats, and steam are provided from another nozzle to lower the viscosity of the oils and fats. Therefore, technical features of the invention are different from those of the invention of the cited reference. Also, consumption of heat used is reduced in the present invention.
Not identical.

15. A-2 56 (Gyo Ke) 249
THC (February 27, 1985)
Appellant: Jane Cope
Appellee: Asakura Kiken Kogyó K.K.
Issue: UM (identical)

The appellant is unable to show any proof against the reasons for invalidation of the utility model registration in compliance with Article 3 of the Japanese Utility Model Law. Therefore, the decision is uphold.

16. A-1 58 (Gyo Ke) 5
THC (March 25, 1985)
Appellant: Calaroll
Appellee: DGPO
Issue: Patent (identical)

A cited reference suggets use of a denatured starch as a blending material of synthetic resin and a surface-denatured starch is well known. Further, the reference simply discloses a biodegradable resin composition for mouldings by blending synthetic resin with an organic substance as a source of nutrition for microorganisms. However, no evidence proves the fact that starch particles, whether denatured or not, have been commonly used as blended resin in the field. They can not be considered identical.

17. A-1 57 (Gyo Ke) 241
THC (March 28, 1985)
Appellant: Tamao Morikawa
Appellee: DGPO
Issue: UM (substantially identical)

The device of the present application is intended merely to change two plate-like permanent magnets (cited reference) to an annular permanent magnet. The both magnets are substantially identical. The difference between methods of making the respective magnets is irrelevant to the difference between the device of the present application and the device of the cited reference.

ATTACHMENT III

Listed below are cases in connection with Article 39, Paragraph 1 of the Japanese Patent Law and Article 7, Paragraph 1 of the Japanese Utility Model Law.

1. A-1 49)Gyo Ke) 89
THC (February 25, 1976)
Appellant: Halcon International
Appellee: DGPO
Issue: Patent (substantially identical)

The oxidizing agent employed in the present invention is conceptionally included in the invention of the earlier filed application.
In addition, the same embodiment is shown in the specifications of the inventions. Therefore, it can not be mentioned that technical features of the inventions are difference.

2. A-1 50 (Gyo Ke) 31
THC (May 18, 1976)
Appellant: N.N.K.R.B.
Appellee: DGPO
Issue: Patent (identical)

The limitation of the strength in axial compression appears to be irrelevant to the invention of the earlier filed application.

A-4 51 (Gyo Tsu) 108
SU (March 24, 1977)
Appellant: N.N.K.R.B.
Appellee: DGPO

3. A-1 48 (Gyo Ke) 58
THC (May 13, 1976)
Appellant: Sekisui Kagaku
Appellee: DGPO
Issue: Patent (substantially identical)

In the present invention, printing is effected after pressure-sensitive adhesive is applied. On the contrary, in the invention of the earlier filed application, the printing is effected before the pressure-sensitive adhesive is applied. Notabale difference between effects of the inventions is found.

4. A-1 50 (Gyo Ke) 20
THC (November 24, 1976)
Appellant: Nihon Gakki
Appellee: DGPO
Issue: Patent (identical)

It can not be recognized that the inventions are different since there is no statement or proof regarding additional conditions including different properties.

5. A-1 51 (Gyo Ke) 125
THC (November 16, 1977)
Appellant: Maruzen Kasei
Appellee: DGPO
Issue: Patent (identical)

The term "sodium citrate" is generally used to mean "trisodium citrate." Therefore, the sodium citrate used in the present invention is not related to "sodium citrate" used in the earlier filed application.

6. A-5 45 (Gyo Ke) 124
THC (Octover 5, 1975)
Appellant: Furukawa Denki Kogyo
Appellee: DGPO
Issue: Patent (substantially identical)

Technical features and effects of the invention of the earlier filed application are not set forth in the claims, but are obvious from the specification. Thus, the technical features and effects of the inventions are same.

7. A-2 49 (Gyo Ke) 116
THC (January 25, 1978)
Appellant: Brother Kogyo
Appellee: Silver Seiko
Issue: Patent (identical)

The earlier filed application includes the elements A and B, where as the present application includes only the element A. When consideration is limited to the same element A, no advantageous effects of the inventions are found and thus, the inventions are identical.

8. A-1 43 (Gyo Ke) 77
THC (March 20, 1978)
Appellant: Tokyo Miura denki
Appellee: DGPO
Issue: Patent (substantially identical)

The portion which is briefly mentioned or omitted is assumed to be pertinent to the prior art. If objects of the inventions are different, when the same advantageous effects are obtained by the inventions, they are considered to be identical.

9. A-1 48 (Gyo Ke) 27
THC (May 31, 1978)
Appellant: M.L.A.G.
Appellee: DGPO
Issue: Patent (identical)

The present application includes a plurality of embodiments. One of them is different from the embodiment of the earlier filed application, but the other embodiments considered to be identical with the embodiment thereof. Under these conditions, the inventions are considered to be identical.

10. A-1 46 (Gyo Ke) 134
THC (May 2, 1978)
Appellant: Shigeo Yoshida
Appellee: DGPO
Issue: Patent (identical)

If one process of the method of the earlier filed application is carried out by the use of the device of the present invention, technical features of the inventions are not correspondingly related to each other.

11. A-1 52 (Gyo Ke) 109
THC (November 29, 1978)
Appellant: Rose Pulanandrews
Appellee: DGPO
Issue: Patent (identical)

The invention of the present invention includes a method of producing monofurfurylazine. This method is considered to be the same as a method of producing azine of the earlier filed application.

12. A-1 51 (Gyo Ke) 91
THC (November 16, 1978)
Appellant: RCA
Appellee: DGPO
Issue: Patent (identical)

The case is directed to the issue of interpretation of "oscillator."

13. A-2 52 (Gyo Ke) 35
THC (April 30, 1978)
Appellant: General Electric
Appellee: Asahikasei
Issue: Patent (substantially identical)

The inventions are considered to be substantially identical when the present invention is compared with the claims and embodiments of the earlier filed application in combination with the prior art.

14. A-1 52 (Gyo Ke) 64
THC (May 29, 1980)
Appellant: Shinagawa Kako
Appellee: DGPO
Issue: Patent (identical)

The difference between technical features of the inventions are obvious in light of the prior art.

15. A-1 52 (Gyo Ke) 169
THC (February 27, 1981)
Appellant: Sanyo Denki
Appellee: DGPO
Issue: Patent (identical)

The differences between the inventions are merely of the formality.

16. A-1 54 (Gyo Ke) 85
THC (April 27, 1981)
Appellant: Showa Kobunshi
Appellee: DGPO
Issue: Patent (identical)

It is recognized that the difference between advantageous effects of the inventions result from the limitation of molecular weight.

17. A-1 54 (Gyo Ke) 13
THC (July 28, 1981)
Appellant: American Cynamid
Appellee: DGPO
Issue: Patent (identical)

The decision that the present invention is covered by the invention of the earlier filed application is errorneous.

18. A-1 53 (Gyo Ke) 20
THC (July 30, 1981)
Appellant: General Electric
Appellee: DGPO
Issue: Patent (identical)

The differences between operation and advantageous effects of the inventions are not clearly described in the specification of the present application.

A-4 57 (Gyo Tsu) 12
SC (September 7, 1982)
Appellant: General Electric
Appellee: DGPO

THC decision is upheld.

19. A-1 53 (Gyo Ke) 154
THC (September 29, 1981)
Appellant: B.W.H.
Appellee: DGPO
Issue: Patent (substantially identical)

Technical features of the inventions are different. The joint use of $-Sb_2O_3$ is irrelevant to the subject matter of the invention of the earlier filed application.

20. A-1 55 (Gyo Ke) 82
THC (January 26, 1982)
Appellant: Osaka Packing Seisakusho
Appellee: DGPO
Issue: Patent (identical)

The molding method is conventional and the molded item is identical with the one of the cited reference.

A-4 57 (Gyo Tsu) 51
SC (September 7, 1982)
Appellant: ditto
Appellee: ditto
(same)

21. A-1 55 (Gyo Ke) 25
THC (June 30, 1982)
Appellant: Okamoto Shokai Yugen Kaisha
Appellee: DGPO
Issue: UM (identical)

The embodiment shown in the drawing of the present invention is identical with the one of the cited reference.

22. A-1 56 (Gyo Ke) 34
THC (February 28, 1984)
Appellant: Serany Corp.
Appellee: DGPO
Issue: Patent (identical)

The decision was such that the inventions are considered to be identical on the basis of the certificate of experiment. However, the conditions for the experiment are incorrect.

23. A-1 56 (Gyo Ke) 210
THC (March 29, 1984)
Appellant: Konishiroku Shashinkogyo
Appellee: DGPO
Issue: Patent (substantially identical)

The treating method is not well known in the art.

24. A-1 57 (Gyo Ke) 90
THC (July 30, 1984)
Appellant: Sekisui Kaseihin Kogyo K.K.
Appellee: DGPO
Issue: Patent (identical)

The difference between the inventions is an obvious design choise.

Significance of Criticality of Numerical Limitations in Claims

Japanese Group, Committee No. 1
Subcommittee No. 2

Akira Atsumi, Teijin Ltd.
Akio Okumura, Fuji Photo Film Co., Ltd.
Hiroshi Kataoka, Nippon Shinyaku Co., Ltd.
Masahiko Katoh, Toyota Central Res. & Develop. Labs., Inc.
Michihiro Kameishi, Kanegafuchi Chemical Ind. Co., Ltd.
Ichiro Tsurumaki, Toyo Soda Manufacturing Co., Ltd.
Ryuichi Nakao, Mazda Motor Corporation
Kazuyuki Furukawahara, Aisin Seiki Co., Ltd.
Makoto Miyajima, Fuji Heavy Industries, Ltd.

Speaker: M. Katoh, Toyota Central Res. & Develop. Labs., Inc.

Abstract

It is generally believed that the presence of significance of criticality is required for a particular numerical limitation to be acceptable. It is, however, apparent from recent court decisions that the Patent Office and the court think differently about the necessity for the significance of criticality of a numerical limitation, particularly in connection with judgment as to identity of an invention, or introduction of new matter by an amendment after allowance of an application for publication. In this report, the issues of numerical limitation of an invention and the significance of criticality are described, and then the issues are discussed with reference to (1) identity of an invention, (2) unobviousness and (3) introduction of new matter by an amendment, which are all important factors to be considered in the prosecution of applications, while introducing a number of court decisions, and finally the important points which the court decisions indicate and which have to be kept in mind during the prosecution are summarized.

1. Introduction

Numerical limitation is an issue which is unavoidable in the prosecution of a patent application or a utility model registration application particularly in the field of chemistry or materials. First of all, it is often the case when preparing a specification to incorporate numerical limitations into claims in order to render the invention patentable. Even

if no numerical limitation is made in claims as filed, it is sometimes necessary to make an amendment of claims by way of numerical limitation in order to overcome the Examiner's rejection. No amendment including a numerical limitation is entered unless a numerical range supporting the amendment and the significance of its criticality are stated in the specification as originally filed.

The term "significance of criticality" means that the numerically limited invention produces unexpected or different results from the invention to which the numerical limitation does not apply. The examination proceedings at the Patent Office apparently requires the presence of significance of criticality for a numerical limitation to be acceptable. Recent court decisions, however, appear to teach that the court thinks differently from the Japanese Patent Office about the necessity for the significance of criticality of a numerical limitation, particularly in connection with judgment as to the identity or sameness of an invention with another invention, or the introduction of new matter by an amendment. We believe that it will be of great help for the acquisition of a patent to recognize the positions which the Patent Office and the court take in connection with this issue.

In this report, therefore, we will briefly describe the issues of numerical limitation of an invention and the significance of criticality, then discuss the issues with reference to (1) identity of an invention, (2) unobviousness and (3) introduction of new matter by an amendment, which are all important factors to be considered in the prosecution of a patent application, while reviewing a number of court decisions involving consideration of each such factor, and finally summarize the important points which the court decisions indicate, and which we will have to keep in mind during the prosecution of our application.

2. Numerically Limited Invention

Numerical limitation is one way of limiting the scope of an invention. Other ways include the limitation of a

material, or use. It is effected by limiting numerically a feature which is recited in a claim. A numerically limited feature defines an essential feature of the invention which is set forth in a claim pursuant to the provisions of Section 5 of Article 36 of the Patent Law. A numerical limitation usually employs numerical values expressing conditions, for example, 100° to 120° C, or 1 to 10 atms., but can also be made by using certain terms indicating the properties of a particular substance, for example, boiling or melting point.

In other words, it is possible to say that a numerically limited invention is an invention which is rendered patentable only by some such numerical limitation. For example, it is often the case that a feature of an invention known in the art is numerically limited (e.g. "reacting by a pressure of 150 to 200 atms." vs. "reacting at a high pressure"), or a numerically limited feature of an invention known in the art is limited in a different way (e.g. "neutralizing with HCl having a concentration of 40 to 50%" vs. "neutralizing with HCl having a concentration of 20 to 30%"). In either event, the presence of significance of criticality is usually required for the numerical limitation.

It is also sometimes the case that at least one of the features of an invention is numerically limited, even if it is novel and patentable irrespective of any such numerical limitation. There are court decisions holding that this kind of numerical limitation is merely supplementary, and not required to have any significance of criticality (e.g. Tokyo High Court, 'gyo-ke' No. 169 of 1978). This report will not discuss any numerically limited invention of this nature.

3. Positions of the Patent Office Concerning Numerically Limited Inventions

The following is a summary of the positions taken by the Patent Office when considering a numerically limited invention from the standpoints of identity, unobviousness, and introduction of new matter by an amendment:

3.1. Judgment as to Identity of Invention

The issue of identity is considered between one invention and another in an earlier filed application pursuant to the provisions of Section 1 of Article 39 and Article 29 bis of the Patent Law. If the numerical limitation of an invention in a particular application is obvious to anybody of ordinary skill in the art in view of its object and features and fails to produce any unexpected results as compared with an invention in an earlier filed application, it is deemed as a matter of mere choice or change and the numerically limited invention is considered as being identical with the invention in the earlier filed application.

In the field of alloys, however, two inventions are considered different from each other even if the alloy compositions are identical or overlapped with each other, if they differ from each other in the properties of the alloys (results of the invention) which the inventors have found and therefore in the usage of the alloys.

3.2. Judgment as to Unobviousness

The issue of unobviousness is considered pursuant to the provisions of Section 2 of Article 29 of the Patent Law. In order to support the unobviousness of a numerically limited invention from the prior art, it is necessary to show the significance of criticality of the numerical limitation. If it has no significance of criticality, it is considered obvious as being merely a matter of choice, or as being a matter merely omitted as known in prior art literature.

3.3. Judgment as to Introduction of New Matter by an Amendment

An applicant can amend the specification and drawings. Amendments which can be made before the delivery of a Notice of Allowance for Publication (referred to as allowance for publication) differ from those which can be made thereafter. No amendment made before allowance for publication to broaden, narrow or alter a claim is considered as introducing new matter if it is made within the disclosure of the specification as originally filed. Amendments which can be made after

allowance for publication are, however, limited to (i) restriction of a claim, (ii) correction of errors in description and (iii) clarification of an ambiguous description (Section 1 of Article 64 of the Patent Law). An amendment for adding a numerical limitation appears to restrict a claim or clarify an ambiguous description, but is sometimes considered as substantially broadening or altering the claim. This report will discuss only amendments made after allowance for publication, as amendments made by way of numerical limitation before allowance for publication are treated in a similar way to those made thereafter.

4. Court Decisions Concerning Numerically Limited Inventions and the Issue of Significance of Criticality Discussed Therein

4.1. Court Decisions Involving the Issue of Identity

The following decisions exemplify the cases in which the identity of a numerically limited invention was argued pursuant to the provisions of Section 1 of Article 39 of the Patent Law:

(1) Case 1-1:

Case of "Thermoplastic Mixture", Tokyo High Court, 6th Civil Dept., 'gyo-ke' No. 154 of 1978, September 29, 1981.

The court canceled the trial decision of the Patent Office holding that the present invention defined by a numerical limitation adjoining in range the numerical limitation of an invention in an earlier filed application was identical to the latter invention. The invention in the earlier filed application was a flame retardant polyolefin mixture containing 5 to 25% by weight of compound (A) based on the polyolefin weight. The present invention was a flame retardant polyolefin mixture containing 2 to less than 5% by weight of compound (a) which was substantially equal to compound (A). The proportion of compound (a) in the mixture of the present invention, which had been 2 to 20% by weight in the original application, was thereafter amended, and was 2 to less than 5.3% by weight when the application was finally rejected, and 2 to less than 5% by weight when the trial was demanded against

the Examiner's decision. The Patent Office concluded that the limitation of "less than 5% by weight" according to the present invention did not have any significance of criticality, while the limitation of "5 to 25% by weight" according to the invention of the earlier filed application had no significance of criticality, either, as it was merely an indication of the amount of compound (A) to be used, and held that the two inventions were identical to each other.

The court, however, concluded that they were not identical for the following reason:

> "The limitation to the amount of compound (A) (5 to 25% by weight) according to the invention of the earlier filed application is an essential feature thereof pursuant to the provisions of Section 5 of Article 36 of the Patent Law. The limitation to the amount of compound (a) (2 to less than 5% by weight) according to the present invention does not overlap the range limited by the invention of the earlier application, though it may not have any significance of criticality. Insofar as the amount of the compound used by the present invention differs from the amount used by the invention of the earlier application, the trial decision is wrong in concluding that it is identical to the invention of the earlier application, simply because the limitation to the amount of compound (a) has no significance of criticality."

(2) Case 1-2:

Case of "Moldable Resin Composition", Tokyo High Court, 13th Civil Dept., 'gyo-ke' No. 85 of 1979, April 27, 1981.

This is another case in which the court canceled the trial decision of the Patent Office holding that the present invention defined by a numerical limitation adjoining in range the numerical limitation of an invention in an earlier filed application was identical to the latter invention. While an unsaturated polyester was defined as having a molecular weight of 142 to 215 per double bond according to the invention of the earlier filed application, the present invention limited it to over 215 (excluding 215). The Patent Office concluded that the two inventions were substantially identical, since no

significance of criticality could be found in the numerical limitation of either of the two inventions.

The court rendered the following decision:

"If the numerical limitation according to the present invention had no significance of criticality, it would be correct to conclude that it was identical to the invention of the earlier application despite their difference in the range of limitation. The examples described in the test report concerning the present invention, however, confirm the results of the numerical limitation described qualitatively in the specification. Therefore, the numerical limitation according to the present invention is of a significance of criticality, and it differs from the invention of the earlier filed application."

(3) Discussion:

In both of the cases, the Patent Office concluded that, even if the two inventions clearly differed from each other in the range of numerical limitation, they were identical unless the numerical limitation for each invention had in itself significance of criticality. The court did not agree to the position of the Patent Office in Case 1-1, but held that no significance of criticality was necessarily required of the numerical limitation of each invention. In Case 1-2, however, the court held the two inventions as being identical if the numerical limitation of the present invention had no significance of criticality, while not referring to the significance of criticality of the limitation for the invention of the earlier application. Thus, the court took different positions from one case to the other.

Accordingly, it is not yet clear whether it is necessary to consider the significance of criticality of a numerical limitation when discussing the issue of identity. Insofar as the provisions of Section 1 of Article 39 of the Patent Law are intended to avoid double patenting, it appears that it may not always be necessary to consider the presence of any such significance of criticality when discussing the issue of identity, if the two inventions in question are both numerically limited and can be numerically distinguished from

each other.

4.2. Court Decisions Involving the Issue of Unobviousness

(1) Case 2-1:

Case of "Method of Producing a Rebonding Foam", Tokyo High Court, 13th Civil Dept., 'gyo-ke' No. 36 of 1981, March 27, 1985.

The court supported the trial decision which denied the unobviousness of the invention, as the limitation to the amount of the solvent to be added to the binder had no significance of criticality.

The Examiner in the Patent Office cited a plurality of references to show that a method of producing a rebonding foam by using a polyurethane prepolymer as a binder for bonding scrap chips of polyurethane had been known prior to the filing of the application. The applicant, therefore, limited the claim by limiting the composition of the binder and the amount of the solvent to be added to the binder. As a result of the limitation, the binder contained 1 to 10% of a free isocyanate, and the amount of the solvent was 50 to 150 parts by weight for 100 parts by weight of the binder. The applicant argued that the invention would now produce unexpected results, such as being capable of producing a rebonding foam having excellent physical properties, e.g. low residual compressive strain.

The specification contained two examples in which the physical properties of the rebonding foam according to the invention were compared with those of the conventional products. In both of these examples, however, the amount of the solvent was 53.8 parts by weight for 100 parts by weight of the binder. The court concluded that the invention could not be considered to produce excellent results over the whole range recited for the amount of the solvent, by way of examples showing only a single specific value in the recited range. The court also concluded that the test report submitted by the applicant during the examination proceedings did not show any appreciable difference between the results obtained by using the upper limit of the amount of the solvent and those obtained by using a larger amount. Thus, the court held that the

limitation of the amount of the solvent could not be considered to have any significance of criticality, and supported the trial decision saying that the invention was obvious from the disclosures of the cited references.

(2) Case 2-2:

Case of "Laminated Product", Tokyo High Court, 6th Civil Dept., 'gyo-ke' No. 281 of 1981, February 28, 1984.

The court concluded that the numerical limitation of the invention was of significance of criticality, and canceled the trial decision which had denied its unobviousness.

The invention was a laminated product obtained by bonding a metal and an ethylenic polymer with a carboxyl containing polyolefin-ethylenic polymer as an adhesive having a metal carboxylate proportion, or neutralization degree, of 1 to less than 10 mol %.

A reference was cited as disclosing a similar laminated product and teaching that a polymer would increase its adhesive strength with a reduction in the degree of its neutralization. This fact was demonstrated by a continuous curve representing a gradual decrease in adhesive strength with an increasing degree of neutralization. This curve was prepared by plotting the results of the tests conducted by employing different degrees of neutralization, i.e. 0, 17, 25, ... No test was conducted at any degree of neutralization between 0 and 17.

The drawings accompanying the specification for the present invention include a curve showing that according to the invention. The maximum adhesive strength was obtained at a neutralization degree of 1 to 10 mol %, and that it was higher than the values shown in the reference.

The court concluded that a comparison of these drawings confirmed the significance of criticality of the limitation to the neutralization degree of the polymer according to the invention, and held that the invention was unobvious.

(3) Discussion:

In both of the cases, the point at issue was the degree to which the significance of criticality of a numerical limitation was disclosed. In Case 2-1, the court concluded that the disclosure of the examples was insufficient to show the

significance of criticality of the numerical limitation stated in the specification. We believe that the court was correct in judging that results obtained only at a particular point within a range of numerical limitation would not support its significance of criticality over the whole range.

In Case 2-2, the graphical representation of the results obtained from the examples shows that the maximum adhesive strength was attained within the numerically limited range. As this fact is apparently not obvious from the curve shown in the reference, we believe that the court decision in the present case was correct.

The Patent Office and the court share the same opinion that, in order to have a numerically limited invention considered unobvious, it is necessary to show the significance of criticality of its numerical limitation. Thus, it can be said that the presence of significance of criticality is an important factor for the unobviousness of a numerically limited invention.

4.3. Court Decisions Involving the Issue of Amendment after Allowance for Publication

The following are examples of court decisions involving an argument as to whether an amendment made after allowance for publication amounted to the narrowing of a claim for patent, or utility model registration:

(1) Case 3-1:

Case of "Golf Club", Tokyo High Court, 13th Civil Dept., 'gyo-ke' No. 25 of 1980, June 30, 1982.

The court supported the trial decision holding an amendment as introduction of new matter.

The original claim for utility model registration read as follows:

"A golf club having a bias weight disposed around a ball striking surface on its head, or at the front edge, front and rear edges, front and lower edges, or front, rear and lower edges of said ball striking surface so that said bias weight may surround the center of said ball striking surface".

There was no numerical limitation as to the position of the bias weight. The applicant, then, made a voluntary amendment incorporating a numerical limitation, and the amended claim read as follows:

"A golf club having a bias weight disposed around a ball striking surface, (1) said bias weight being located on a line joining the outer periphery of said ball striking surface and its center of gravity, the distance between the inner and outer peripheries of said bias weight and the distance between the inner periphery of said bias weight and said center of gravity having a ratio of 1 to 5, (2) said bias weight at two specific points and said ball striking surface having a weight ratio of 1 to 5, and not more than 1, respectively".

The court concluded that, though the specification as originally filed and as published suggested that the bias weight was located closer to the outer periphery of the ball striking surface than to its center and was of substantial weight, neither of the numerical limitations (1) and (2) was described in the specification as originally filed, and that since it was clear that unexpected results would be produced by the amendment, it was considered as substantially altering the claim.

(2) Case 3-2:

Case of "Method of Improving the Quality of Food", Tokyo High Court, 6th Civil Dept., 'gyo-ke' No. 100 of 1977, November 20, 1980.

The court canceled the trial decision which had concluded an amendment made after allowance for publication as introducing new matter.

The claim in the specification as published read as follows:

"A method of improving the quality of food comprising contacting food containing a protein with an aqueous solution containing a monobasic amino acid or a salt thereof and having a pH of at least 6".

The applicant amended the wording "having a pH of at least 6" to "having a pH of at least 7.5 when the aqueous solution has a

concentration of 1%". The applicant also made an amendment for narrowing the claim by reciting a specific amino acid, and canceled and added some examples. The Patent Office concluded that the amendment introduced new matter, insofar as the specification as published did not show any significance of criticality in the limitation to a pH of at least 7.5.

The judgment of the court was, however, as follows:

"It appears from the disclosure of the specification as published that the same results can be obtained when the solution has a pH of 7.5 or above, or 10, 12 or above, as when it has a pH of less than 7.5. In other words, the disclosure cannot be interpreted as teaching that the invention defined by the amended claim would produce better results than the invention as originally claimed. Therefore, the amendment can be considered as narrowing the claim numerically, and it cannot be concluded that the amendment introduces new matter. The addition of the example should be considered as clarifying an indefinite statement."

(3) Case 3-3:

Case of "Vinyl Chloride", Tokyo High Court, 'gyo-ke' No. 346 of 1980, July 28, 1983.

The court canceled the trial decision which had concluded that an amendment made after allowance for publication had introduced new matter.

The claim in the specification as published set forth a method for the suspension polymerization of vinyl chloride in an aqueous dispersing medium employing as a suspending agent polyvinyl alcohol having a saponification degree of 70 to 80%, a 4% aqueous solution of said polyvinyl alcohol having a viscosity of 5 to 30 cps at 20°C. The applicant amended the saponification degree to a range of 70.0 to 78.0% and the viscosity to a range of 5.0 to 28.0 cps, changed one of the examples to a comparative example, and added two examples. The specification as published showed a preferred saponification degree in the range of 75 to 79%, but did not mention 78% specifically. For this reason, the Patent Office did not enter the amendment.

The conclusion of the court was, however, as follows:

"The object of the invention defined by the amended claim is exactly the same as that of the invention as originally claimed. The amendment does not introduce any new object or result of the invention. It cannot be considered as altering the technical concept of the invention. The amendment should be interpreted as introducing a further limitation to the saponification degree and viscosity of PVA and thereby further clarifying the advantages of the invention. It is considered as narrowing the claim, and not introducing any new matter. The addition of the examples is considered as being merely intended to show the results of the invention more clearly."

(4) Discussion:

It is possible that an amendment for introducing a numerical limitation made after allowance for publication such as (i) a numerical limitation to a broad claim originally not containing any such limitation (Case 3-1), or (ii) a further limitation to a numerical limitation already existing in a claim (Case 3-2 or 3-3), may turn out to alter the claim unless the limitation to be introduced is specifically stated in the specification.

In Case 3-1, the amendment was dismissed by the Patent Office since the amended invention would produce results not to be expected from the invention as originally claimed. We consider that the court was correct in supporting the trial decision dismissing the amendment as introducing new matter, insofar as the original specification did not mention the numerical limitation nor its significance of criticality, and the amended claim defined an invention producing results not to be expected from the original disclosure.

In Cases 3-2 and 3-3, the court judged the amendment as not introducing new matter since the numerical range fell within the original range, and the results obtained from the invention defined by the new claim were considered comparable to those attained by the originally claimed invention.

The court hold that the restriction of the numerical range by use of the new values not specifically mentioned in the

specification would not constitute new matter, and thus the court seems to give less importance to the presence of singnificance of criticality in the original specification. A study of this point appears to be necessary for clarifying the reasons for the different positions taken by the Patent Office and the court.

We believe that these court decisions are worthy of attention, as they apparently influence the practice of the Patent Office.

5. Important Points Affecting Our Practice

The following is a summary of the important points which we have learned from the court decisions as affecting the patent practice, including the preparation of an application and its prosecution.

5.1. Identity of a Numerically Limited Invention

It is important to consider the issue of identity, not only for determining if two inventions have an identical technical concept, but also from the standpoint of avoiding double patenting. As above mentioned, a numerical range recited in a claim should not be a mere numerical limitation or change (Patent Office Manual of Examining Procedure Concerning Identity of an Invention). Therefore, the Patent Office may require the disclosure of the significance of criticality of any such numerical limitation in connection with consideration as to the identity of the invention in question with another.

When an application is filed, it may happen that an earlier filed application with which it will later be compared is still to be published. Therefore, it is difficult to state in the original specification any numerical limitation that the applicant may have to incorporate in the future, and its significance of criticality. In order to facilitate the acquisition of a patent, however, it is desirable to state any possible numerical limitation and the significance of criticality in the original specification.

If the issue of identity arises, it is advisable, first of

all, to make an argument concentrated on the avoidance of double patenting, and then clarify the significance of criticality of any numerical limitation, if possible.

5.2. Unobviousness

The unobviousness of a numerically limited invention depends on the significance of criticality of its numerical limitation. The significance of criticality differs from one invention to another. It is difficult to establish a single standard which is common to all inventions. The following is, therefore, merely an example of the manner in which we suggest the significance of criticality of a numerical limitation should be shown in the specification.

The significance of criticality of a numerical limitation for an invention, particularly in the field of chemistry or materials, should be shown by way of examples and comparative examples. The examples should cover the whole range of the numerical limitation and be compared with comparative examples directed to a range which falls outside the range to which the invention is limited. The use of a graph or graphs is an effective method of presenting such examples.

It is not infrequent for a specification to describe a numerical limitation as not being an essential feature of the invention, for instance, "preferably 10 to 20% by weight" of a certain substance, or to show an example or examples which are directed to only a single specific value even if the description contains a range of values. It is, however, important to include a variety of examples in the original specification, as stated hereinabove in view of the possibility that a numerical limitation may have to be incorporated into the claim after the application is filed.

5.3. Amendment after Allowance for Publication

The applicant often finds it necessary to amend a claim after the publication of his application in order to overcome any opposition lodged against it. If a numerical limitation which is introduced by the amendment is not considered as altering the object or results of the invention as defined by

the original claim, with the original claim having a broader scope than the amended claim, the amendment may be entered, even if the numerically by limited range is not specifically stated in the specification as originally filed, or as published. It appears that the deletion or addition of an example or examples is also permissible.

6. Conclusion

We have discussed a number of court decisions concerning numerically limited inventions, and summarized the important points which they teach us. While there are, of course, other points that must be kept in mind in our practice, we have shown only the points which we have learned from the court decisions which have particularly drawn our special attention. Insofar as Japan is a country in which written law governs, we are not certain, but believe that the court decisions which we have discussed hereinabove will have a significant influence on our practice. We will be happy if this report is of help to any of you.

PIPA CONGRESS

OCTOBER 1985
CHICAGO ILL

NUMERICAL LIMITATIONS IN U.S. PATENT CLAIMS

Abstract

There are many reasons for the inclusion of numerical limitations in U.S. claims. Satisfaction of the patent law that the invention be new, useful and unobvious may provide some of the reasons. In addition, satisfaction of the disclosure and claiming requirements may provide other reasons. The case law relating to the use of numerical limitations to define new and unobvious inventions is reviewed. The role of numerical limitations in interference practice and the problem of proper support for numerical limitations are also discussed.

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NUMERICAL LIMITATIONS IN U.S. PATENT CLAIMS

My topic today is numerical limitations in U.S. Patent claims. I will limit my discussion to the patent procurement aspects since there will be another paper that deals with the patent infringement aspects. That paper will discuss the problems of claim scope interpretation including the doctrines of file wrapper estoppel and equivalents.

There are many reasons that a numerical limitation might be put into a U.S. claim. As we all know, there are three basic substantive requirements for patentability in the United States. The invention must be new, useful and unobvious. In addition to the characteristics that the invention must have, the applicant must meet two additional requirements. In the specification he must enable one of skill in the art to practice the invention and in the claims he must distinctly point out what he regards as his invention. Obviously, these five requirements are interrelated and it is not always easy to separate them. However, in U.S. practice, all of these requirements can be the reason for numerical claim limitations.

Take for example the requirement that the invention be useful. If an applicant knows of a significant range of inoperative embodiments within the scope of a broad claim, he might consider a numerical limitation to limit the claim to only those embodiments that are useful. As an illustration, assume that no prior art reference discloses the combination of polymer type A with

polymer type B. However, the applicant knows that if the glass transition temperature of polymer B is above 50 degrees C the two polymers can not be mixed. In order to avoid claiming combinations that obviously will not work, he might put the numerical limitation to glass transition temperature into the claim. This would be required even though no prior art showed any combination of A and B.

As another example, a numerical limitation might be inserted into the claim if the application is rejected because the applicant failed to provide enablement for the broad scope of the original claim. To illustrate this situation, suppose that in the above example the applicant had not actually tested polymers having a glass transition temperature above 50 degrees but all of his examples used polymers which were between 40 and 50 degrees. If the Examiner had good reason to allege that combinations of polymers outside this range could not be made by the methods disclosed by applicant, he might require limitation to the 40 to 50 degree range.

In both of these cases, the numerical limitation has nothing to do with the prior art. In these situations, there is no need that embodiments within the scope of the numerical range cited show any unexpected results in comparison to embodiments outside the range.

Often, where the limitation is not needed to distinguish over close prior art, a numerical limitation can be avoided. Instead, a functional limitation can be used. For example, rather than recite specific amounts of drug X in a composition claim, Examiners will usually accept language such as "A composition comprising a

carrier and a therapeutically effective amount of drug X." This eliminates any inoperative embodiments while, at the same time, does not severely restrict the claim. If the prior art is close however, more clearly defined numerical limitations may be required.

I believe that the practice of using limitations for reasons other than to distinguish over the prior art is the aspect of U.S. claim drafting practice that differs most from Japanese practice. It is my understanding that in Japan, Article 36 paragraph 5 states that the claim of the Japanese application recite only the indispensable constituent features of the invention. It is my further understanding that indispensable means that the feature is necessary to distinguish from the art and to provide the KOKA. There is usually no reason to recite features so that all embodiments within the scope of the claim are operative or to put into the claim a feature only because all of the examples happen to have that feature. The focus is on whether the feature is necessary to provide the KOKA of the invention. It is for this reason that I believe that claims in Japanese cases usually have fewer features than do similar U.S. claims. I also believe that this is the reason that claims written according to U.S. practice can be inappropriate in Japan if they are filed without modification, but that is the topic of another paper. Conversely, the Japanese applicant filing in the U.S. might find he needs to add features to avoid trouble. I certainly invite comment on this point.

Often the purpose of a numerical limitation in a U.S. claim is to define an invention that is new and

unobvious. The "new" requirement is relatively easy to meet in the U.S. For an invention to be new it must not be identically disclosed in a single reference. If a numerical limitation is relied on to establish newness it is only necessary for that limitation to be different in any way from the reference. For example, if the reference discloses only a range for the numerical limitation of from 1 to 20, then a range from 2 to 19 distinguishes over that reference. However, if the reference shows a range of from 1 to 20 and a specific example at 10, then a claim that recites 2 to 19 is not novel over that reference. This is because there is a specific embodiment in the reference that is within the scope of the claim.

Even though the claimed range is completely within the range shown by the prior art reference, a patent can still be obtained. The case of In re Weymouth and Koury, 182 USPQ 290 (CCPA 1974) illustrates this point. In that case, the invention involved a high pressure electric discharge device such as an electric lamp. Applicant had found that if the ratio of halogen atoms to mercury atoms in the device were in the range from 0.08 to 0.75, the amount of desirable white light that was given off by the device was optimized. A reference showed an identical device except that the ratio of halogen to mercury was calculated to be between 0.0000001 and 1.3. Applicant showed in his original application papers that his more specific range was critical by way of a graph which showed the white light output as a function of this ratio.

No question was raised under 35 USC 102 which illustrates that there was no question that the invention was new even though the new range was completely within the old. However, the Patent Office found that the invention was obvious under 35 USC 103. It was alleged that the claimed invention would have been arrived at through routine experimentation. The CCPA reversed the Patent Office. The Court found that the reference did not disclose any relationship between white light emission and the ratio of halogen and mercury. This, said the Court, came only from applicants disclosure. Further, the Court found that the reference taught away from the use of applicants claimed ratio. Even though the reference taught a broad range, it suggested that the lower end of that broad range should be used. Thus, one of skill in the art would not have arrived at the claimed invention by routine experimentation and the invention was therefore not obvious. This must not have been an easy case for the Court however since there was a dissenting opinion.

The situation might be different if the claimed range just touches the range in the reference. In the case of In re Malagari, 182 USPQ 549 (CCPA 1974) a process for making steel was claimed. The process differed from the prior art only in the amount of carbon used in the first step. The claimed amount was between 0.03% and 0.07%. Reference A showed a range of 0.02% to 0.03%. Reference B showed 0.02% to 0.035%. The Court said that the only possible anticipation rejection would have to be based on reference A. They suggested that the fact that the claim and the reference shared a specific common point

might be significant. Interestingly, they failed to decide the point. They found that the invention was at least prima facie obvious over the references and that the applicant had failed to establish that the results that were obtained in the claimed range were unexpected. The Court thus avoided the anticipation issue.

As I noted earlier, whether there is an invention in the discovery of a particular numerical limitation in an otherwise conventional process is not an easy question. The case of In re Antonie, 195 USPQ 6 (CCPA 1977) also involved dissenting opinions. That case involved a waste treatment device characterized in that the ratio of throughput to contactor area was specified to be 0.12 gal/ft^2. The prior art reference disclosed no information regarding this ratio. The Patent Office decided that the optimum ratio would be determined by one skilled in the art by routine experimentation and the dissenting Judges agreed. The majority of the Court did not agree however. They found that the ratio in question was not known to have any effect on the result that the applicant desired to achieve. Thus it would not have been obvious to optimize this feature. They pointed out that in the U.S., "obvious to try" is not the standard. The question is whether the invention "as a whole" would have been obvious. The case of In re Yates, 211 USPQ 1149 (CCPA 1981) confirms this decision.

Even if the variable that is optimized is known to be result effective, optimizing that variable can still produce a patentable invention provided the result that is achieved is unexpectedly good. Also, there must be

sufficient data to convince the Court that the results for all of the claimed range are unexpectedly good. The case of In re Boesch and Slaney, 205 USPQ 215 (CCPA 1980) involved a nickel based alloy. It was known that the value of the parameter N_v had an effect on the formation of the "sigma phase" of the alloy. The formation of this phase was also known to have an adverse effect on the properties of the alloy. Applicants alleged that if the value of N_v was 2.35 or less, the sigma phase was entirely eliminated. They also alleged that this was unexpected and that the resulting properties of the alloy were unexpected. The court agreed that if this could be shown, the invention would be patentable. Unfortunately for applicant however, their data showed only one example of a low N_v alloy and this was insufficient to establish the unexpected nature of the entire scope of their claimed invention. Applicants after the appeal might have been able to return to the Patent Office and provide the necessary additional data.

That basically covers the patentability reasons for numerical limitations in U.S. claims. However, numerical limitations sometimes raise different kinds of issues. Kato-san of Japanese Group Committee No. 1 is delivering a paper on the present topic from the Japanese point of view. He was kind enough to send me a brief preview of that paper so that I might coordinate some of my comments to that paper. I would like to address a few of the points he raised from the point of view of a U.S. practitioner.

Apparently, there is a difference between two Tokyo High Court decisions dealing with numerical limitations in the situation where a second application is filed before an earlier filed application is published. In one case, the Court required that there be patentable significance between the numerical limitations of the two claims and in the other, required that there only be a clear difference in the numerical range.

In a similar situation in the U.S. an interference would probably be declared. If the claims were otherwise identical and the numerical ranges overlapped, a count would be proposed to both parties. The proposed count would have a numerical range that included all of both ranges. The parties would attempt to prove priority and the winner would have a patent issued to him including his originally claimed range. The loser would have his application rejected as being unpatentable over the lost count. (see 35 USC 102(e))

If the ranges do not overlap, an interference might also be declared. Again, a count might be suggested which would include both ranges. However, the parties could argue that there is no interference in fact. In such a case, the party alleging no interference in fact would have to show that the difference in numerical ranges between the two original claims is patentably significant. The analysis would be the same as I have previously discussed. Unexpected results for one range in comparison to the other would probably have to be shown.

Kato-san also asked how the USPTO would handle the situation where a numerical limitation is further

limited by amendment. Would the further limited range have to be supported by the description in the case as filed? The answer is yes it would. In all cases, the claims must be supported by the specification. However, support can be found anywhere in the application as originally filed. For example, if the only place that the new narrowed numerical limitation appears in the original application is in one of the dependent claims, that narrowed limitation can still be inserted in the broadest independent claim. Also, the new range might be derived from the working examples even if the exact range is not explicitly disclosed.

There are several cases that illustrate these points. The problem is usually discussed in the context of the description requirement of 35 USC 112. The case of In re Wertheim, 191 USPQ 90 (CCPA 1976) is particularly interesting because it shows, as we say in English, both sides of the same coin. The invention in that case related to a process for the production of freeze dried coffee. The claim included many numerical limitations. One of the limitations was the percent solids in the starting coffee extract. Wertheim's application was involved in an interference and he needed to show support for the percent solids range in his Swiss priority application in order to be successful. His Swiss priority application disclosed 25-60% with specific examples at 36% and 50%. Claim 1 recited "at least 35% solids" with no upper limit and claim 4 recited "35 to 60% solids".

The Court found that the Swiss application did not describe the invention of claim 1 because, without an

upper limit, claim 1 included subject matter that was not included in the Swiss application. In contrast, claim 4 was described since the entire range of claim 4 was included in the Swiss disclosure. The Court said that the function of the description requirement is to ensure that the inventor had possession of the invention as of the Swiss filing date. As to subject matter above 60%, the Swiss application did not indicate that the applicant was in possession of it.

There was also another numerical limitation that was in issue. In one of the process steps, the frozen coffee was ground into particles. The applicants' Swiss application disclosed that the particle size was preferably, and the Court stressed "preferably", within the range of 0.25 to 2.0mm. The claim recited "at least 0.25mm". At first this appears to be the same situation as claim 1. No upper limit in the claim but an upper limit in the Swiss description. However, the Court had no trouble in deciding that for the particle size limitation, the Swiss application described the invention claimed in the U.S. I believe that this can be explained by the fact that the Swiss application referred to the upper limit as being preferred. By referring to the upper limit as being preferred, applicant implied that particle sizes outside this range could be used but were not as advantageous. Thus, the U.S. claim with no upper limit was not beyond the description of the Swiss application.

One last case to illustrate another point. The case of In re Blaser et al, 194 USPQ 122 (CCPA 1977) involved a situation where a claim numerical limitation

was entirely derived from working examples. The numerical range could not be expressly found in the application but could be calculated from working examples 1-6. Again, the Court was only interested in whether the original application showed that the applicant was in possession of the invention. It was not necessary for the application to use the exact words that eventually ended up in the claim.

I hope that I have given you some insight into the use of numerical limitations in U.S. claims. As with any issue that involves practice, there will be exceptions to what I have said. The practice might even vary depending on the art that is involved. If there are any questions or comments, please feel free to ask.

TABLE OF CITED CASES

In re Weymouth and Koury,	182 USPQ 290	(CCPA 1974)
In re Malagari,	182 USPQ 549	(CCPA 1974)
In re Antonie,	195 USPQ 6	(CCPA 1977)
In re Yates,	211 USPQ 1149	(CCPA 1981)
In re Boesch and Slaney,	205 USPQ 215	(CCPA 1980)
In re Wertheim,	191 USPQ 90	(CCPA 1976)
In re Blaser et al,	194 USPQ 122	(CCPA 1977)

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Comparison of 35USC112 with Japanese Patent Law Article 36(5) As Applied to Claiming Practice

Summary

35USC112 requires claims which particularly point out and distinctly claim the Applicants subject matter. Article 36(5) requires only indispensable constituent features. The difference in actual practice between these statutory standards frequently causes frustration for the U.S. practitioner. Dispensable features which originate in his U.S. claims cause misunderstanding in Japan.

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My topic today is the difference in claiming practice in the United States and Japan. I'm not going to talk about statistical surveys or judicial precedents. Rather, I intend to talk about the philosophy and practice differences that I have personally observed. It is my belief that the lack of understanding of these differences has caused many of the "problems" that are often encountered by US attorneys in Japan. These differences and their misunderstanding can also account for the narrow claims we sometimes complain about.

Let me say at the outset that I am talking here about practice and philosophy. You will certainly remember from your own experience exceptions to what I will say because no two people will have the same practices --- and certainly not if those two people are Examiners. Also, practice depends on the art that you are dealing with. Chemical practice seems to be particularly prone to problems of the 112 type. Even so, the principles in other art areas should be the same. What I will say therefore is meant to be food for thought and not dogma.

35 USC 112, second paragraph states that:

> The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Article 36, fifth paragraph states that:

> 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.

While actual practice under these standards serves to cast some light on the differences, it is never-the-less clear that the standards are different. It should come as no surprise that a claim written to meet the requirements of one standard might have trouble when examined under another.

Turning to the practice under 35 USC 112, how many times in your career have you seen rejections from the USPTO such as:

> Claim 1 is incomplete. The amounts of components A,B and C are not set forth.

> Applicant has not enabled one of skill in the art to practice the invention not having an X. (Where X is a conventional feature.)

> Claim 1 is broad enough to encompass inoperable embodiments without the recitation of minimum amounts of Z.

> Claim 1 is indefinite because the interrelationship of the parts constituting the invention are not set forth.

If you have been practicing before the USPTO very long, you probably do not get this type of rejection much any more. When you first write the claim, it is written so as to neatly avoid these rejections without any real limitations being inserted.

As I went through the rejections, you probably thought of examples in your own art area. To make the point further, let me take a hypothetical example from the art of photography. The film that you buy in the store consists of a photosensitive silver halide emulsion coated

on a flexible plastic material called a support in this art. The emulsion is often very complicated having sometimes dozens of chemicals dispersed in a binder such as gelatin. To keep things simple, the invention of my example is a simple coating of a silver halide emulsion having compound X which unexpectedly increases the light sensitivity or speed of the film. A typical US style claim might read:

> A photographic element comprising a support having thereon a) at least one photosensitive layer comprising photosensitive silver halide in a binder and b) a speed enhancing layer comprising a binder and compound X in an amount sufficient to increase the speed of said silver halide layer, said layers a) and b) being in reactive association.

Quite a complicated claim for such a simple invention. Complicated and wordy perhaps but in a practicle sense not very narrow. Lets look at some of the phrases and see why they are there.

"support" and "binder" All really useful photographic elements have a support and binder. Therefore, these are really non-limitations. If you leave them out, the examiner will reject the case because you didn't enable anyone to make an element without them. After awhile, since they do no real damage, these features go in all of your photographic element claims.

"in an amount sufficient to" This type of functional language neatly avoids rejections regarding ratios amounts etc, however does not exclude anything which is operable. It again is really in many situations a non-limitation.

"in reactive association" This language is used in the photographic art to avoid rejections based on the lack of interrelationship of features. There is a stock paragraph for the specification that explains that the layers are arranged so that all reactants can come together and interact when a film is processed. Again usually a non-limitation but necessary to avoid a useless office action or appeal.

In some situations, this same language can be a real and necessary limitation. Take "in an amount sufficient to" for example. This phrase can be used to overcome a prior art reference which shows the same compound used in a different amount for a different purpose. The phrases I'm referring to are those that tend to creep into our usual claim format for the sole purpose of avoiding unnecessary office actions.

Lets assume that this photographic element claim is filed in Japan without alteration. Will there be problems?

The Japanese examiner will be looking for a claim that recites only indispensable constituent features. In my opinion these four words represent the biggest difference between US and Japanese patent practice. Misunderstanding of these four words can cause frustration, narrow claims and even anger.

Let me illustrate. If a feature is in a Japanese claim, even if it is a conventional feature, the Japanese examiner will rightly assume that it is indispensable to this invention. He will then look to the working examples to see what the scope of support is for that feature. Often he finds only limited support. If the feature is conventional in that art and does not contribute to the results on which patentability is based, it will not be varied in the examples illustrating the invention.

At one point you have probably asked yourself -- Indispensable in Art 36 means indispensable for what purpose? I think we all know that invention in Japan includes purpose, constitution and advantageous effect or KOKA. Art 36 paragraph 4 tells us so. The practice is that only the features necessary to produce the KOKA relied on for patentability are "indispensable". Conventional features or features which do not contribute to the new effect are dispensable. Looked at another way, features which are not needed to distinguish over the prior art should not be in the claim.

Note what happens in Japan if you file an unaltered US claim. The claim contains all kinds of features to meet the US 112 practice. These features are, however, broadly defined. The Japanese examiner can not allow such broad language for indispensable features with so little support. You argue, you might even run additional supporting experiments, but what you are really doing is fighting battles over features which don't even belong in the claims in the first place. The result -- misunderstanding, frustration and narrow claims.

Consider my photographic illustration and the following Japanese claim:

> A photographic composition having, as a speed increasing agent, compound X.

"Support" is gone. "Binder" is gone. All of the 112 practice verbage is gone. The battle will be fought over the sufficiency of the support for the term "compound X" and not whether I am entitled to the breadth of the term "binder" because I have only shown gelatin in the working examples.

Ah but our Japanese agent should place the claim in proper Japanese form. Knowing which are the indispensable features requires a thorough understanding of the art in general and of the art most pertinent to that particular invention. Most agents are not instructed to study the art in enough detail to make this kind of determination. Further, the person who wrote the original case and who possibly has already had a US office action is in the best position to make this judgment.

The typical Japanese claim is brief -- sometimes alarmingly brief for the skilled US practitioner. Gone are the carefully crafted non-limiting functional statements; gone are statements to eliminate obviously inoperable embodiments; gone is the sometimes intricate pattern of antecedent basis. What is left are only indispensable constituent features. While the claim might look broad, the scope of the indispensable features will be very similar to the scope of those same features in the corresponding US case.

One thing you are forced to do in writing a Japanese style claim is to pin point what you think is your invention. This also makes many US practitioners uncomfortable. They like to build into their cases the possibility of arguing unobviousness based on many different possible combinations of features whether these features are old in the art or not. They might want to argue that it is the specific combination of these old features that is unobvious. This way, there is always refuge if a fatal reference to their broad invention is found during prosecution or litigation. However, this technique is not as valuable in Japan where patentability is based more on results than on unobviousness. It is much more difficult to build in disclosure of advantageous results for every possible permutation of features in the original case than it is to argue unobviousness of combining those features if necessary at a later date.

Consider also that there is less to lose in Japan by starting with a "broad" claim than there is in the US. There is virtually no doctrine of equivalents in Japan so you lose very little by narrowing your claims during prosecution. Further, by filing a broad claim you can eliminate an opportunity for your competitor to easily design around your invention by making a change in a dispensable feature just to avoid the literal scope of the claim.

The difference I have described also results in important changes to the Japanese specification in comparison to the US counterpart. If a feature appears in the US claim, the US practitioner likes to build a boiler plate security blanket to support it. A typical photographic case, for example, might contain a page describing useful supports and another page describing useful binders. In the Japanese case, since these features do not appear in the claims, all of this disclosure is unnecessary. As a rule of thumb, if a feature does not contribute to the new effect and will never be used to distinguish over the art, it should not be in the claim and should not be described in any detail. Remember also that translation costs about 9¢ per word.

Finally, a brief digression. This presentation is basically about the differences between US and Japanese patent law. However, we also file many of our cases in the EPO. The EPO examiner likes to see a two part claim. Unlike in Japan, the features known in the art must be in the claim but are in the preamble. Also, practice is liberal in allowing scope for features in the preamble. Thus, in my view, EPO practice falls somewhere between US practice and Japanese practice. Thus, while it might be possible to draft a claim which is formally acceptable in all three offices, in my opinion it is impossible to write

a claim that is optimum for all three. Two revisions of the US case should be made, one for Japan and another for the EPO. This obviously precludes the use of the PCT unless you remember to amend the claims when examination is requested. Even then, the specification will be a compromise.

I hope that I have provided a good meal for thought. I would like to open up the floor to discussion. Notice I didn't say questions since questions imply answers. Where practice is considered, there are no answers, only opinions.

IDENTITY OF TRADEMARKS CONSIDERING FROM TRIAL CASES OF RENEWAL AND CANCELLATION BY NONUSE

Japanese Group, Committee No.1
Trademark Subcommittee

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Nagahisa Yuasa, NEC Corporation

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Abstract

The obligation to use a registered trademark is strengthened by the revision of the Trademark Law of 1975 and for proving the use of a registered trademark, it becomes necessary that there is an identity between the trademark as actually used and the registered trademark as registered.
Trial decision cases made on the identity of these trademarks were picked up from the official gazettes on trial decision published from 1980 to 1985, they were classified into the cases of admitting the identity between the trademark used and the registered trademark and the cases of not admitting the identity, and these cases are further considered in the comparison with the Examination Standard in the Japanese Patent Office.
Finally, the attentions on the management of trademarks in relation to identity are stated.

Contents

1. Preface
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   I. Trial decision cases admitting the use of registered trademark
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7. List of Cases

1. Preface

In the Japanese Trademark Law, the obligation to use a registered trademark is strengthened by the revision of the Trademark Law of 1975 and for keeping a trademark right, the using factors for the registered trademark are more strictly required than the old law. That is, for keeping the right of a registered trademark, "the use of the registered trademark" must be proved since

(1) the period of duration of a trademark right cannot, in principle, be renewed unless the fact of using the registered trademark within three years before the application for renewal is proved (Trademark Law, Article 19, paragraph 2*1) and

(2) the burden for proof in a trial for the cancellation of the trademark registration by nonuse of the registered trademark (for three consecutive years) is imputed to a person demanded (the owner of the trademark right) from the demandant or challenger for the trial in the old law, whereby it becomes necessary for the owner of the trademark right (a person demanded for the trial)(Trademark Law, Article 50*2).

The proof of "the use of a registered trademark" is made by the presentation of the photographs of goods in which the trademark is actually used, the packages of goods, the articles of propaganda or advertisement of goods, catalogs, etc., but it is required that there is an identity between the used embodiment of the trademark thus presented and the registered trademark (the trademark specimen attached to the application). For the judgement of the identity, the criteria of thinking defined by the Paris Convention, Article 5 C(2) is generally considered to be a fundamental one internationally admitted but the judgement standard differs to some extent in each country by each trademark examination practice and also it is considered that there are practical cases hard to judge.

In particular, in Japan there frequently occur problems on the identity between "registered trademark" and "trademark used" by that

(1) about a word trademark, there are four kinds of indicative manners by three kinds of Japanese languages ('kanji (Chinese character)', 'hiragana', and 'katakana') and alphabet

and these relations are intermingled between the specimen of a registered trademark and a trademark used or under use, and

(2) for the registration of a trademark in Japan, the actual use of the trademark is not always required as the application factor different from the trademark application in the United States, and hence the used embodiment of a trademark at present is not always reflected in the trademark specimen attached to the application.

The trademark subcommittee studied this problem since about 10 years passed after the revision of the law and considerable cases about the disputed point of identity between a registered trademark and a trademark used in a trial for cancellation of trademark registration by nonuse and a trial against a final rejection of a renewal application were published in the official gazettes on trial decisions. Practically, the case of admitting the use of a registered trademark and the cases of not admitting the use of a registered trademark were picked up from such official gazettes for the reference of our study, and the contents of these cases were arranged and classified as attached below after confirming the embodiments of each trademark used and each registered trademark by the corresponding trial documents and the trademark official gazettes.

2. Cases in Official Gazettes about Identity of Registered Trademark and Trademark Used

The attached materials are cases about identity between registered trademark and trademark used in

(1) trial decisions in trials against final rejections of renewal applications and

(2) trial decisions in trials for cancellation by nonuse, picked up from the trial decision official gazettes published from 1980 (Trial Decision Official Gazette No. 1778) to the present (Trial Decision Official Gazette No. 2571, published July 11, 1985), and these materials are classified as follows according to the classification of the Examination Standard for Renewal Application in the Patent Office introduced in Paragraph 3 below.

I Trial decision cases admitting the use of registered trademark

1. Mutual alteration between capital letters and small letters in Roman letters arranged in a same order.

Example) ABC ⟷ abc

2. Mutual alteration between printing type and handwriting type in Roman letters arranged in a same order.

Example) ABC ⟷ *abc*

3. Use of one element only in a registered trademark composed of two elements common in sound arranged in two lines.

Example) A B C (エービーシー) ⟶ エービーシー

("エービーシー" is the pronounciation of "ABC" expressed by the Japanese language 'katakana'.)

4. Use of a registered trademark combined with other word, figure, or mark (or symbol).

Example) ABC ⟶ ABC XY

5. Use in two lines of the elements of a registered trademark composed of the elements arranged in one line.

Example) ABC XYZ ⟶ ABC / XYZ

6. Use of other embodiment which does not strikingly alter or change the embodiment of a registered trademark.

II Trial decistion cases not admitting the use of registered trademark

1. Mutual alteration between a trademark expressed by Roman letters and a trademark expressed by 'hiragana', 'katakana', etc.

Example) ABC ⟷ エービーシー

2. Use of a part of a registered trademark.

Example) ♡ ABC ⟶ ♡

3. Use of a strikingly changed embodiment of a registered trademark.

In addition, the trial decision cases cited below include not only the cases wherein the identity of a registered trademark and a trademark used was a disputed point but also the cases that trial examiners admitted an identity being clearly self-evident (in the above-described two kinds of trials, "whether or not the use in question can be the use of trademark", "whether or not the use in question is the use on goods included in the designated goods", etc., are also examined in addition to "the identity of trademarks").

3. About Examination Standard Relative to Admission of "Use of Registered Trademark" in Renewal Application of Trademark Registration

In the case of a renewal application for a trademark registration, whether or not the registered trademark is used must be examined and hence the Patent Office makes the Examination Standard relative to the examination thereof open to public. The outline of the standard is introduced below.

(1) Case of admitting the use of registered trademark

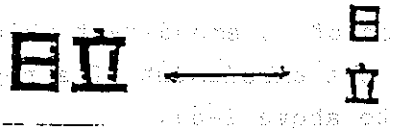
1) About types of letters constituting a registered trademark.

(a) Mutual alteration among various writing types in the construction of same letters arranged in a same order.

- Change between various printing type (boldface type, antique type, Roman type. italic type, Japanese language's typefaces (kanji), etc.).
- Change between printing type and handwriting type (corresponding to above I-2).
- Change between capital letter and small letter in Roman letters (corresponding to above I-2).

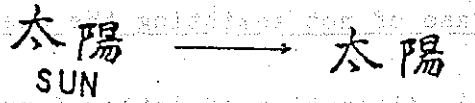
(b) Mutual alteration between vertical writing

and lateral writing in the construction of same letters arranged in a same order. (corresponding to Case Nos. 30 and 31).

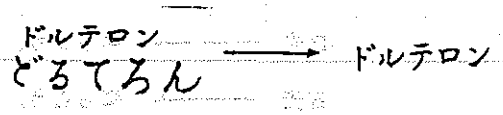


2) Cases of a registered trademark composed of elements arranged in two lines, etc., (corresponding to above I-3).

Examples shown in the Examination Standard:



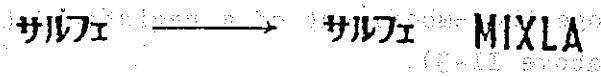
*: " 太陽 (Taiyo)" means "sun".



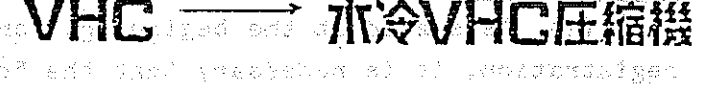
*: " トルテロン " and " どるてろん " cause a same sound, "doruteron".

3) Use of a registered trademark combined with other word, figure, or mark (corresponding to above I-4).

Cases shown in the Examination Standard:



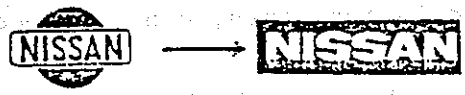
*: Use of a registered trademark " サルフェ " sounding (sarufe) together with other trademark "MIXLA".



*: "水冷" is a ward meaning "water cooling" and "圧縮機" is a general term meaning "compressor".

4) Use of an embodiment which does not strikingly alter or change the embodiment of a registered trademark (corresponding to above I-6).

Examples shown in the Examination Standard:



(2) Case of not admitting the use of a registered trademark

1) Alteration of letter font, etc., of a registered trademark (corresponding to above II-1).

Examples shown in the Examination Standard:

日光 ⟶ ニッコウ,

日光 ⟶ にっこう,

日光 ⟶ NIKKO

*: "日光", "ニッコウ" and "にっこう" all sound as "nikko".

2) Use of embodiment which strikingly alter or change the embodiment of a registered trademark (corresponding to above II-3).

Practical cases are not shown in the Examination Standard.

4. Attentions on Trademark Management in Relation to Identity of Trademarks

(1) As stated at the beginning, for keeping a trademark registration, it is necessary that the "registered trademark" is used and in this respect, whether or not there is an

identity in a publicly accepted idea between a registered trademark and a trademark used is a problem in practical work. Thus, the points to be noticed for the management of trademarks will be considered by referring to the attached materials and the Examination Standard.

1) First, it must be noticed that if a trademark is used by changing the writing system (Roman letters, 'kanji', 'katakana', 'hiragana', etc.,) of a registered trademark, it is regarded that there is no identity between the trademark used and the registered trademark.

In addition, the cases No. 58 and No. 61 are cases that the writing system is changed and it may be considered from the above-described Examination Standard for renewal applications that the identity of the registered trademark and the trademark used is denied but they are considered to be the cases that the identity of both the trademarks is admitted and the cancellation of the registered trademark is avoided on considering the entity of the business transaction. Thus, it is considered to be necessary to study further future cases for confirming whether or not these cases become a general standard which will be applied to furture cases.

	(Registered trademark)	(Trademark used)
No. 58	ふ知火漬	不知火漬

*: It may be seen that "ふ", a part of the registered trademark is changed to 'kanji', "不" but it was considered in the case that the expression of "ふ" is a kind of the handwriting type of 'kanji' "不".

No. 61	Buku Buku ブクブク	ぶくぶくキッチン

*: Alteration from of 'katakana' " ﾌﾞﾌﾞﾌﾞ " to 'hiragana' "ぶ゛ぶ゛ぶ゛ " having the same sound as the former.

2) When only a part of a registered trademark is used, there are the case of admitting the identity and the case of not admitting the identity. In this case, the identity of the trademarks is judged considering not only the appearances of them but also each sound and conception causing from the whole registered trademark and the partial portion thereof.

In regard to the attached cases, the cases of I-3 are those admitting an identity. There are many cases but these cases are almost refering to registered trademarks each constructed by two portions, i.e., a Roman letter portion and a 'katakana' portion having the sound naturally causing from the Roman letter portion i.e., the cases that two portions are regarded as having same sound. The use of only a part of such a registered trademark was admitted to have an identity with the registered trademark since it causes a same sound as the registered trademark. In the point of an identity in sound, the case No. 12 is contrary to the case 63.

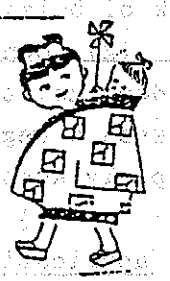
	(Registered trademark)	(Trademark used)
No. 12	 SCHMETZ	
No. 63	 金門清之	

These cases are, at a glance, considered to be same in the point of using a figure portion of a registered trademark composed of a letter portion and the figure portion. However, in the case No. 12 admitting an identity, the same letter (word) as the letter (word) outside the figure of the

registered trademark appears in the figure of the trademark used that is, the figure portion of the latter has the same sound as the outside letter portion of the former. On the other hand, the case No. 63 can be said to be not admitted to have identity since no particular sound as the letter portion of the registered trademark is caused from the figure portion of the trademark used.

3) Whether or not the use of a trademark is a striking alteration of the embodiment of the registered trademark is judged on each practical case but in general, the use of a registered trademark combined with other letter, figure, mark, etc., is regarded as having identity with the registered trademark but a partial use of a registered trademark must be practiced with care.

About the extent of changing a registered trademark, the cases No. 53 (admitted) and No. 64 (not admitted) are considered to be instructive.

	(Registered trademark)	(Trademark used)
No. 53		
No. 64		

*: In the case No. 64, each trademark is a depiction of a fireplace but the composition of the depiction considerably differs from each other and hence it is considered that whether or not there is an identity between the figure of the

trademark used and the registered trademark.

In addition, with respect to a use of a registered trademark with other letter, figure, mark, etc. all cases were admitted to have an identity with each registered trademark and there were no cases of not admitting the identity. In this respect, however, when the addition of, for example, other letter or word to a registered trademark causes an alteration of the whole conception and the sound of the registered trademark to the extent that the principal part having a function of distinguishing the trademark from others becomes different from that of the registered trademark, it is generally indicated that the identity and hence such a use of a registered trademark must be made with care.

Also, it must be noticed that the identity of trademarks is, as a matter of course, judged from not only the appearance but also the sound and the conception as well as the practical work of buisiness trasaction.

(2) Considering from the above-described identity of trademarks, the following matters are required in the relation between a registered trademark and a trademark used for properly keeping the trademark registration.

1) in the case of filing a trademark application, the application is filed in an embodiment in close touch with an actually used embodiment, and

2) when an embodiment of a registered trademark is changed in a trademark for actual buisiness, the changed is made in the range securing the identity with the registered trademark as shown in the attached materials and the above-described Examination S ⁻dard. However, in the case of practically using a registered trademark, a considerably changed use of the registered trademark may be considered from a buisiness view point or the effects of propaganda and advertisement.

3) When the extent of changing a registered trademark is over the range shown in the attached materials and the Examination Standard, it is advisable to file a new

trademark application.

In regard to filing of the new trademark application, there is an assiciated trademark registration system and if a trademark similar to a previous registered trademark is registered as the associated trademark, even when the previous registered trademark is in nonuse, the previous registered trademark can be effectively kept by showing the use of the associated trademark registered thereafter. Therefore, when a previous registered trademark is used as a greatly changed embodiment, it is better to obtain the registration about the changed embodiment by early filing the trademark application on the embodiment as an association trademark (in addition, it must be noticed that for obtaining such benefit of the above-described associated trademark system, the associated trademark is required to be registered or the benefit thereof cannot be obtained if the application thereof is pending).

5. In conclusion

Although the attached materials may be hard to understand for foreigners since there are cases about trademarks composed of the Japanese language and circumstances specific to Japan are involved in many cases, these materials may be considered to be understood to some extent at least about the comparison in external appearance of a registered trademark and a trademark used. Also, since embodiments of each registered trademark and trademark used are not always shown in the trial decision official gazettes, these embodiments of registered trademarks and trademarks used were comparatively shown in the attached materials after confirming them by the trademark official gazettes and the trial documents stocked in the Patent Office and we shall be happy if they are of any service to you for keeping trademark registrations in Japan.

6. Notes

*1: The Trademark Law, Article 19, Paragraph 2

The term of a trademark right may be renewed by application for registration of renewal. Provided, however, that this shall not apply:

(i) where the registered trademark has become a trademark falling under Section 4(1)(i) to (iii), (v),(vii) or (xvi).

(ii) where neigher the owner of the trademark right nor the owner of a right of exclusive use nor the owner of a right of non-exclusive use has used the registered trademark (or, if there is another registered trademark which is an associated trademark with respect to the registered trademark, the registered trademark or such other registered trademark) on any item of the designated goods in Japan within three years prior to the filing of the application for registration of renewal (or prior to the expiration of the time limit prescribed in Section 20(2) if Section 20 (3) is applicable).

*2: The Trademark Law, Article 50:

(1) Where neither the owner of the trademark right nor the owner of a right of exclusive use nor the owner of a right of non-exclusive use has been continuously using, in Japan for three years or more, the registered trademark on each item of the designated goods, a trial may be demanded for the cancellation of registration of the trademark with respect to such designated goods.

(2) In the case where a trial under the preceding subsection has been demanded, unless the defendant can prove that either the owner of the trademark right or the owner of a right of exclusive use or the owner of a right of non-exclusive use has used in Japan within three years prior to the registration of the demand for the trial the registered trade mark (or if there is another registered trademark which is an associated trademark with respect to the registered trademark, the registered trademark or such other registered trademark) on any item of the designated goods to which the demand referred to relates, the owner of the trademark shall not avert the cancellation of the registered trademark for the designated goods. However, this shall not apply where the defendant justifies that there is a legitimate reason for the failure to use the

there is a legitimate reason for the failure to use the registered trademark on the designated goods.

*3: Paris Convention, Article 5 C(2):

The use of a trademark by the proprirtor in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered in one of the countries of the Union, shall not entail invalidation of the registration and shall not diminish the protection granted to the mark.

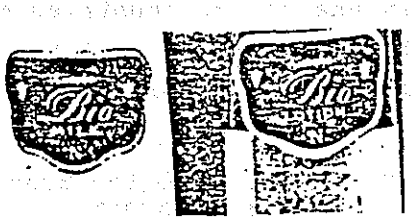
*1 or *2 : Cited from the translation by the Japanese Group of AIPPI

*3 : Cited from Paris Convention (Lisbon Text)

7. List of Cases

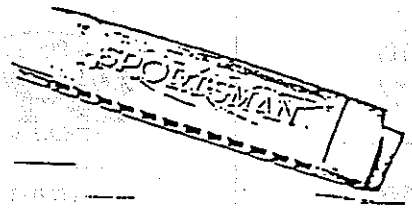
I. Trial decision cases admitting the use of registered trademark

1. Mutual alteration between capital letters and small letters in Roman letters arranged in a same order.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation under Provisions Between
1	BIO ビオ (525562)		'77-12787 (Oct. 6, '80)	Cancel.
2	SEIWA CRAFT (741464)		'77-13958 (Jan. 12, '82)	Cancel.
3	MORGANITE (312861)		'80-9617 (Apr. 28, '83)	Renewal

I. Trial decision cases admitting the use of registered trademark

2. Mutual alteration between printing type and handwriting type in Roman letters arranged in a same order.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation upon non-use Renewal
4	Sportsman (551665)		'81-20551 (Jun. 2, '82)	Renewal

I. Trial decision cases admitting the use of registered trademark

3. Use of one element only in a registered trademark composed of two elements common in sound arranged in two lines.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation under Consumers Benefits
5	ToWin ツイン (568674)	Kanebo ツーピン 〈アイスミルク〉 (TSU-I-N)	'77-2374 (Feb. 6, '79)	Cancel.
6	オパール OPAL (522,167)	BEAUTY SOAP OPAL ビューティソープ オパール	'79-348 (Sep. 17, '79)	Cancel.
7	ANCHOR アンカー (289,490)	アンカー (A-N-KA)	'76-8774 (Sep. 17, '79)	Cancel.

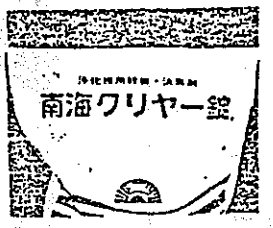
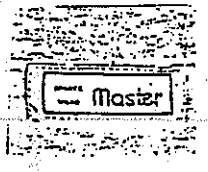
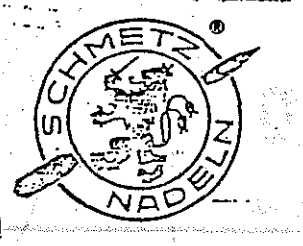
I. Trial decision cases admitting the use of registered trademark

3. Use of one element only in a registered trademark composed of two elements common in sound arranged in two lines.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation where Opposition Decision
8	スキンメイト SKINMATE (829,014)		'76-5943 (Dec. 13, '79)	Cancel.
9	MERO メロー (599067)		'78-3189 (Dec. 18, '80)	Cancel.

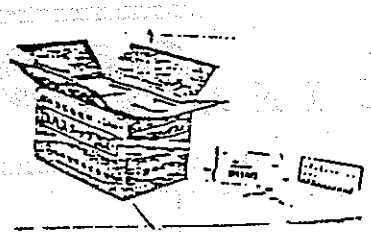
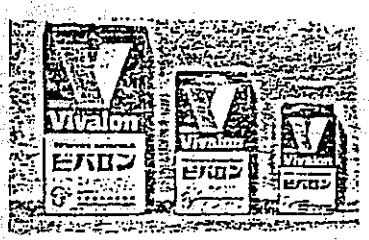
I. Trial decision cases admitting the use of registered trademark

3. Use of one element only in a registered trademark composed of two elements common in sound arranged in two lines.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation (Grant/Refusal of Renewal)
10	クリヤー CLEAR (853324)	 (KU-RI-YA)	'78-16390 (Apr. 10, '81)	Cancel.
11	マスター MASTER (442875)		'77-11808 (Dec. 12, '78)	Cacnel.
12	 SCHMETZ (397809)		'76-5160 (Apr. 17, '82)	Cancel.

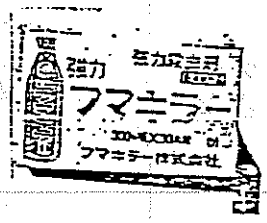
I. Trial decision cases admitting the use of registered trademark

3. Use of one element only in a registered trademark composed of two elements common in sound arranged in two lines.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation (Grant/Non-use Renewal)
13	スパスメツクス SPASMEX (844407)	 (SU-PA-SU-ME-KU-SU)	'81-15667 (May 18, '82)	Renewal
14	ハット トリック HAT-TRICK (1191591)		'79-1301 (Sep. 21, '82)	Cancel.
15	VIVALON ビバロン (517919)		'76-8042 (Sep. 30 '82)	Cancel.

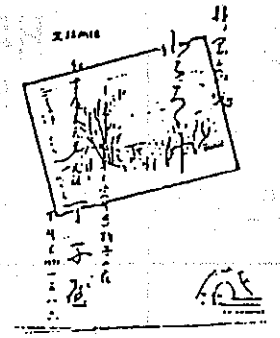
I. Trial decision cases admitting the use of registered trademark

3. Use of one element only in a registered trademark composed of two elements common in sound arranged in two lines.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation under Section Renewal
16	PAPIINA パピーナ (863545)	PAPIINA PAPIINA® ナイガイ	'75-16898 (Feb. 17, '83)	Cancel.
17	フマキラー (392610) (FU-MA-KI-RA)	  (FU-MA-KI-RA)	'81-13961 (Apr. 28, '83)	Renewal

I. Trial decision cases admitting the use of registered trademark

3. Use of one element only in a registered trademark composed of two elements common in sound arranged in two lines.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation under non-use Renewal
18	丁 子 屋 C H O J I Y A (866920)	 (CHO-JI-YA)	'80-17772 (Jun. 20, '83)	Renewal
19	バラミン ばらみん (548792) (BA-RA-MI-N)	バラミン錠 (BA-RA-MI-N)	'84-23384 (Feb. 29, '84)	Renewal
20	FSHOPRO エフ消プロ (568011) (E-FU-SHO-PU-RO)	外用消毒剤 エ フ 消 プ ロ® (E-FU-SHO-PU-RO)	'81-13717 (Jun. 28, '84)	Renewal

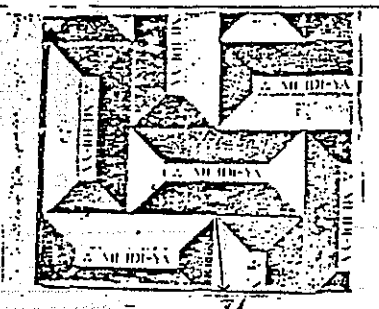
I. Trial decision cases admitting the use of registered trademark

4. Use of a registered trademark combined with other word, figure, or mark (or symbol).

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation under Norm-use Remarks
21	ハワイアン (573321) (HA-WA-I-A-N)	HAWAIIAN Ice Cream ハワイアン アイスクリーム	'77-16662 (Dec. 12, '79)	Cancel.
22	メルタック (1273218)	メルタック #25 (ME-RU-TA-KU)	'79-1098 (May 15, '80)	Cancel.
23	ファンシー (562036) (FU-A-N-SHI)	FANCY Smoke Sausage ファンシースモークソーセージ	'76-15361 (Nov. 16, '79)	Cancel.
24	おはよう (O-HA-YO-U)	おはよう (O-HA-YO-U)	'78-16130 (Dec. 10, '79)	Cancel

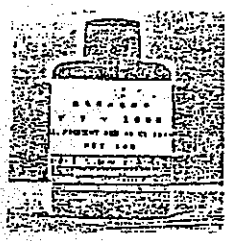
I. Trial decision cases admitting the use of registered trademark

4. Use of a registered trademark combined with other word, figure, or mark (or symbol).

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. Date of Trial Decision	Cancellation under Narrowed Scope
25	丹頂 (568945) (TA-N-CHI-YO)	丹頂印 アスパラガス (TA-N-CHI-YO)	'78-134 (Jun. 4, '80)	Cancel.
26	マイ (561207) (MA-I)	 (MA-I)	'78-15360 (Nov. 26, '80)	Cancel.
27	オパール OPAL (522167)		'76-3812 (Jun. 14, '79)	Cancel.
28	ホプラ (637678) (DA-I-PU-RA)	ホプラ波板 (DA-I-PU-RA)	'80-10524 (Feb. 27, '81)	Cancel.

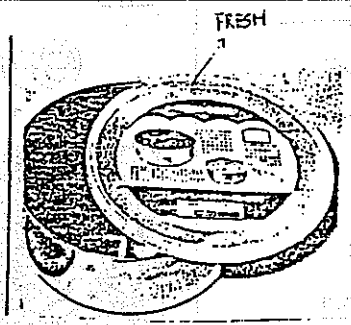
I. Trial decision cases admitting the use of registered trademark

4. Use of a registered trademark combined with other word, figure, or mark (or symbol).

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation under Japanese Patent Act
29	DAIPLA (637679)	DAIPLA	'80-10525 (Feb. 27, '81)	Cancel.
30	プリマ (386805) (PU-RI-MA)	 (PU-RI-MA)	'78-14010 (May 1, '81)	Cancel.
31	リンクル (471864) (RI-N-KU-RU)	リンクル70 (RI-N-KU-RU)	'78-3188 (Jun. 1, '81)	Cancel.
32	テレビ TV (595297) (TE-RE-BI)	テレビ印ほしご下り記 (TE-RE-BI)	'77-15834 (Jun. 9, '81)	Cancel.

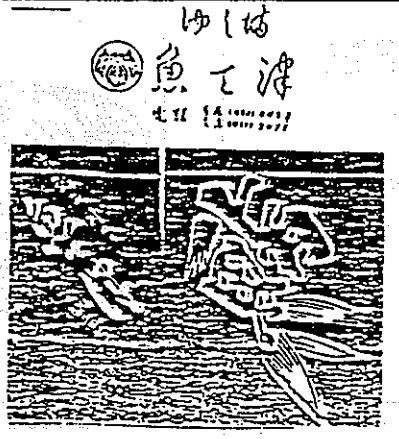
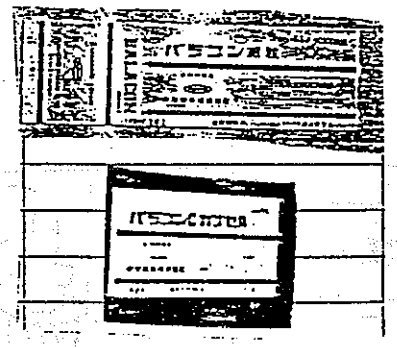
I. Trial decision cases admitting the use of registered trademark

4. Use of a registered trademark combined with other word, figure, or mark (or symbol).

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. Date of Trial Decision	Cancellation Case Number
33	FRESH (901409)		'79-927 (Jan. 8, '81)	Cancel.
34	デージアン (911580) (DE-I-JI-A-N)	 (DE-I-JI-A-N)	'80-14139 (Dec. 2, '81)	Cancel.
35	FILLERS (1166205)		'80-1487 (Nov. 27, '81)	Cancel.

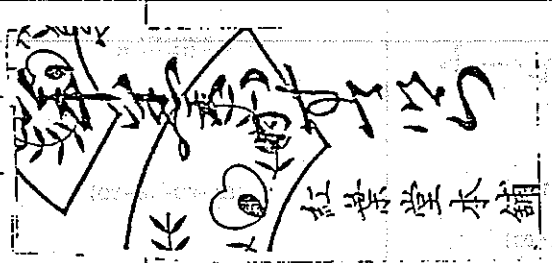
I. Trial decision cases admitting the use of registered trademark

4. Use of a registered trademark combined with other word, figure, or mark (or symbol).

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. Date of Trial Decision	Cancellation upheld / non-cause dismissed
36.	魚丁味 (847355) (U-O-CHO-ZU)	 (U-O-CHO-ZU)	'80-18812 (Jun. 29, '82)	Renewal
37.	バラコン (702327) (BA-RA-KO-N)	 (BA-RA-KO-N)	'79-5705 (Jul. 30, '82)	Cancel

I. Trial decision cases admitting the use of registered trademark

4. Use of a registered trademark combined with other word, figure, or mark (or symbol).

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation (Non-) Renewal
38.	ハイケミー 567801 (HA-I-KE-MI)	 (HA-I-KE-MI)	'76-782 (Dec. 20, '82)	Cancel
39.	ALMELEC (631562)	ALUMINIUM LES CABLES CONDUCTEURS EN ALMELEC®	'80-5412 (Jan. 5, '83)	Renewal
40.	紅葉堂本舗 (511,096) (MO-MI-JI-DO-HO-N-PO)	 (MO-MI-JI-DO-HO-N-PO)	'76-1105 (Feb. 25, '80)	Cancel

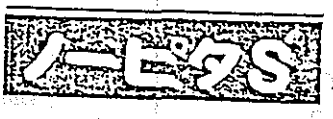
I. Trial decision cases admitting the use of registered trademark

4. Use of a registered trademark combined with other word, figure, or mark (or symbol).

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation under non-use renewal
41.	エース (644587) (E-SU)	スーパーエースシリーズ (SU-PA-E-SU)	'78-7332 (May 15, '84)	Cancel
42.	ラボトン (474334) (RA-TTO-N)	ラボトン顆粒 (RA-TTO-N)	'81-2580 (May 6, '83)	Cancel
43.	サークレート (1350851) (SA-KU-RE-TO)	サークレート錠 (SA-KU-RE-TO)	'82-15389 (Jan. 16, '84)	Cancel
44	爛漫 (321154) (RA-N-MA-N)	爛漫(らんまん)シリーズ (RA-N-MA-N)	'80-1714 (Jan. 5, '85)	Renewal

I. Trial decision cases admitting the use of registered trademark

4. Use of a registered trademark combined with other word, figure, or mark (or symbol).

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. Date of Trial Decision	Cancellation upheld/Decision Revoked
45.	 (477289) (NO-PI-TA)	ノーピタ (NO-PI-TA)	'82-14233 (Jan. 16, '84)	Cancel

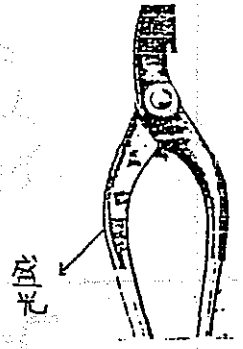
I. Trial decision cases admitting the use of registered trademark

5. Use in two lines of the elements of a registered trademark composed of the elements arranged in one line.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. Date of Trial Decision	Cancellation under non-use renewal
46.	VICTORIA-CROSS (822143)	Victoria CROSS	'80-13780 (Sep. 12, '84)	Renewal
47.	COLONIALDAMES (834578)		'78-1109 (Feb. 25, '83)	Cancel

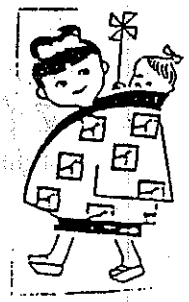
I. Trial decision cases admitting the use of registered trademark

6. Use of other embodiment which does not strikingly alter or change the embodiment of a registered trademark.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation under non-use Renewal
48.	刻威光 (884051) (MO-RI-MI-TSU)	 (MO-RI-MI-TSU)	'74-1257 (Dec. 17, '79)	Cancel
49.	JAVELIN (796923)	JAVELIN	'77-2386 (Oct. 28, '80)	Cancel
50.	MIGHTYACE マイティーエース (763028)	コンドーム マイティーエース Mightyace	'74-10261 (Oct. 23, '80)	Cancel

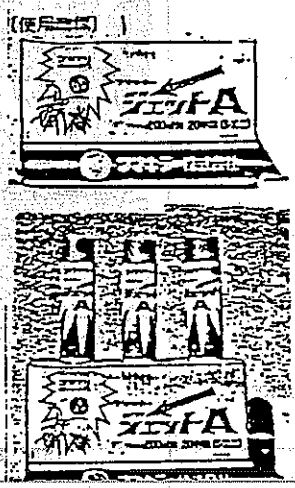
I. Trial decision cases admitting the use of registered trademark

6. Use of other embodiment which does not strikingly alter or change the embodiment of a registered trademark.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. Date of Trial Decision	Cancellation under non-use Reform
51.	 (968780)		'76-1845 (Dec. 18, '80)	Cancel
52.	コージイ COSY (880793)		'76-1588 (Jan. 25, '82)	Cancel
53.	 (537757)		'80-19068 (Sep. 24, '82)	Renewal

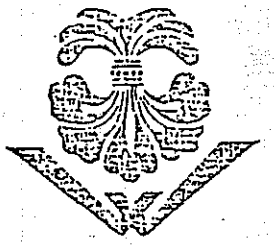
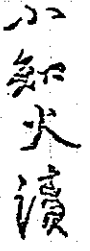
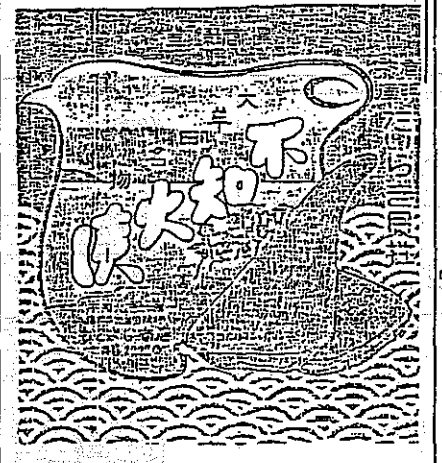
I. Trial decision cases admitting the use of registered trademark

6. Use of other embodiment which does not strikingly alter or change the embodiment of a registered trademark.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation under Various Reasons
54.	金冠黒松 (954972) (KU-RO-MA-TSU)	金冠黒松 (KU-RO-MA-TSU)	'76-14928 (Apr. 30, '81)	Cancel
55.	金名水 (1014831) (KO-N-MYO-SU-I)	金名水 (KO-N-MYO-SU-I)	'76-39115 (Sep. 24, '81)	Cancel
56.	フマキラージェット (879191) (FU-MA-KI-RA-JET)		'81-13962 (Apr. 28, '83)	Renewal

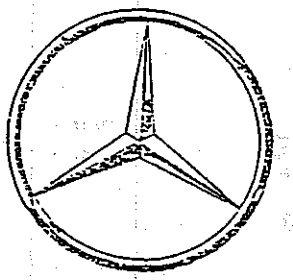
I. Trial decision cases admitting the use of registered trademark

6. Use of other embodiment which does not strikingly alter or change the embodiment of a registered trademark.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. Date of Trial Decision	Cancellation under Former Law
57.	 (558905)		'81-8275 (Aug. 1, '84)	Renewal
58.	 (325267) (SHI-RA-NU-I-ZU-KE)	 (SHI-RA-NU-I-ZU-KE)	'80-9637 (Dec. 13, '84)	Renewal

I. Trial decision cases admitting the use of registered trademark

6. Use of other embodiment which does not strikingly alter or change the embodiment of a registered trademark.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. (Date of Trial Decision)	Cancellation under non-use Appeal
59.	 (483089)		'75-8555 (Jan. 6, '84.	Cancel
60.	サンシャイン SUNSHINE (1253928)	Sun Shine	'81-1966 (Sep. 14, '84)	Cancel
61.	Buku Buku ブクブク (1014696)	ぶくぶくキッチン (BU-KU-BU-KU)	'77-6656 (May 10, '79)	Cancel

II. Trial decision cases not admitting the use of registered trademark

1. Mutual alteration between a trademark expressed by Roman letters and trademark expressed by 'hiragana', 'katakana', etc.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. Date of Trial Decision	Cancellation under Non-use Reference
62.	ガ　オ　ス (1155057) (GA-O-SU)	GAOS 0 4 - 1 0	'79-15356 Jan. 22, '81	Cancel

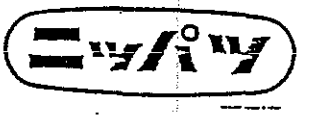
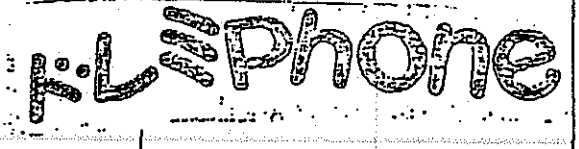
II. Trial decision cases not admitting the use of registered trademark

2. Use of a part of a registered trademark.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. Date of Trial Decision	Cancellation Action Decision Appeal
63.	 (693888) (KI-N-MO-N-SE-I-KO-U)		'78-4604 (Oct. 13, '81)	Cancel

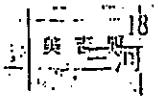
II. Trial decision cases not admitting the use of registered trademark

3. Use of a strikingly changed embodiment of a registered trademark.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. Date of Trial Decision	Cancellation under Section Article
64.	 (710162)		'79-10507 (Oct. 31, '81)	Cancel
65.	 (375678) (NI-PPA-TSU)	 (NI-PPA-TSU)	'80-13599 (Jan. 14, '82)	Renewal
66.	ドレミレコード  (844679) (DO-RE-MI-RECORD)	(DO-RE-MI-PHONE)	'80-12777 (Oct. 11, '83)	Renewal

II. Trial decision cases not admitting the use of registered trademark

3. Use of a strikingly changed embodiment of a registered trademark.

No.	Registered Trademark (Registration No.)	Trademark Used	Trial No. Date of Trial Decision	Cancellation under Article
67.	 (769457) (MI-KA-WA)	 (MI-KA-WA)	'75-9537 (Mar. 26, '84)	Cancel
68	 STINGRAY LOOK (1045679)		'82-4720 (Oct. 31, '84)	Cancel

PIPA CONGRESS

OCTOBER, 1985

CHICAGO, ILLINOIS

NEW PTO RULES ON ADMISSION TO PRACTICE AND DISCIPLINARY PROCEEDINGS - A SURVEY

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NEW PTO RULES ON ADMISSION TO PRACTICE AND DISCIPLINARY PROCEEDINGS - A SURVEY

Abstract

The United States Patent and Trademark Office (PTO) in early 1985 adopted new rules relating to admission to practice and the conduct of disciplinary proceedings. The new rules set out a PTO Code of Professional Responsibility (PTO Code).

Four principal areas of the new rules are surveyed including:

(1) Appointment and duties of a Director of Enrollment and Discipline, and separate Committees on Enrollment and on Discipline;

(2) Persons entitled to practice before the PTO;

(3) The PTO Code; and

(4) Investigations of possible violations of the PTO Code, the proceedings on discipline, and guidance for individuals to work in the patent and trademark fields during periods of suspension or exclusion, and for seeking reinstatement.

NEW PTO RULES ON ADMISSION TO PRACTICE AND DISCIPLINARY PROCEEDINGS - A SURVEY

On March 8, 1985 and April 8, 1985, new rules went into effect governing practice by attorneys and agents before the United States Patent and Trademark Office (PTO). These rules clarify and modernize the rules relating to admission to practice and the conduct of disciplinary cases. The rules set forth a PTO Code of Professional Responsibility. The intent of the rules is to regulate conduct of practitioners to the extent necessary for the accomplishment of federal objectives. Therefore, only that conduct which is relevant to the practice of patent, trademark, or other law before the PTO is what the PTO seeks to regulate. In issuing the rules, the PTO has made every effort to minimize preemption of State control over the practice of law.

The PTO issued the final rules according to legal requirements for administrative agencies in the United States and after publications of three versions of proposed rules followed by comments from individual state governments, the American Bar Association, American Intellectual Property Law Association, federal and state bar associations, and individual practitioners and businesses; public hearings; and amendments to its proposed rules in light of the received comments.

An overview analysis of procedures leading to the adoption of the final rules and of views from the bar on the rules are presented in the Journal of the Patent and Trademark Office Society in an article by Jerry D. Voight entitled, "The New Patent and Trademark Office Disciplinary Rules - Some Views From the Bar", Volume 67, No. 4, pages 162-178. See also the August 1935 Report of the American Bar Association Committee No. 502, Ethics and Professional Responsibility, pages 272-276.

The rules are set forth in a new Part 10 of Title 37 of the Code of Federal Regulations, entitled "Representation of Others Before the Patent and Trademark Office". They are directed to four principal areas:

1. Introductory sections setting forth definitions, and appointments and duties of: a Director of Enrollment and Discipline, and separate Committees on Enrollment and on Discipline (Sections 10.1 through 10.4).

2. Rules for attorneys and agents entitled to practice before the PTO in patent, trademark, and non-patent cases (Sections 10.5 through 10.19).

3. The PTO Code of Professional Responsibility (PTO Code) (Sections 10.20 through 10.29); and

4. Rules directed to:

a. Investigation of possible violations of the PTO Code of Professional Responsibility;

b. Disciplinary proceedings to exonerate or to reprimand, suspend, or exclude (disbar) individuals from practicing before the PTO who, after notice and opportunity for a hearing, are found to have violated a disciplinary rule of the PTO Code of Professional Responsibility (Sections 10.130 through 10.157); and

c. Guidance for individuals on working in the patent and trademark fields during the period of suspension and exclusion and for seeking reinstatement (Sections 158 through 10.160).

A copy of the PTO's Final Rules on Admission to Practice, the Conduct of Disciplinary Proceedings, the Code of Professional Responsibility, and the PTO's detailed analysis of the rule-making procedure and comments are attached.

Introductory And PTO Code Rules

While the introductory rules are new, the rules governing individuals entitled to practice before the PTO (Sections 10.15-10.19) generally correspond to the priorly effective rules with one significant new requirement in Section 10.18 related to the signing of papers filed by practitioners in the PTO. That requirement is that every paper filed by a practitioner representing an applicant or party to a proceeding in the Office "must bear the signature of, and be personally signed by such practitioner" except those papers which are required to be signed by the applicant or party. The signature provides an identifiable individual who is responsible and accountable for compliance with the required certifications of Section 10.18. The certifications are that:

1. The paper has been read by the practitioner;

2. The paper's filing is authorized;

3. To the best of his or her knowledge, information and belief, there is good ground to support the paper, including any allegations of improper conduct contained or alleged therein; and

4. It is not interposed for delay.

Any practitioner knowingly violating the provisions of Section 10.18 is subject to disciplinary action (Section 10.18(b)). See also Section 10.23(c) (15) of the PTO Code.

The PTO Code of Professional Responsibility consists of nine canons, or broad general statements of ethical principles and 39 specific disciplinary rules which "are mandatory in character and state the minimum level of conduct below which no practitioner can fall without being subjected to disciplinary action (Section 10.20(b)). That Code is essentially patterned precisely after the old American Bar Association (ABA) Model Code of Professional Responsibility (ABA Code) instead of the newer ABA Model Rules of Professional Conduct (Model Rules) adopted by the ABA on August 2, 1983.

Certain of the disciplinary rules invite special comment. For example, Section 10.23(b) contains a list of practitioner "shall nots". Specifically, a practitioner shall not:

1. Violate a Disciplinary Rule.

2. Circumvent a Disciplinary Rule through actions

of another.

3. Engage in illegal conduct involving moral turpitude.

4. Engage in conduct involving dishonesty, fraud, deceit, or misrepresentation.

5. Engage in conduct that is prejudicial to the administration of justice.

6. Engage in any other conduct that adversely reflects on the practitioner's fitness to practice before the Office.

The breadth of those provisions subject a practitioner to disciplinary proceedings even for conduct which had nothing to do with actual practice before the PTO.

Sections 10.24 and 10.85 concerning disclosure of information require special attention by practitioners.

Section 10.24 governs the disclosure of information to authorities. It requires a practitioner possessing nonprivileged knowledge of a violation of a disciplinary rule to report such knowledge to the Director of Enrollment and Discipline (Section 10.24(a)).

Section 10.85(b)(1), on the other hand, can place practitioners in an untenable position on information disclosure. It provides: A practitioner who receives information clearly establishing that:

1. A client has, in the course of the representation, perpetrated a fraud upon a person or tribunal shall promptly call upon the client to rectify the same, and if the client refuses or is unable to do so the practitioner shall reveal the fraud to the affected person or tribunal.

Lawyers are strictly prohibited from revealing client confidences except in very limited circumstances. The circumstances do not, under the ABA Model Rules, require revealing information relating to the perpetration of a fraud "upon a person". The PTO rule is modeled after the old ABA code except that the PTO excluded from the end of its rule "except when information is protected as a privileged communication". (See also PTO Section 10.57.)

During the comment period prior to the adoption of Section 10.85(b), a commentator suggested that it can place a difficult burden on patent counsel. In support of his position, the commentator gave two

examples and commented on both examples as follows:

"Example 1: A client engages a patent attorney in the preparation of a patent application, and the patent attorney goes through the usual routine of advising the client of statutory bars, duty to disclose, etc. The attorney prepares and files the application, and during the course of the prosecution, the client informs the attorney of some activities that occurred a couple of years before filing the application, which activities might constitute an offer for sale. The attorney advises that this must be disclosed to the Patent Examiner, but the applicant refuses to follow this course of action and discharges the patent attorney. The client then engages another attorney to complete the prosecution, without telling the new attorney of the potentially damaging prior art.

Commentator: In accordance with my interpretation of Section 10.85(b), the first attorney would be required to disclose this situation to the Office, unless the term "perpetrated a fraud" as it appears in that rule does not include the deliberate failure to disclose relevant prior art. My concern is that

this could make for some very poor relationships with the client who might not understand the attorney's duty of disclosure before the Office.

Example 2: A rather poor inventor has managed to drum up enough money for the filing fee for a patent application and then proceeds to prepare and file his own patent application, without the assistance of a patent attorney. After a few months, the inventor obtains some financing from an investor, and the inventor and the investor consult the patent attorney to see if he would continue with the prosecution of the application. The attorney reviews the fact pattern and informs both the inventor and the investor that there is unquestionably some prior art, in the form of an earlier publication by the inventor, which must be disclosed before the Office. When the inventor and the investor find that the attorney intends to disclose this prior art as soon as he is engaged as their attorney, the inventor and the investor tell the attorney that they would rather engage the services of some other patent attorney and that they will not tell the second attorney of the prior art.

Commentator: As I would interpret Section

10.85(b), the first patent attorney would be obliged to inform the Office of the relevant prior art. The first patent attorney would likely have the serial number and filing date of the application, and it would appear to me that the patent attorney would have to disclose not only the prior art, but also disclose the intent of the inventor and the investor not to disclose the same. This is pretty harsh treatment, and I can see where the inventor and the investor would have some very hard feelings against the patent attorney."

The PTO agrees that under the circumstances of Example 1, a "client might not understand the attorney's duty of disclosure". Likewise, the PTO can understand "where the inventor and the investor (in Example 2) would have some very hard feelings against the patent attorney." Nevertheless, the commentator has correctly noted in each case that the practitioner is required to advise the PTO. The practitioner's obligation under Section 10.85(b) has not been changed by the rules and is mandated by Kingsland v. Dorsey, 338 U.S. 318 (1949). See also Nahstoll, The Lawyer's Allegiance: Priorities Regarding Confidentiality, 41 Wash. & Lee L. Rev. 421 (1984).

Section 10.32 governs advertising and precludes a practitioner from giving anything of value to a person for recommending the practitioner's services except that a practitioner may pay the reasonable cost of advertising or written communication permitted by this section. In the comment period prior to the adoption of the section, one commentator argued that the rules should not preclude an "exchange" of cases with foreign practitioners. An "exchange" was said to occur "where a foreign patent practitioner in his country sends cases to an American patent or trademark practitioner to prosecute before the PTO, and that practitioner sends the foreign firm cases to prosecute before the foreign patent office, on the more or less explicit basis that it's something in the nature of a trade." According to the commentator, the "exchange" ordinarily takes place without knowledge of the practitioner's client. The commentator expressed the opinion that "exchanges" without knowledge of the client presently occur routinely. The PTO believes that the suggested "exchange" may ethically take place only when the practitioner's clients are fully advised of the exchange. The PTO believes that client knowledge is essential to an ethical exchange of the type contemplated.

Section 10.37(a) prohibits the division of fees for legal services with another practitioner who is neither a partner nor an associate in the practitioners firm, unless the client consents to employment of the other practitioner after a full disclosure that a division of fees will be made. At a hearing prior to the adoption of Section 10.37(a), an individual suggested that a client need not know that "employment" has been referred to another practitioner or to a foreign practitioner. The PTO disagreed. Moreover, the PTO believes that when "farming out" occurs with the consent of a client, that the fee division should be proportional to the services rendered. Under Section 10.37, "farming out" of work without knowledge and consent of a client will constitute a disciplinary rule violation.

Investigations and Disciplinary Proceedings

The Director of Enrollment and Discipline is authorized under Section 10.131 to investigate possible violations of the disciplinary rules by practitioners. If after conducting such an investigation, the Director is of the opinion that a practitioner has violated a disciplinary rule, the Director is required to call a meeting of the

Committee on Discipline. That committee then determines whether a disciplinary proceeding shall be instituted (Section 10.132). If it determines that probable cause exists to believe that a practitioner has violated a disciplinary rule, the Director institutes a disciplinary proceeding by filing a complaint in the Office of the Director.

Section 10.133 enables the Director to confer with a practitioner concerning possible violations of a disciplinary rule either before or after a disciplinary proceeding has been instituted. The practitioner may resign from practice before the PTO by submitting a required affidavit either during the investigative phase or after the filing of the complaint and thereby avoid further disciplinary action. Settlement is also available under Section 10.133(g) before or after a complaint is filed.

The Director's complaint must fairly inform the practitioner of any violation of the rules which is the basis for the disciplinary proceeding so as to enable the practitioner to prepare a defense (Section 10.134(b)).

The complaint is served on the practitioner (respondent) under Section 10.135. A written answer

to the complaint is required within a time set in the complaint which shall not be less than thirty days (Section 10.136). It is then filed with an administrative law judge appointed under Title 5 of the United States Code Section 3105 to conduct the disciplinary proceedings.

Upon filing the answer, the disciplinary proceeding is regarded as a contested case (Section 10.138) within the meaning of Title 35 of the United States Code Section 24.

False statements in the answer may be made the bases for a supplemental complaint (Section 10.137).

The administrative law judge presides at disciplinary hearings which are stenographically recorded (Section 10.144(a)). Testimony of witnesses is received under oath and the practitioner may be represented by an attorney (Section 10.140). The Director of Enrollment and Discipline is represented by at least two associate solicitors appointed by the Commissioner of Patents and Trademarks. The Solicitor and Deputy Solicitor shall remain insulated from the investigation and prosecution of all disciplinary proceedings in order that they shall be available as counsel to the Commissioner in deciding disciplinary

proceedings.

The responsibilities and authority of the administrative law judge under Section 10.139(b) include:

making rulings on motions and offers of evidence;

examining witnesses;

authorizing the taking of depositions of a witness in place of a personal appearance of that witness before the administrative law judge;

holding settlement conferences;

making initial decisions (normally within six-months of the date a complaint is filed);

and performing acts and taking measures as necessary to promote the efficient and timely conduct of the disciplinary proceeding.

The judge may order or authorize amendments to the complaint, answer, and any reply by the Director, in order to conform to the evidence.

Except for discovery which the parties agree to make voluntarily, all discovery under the new disciplinary rules requires the prior permission of the administrative law judge. This prior permission is

designed to insure that the judge retains control over the proceeding. By requiring prior approval to take a deposition, the rules insure that the deposition will relate to evidence the judge deems to be relevant and will afford that judge the option of determining whether he or she wishes to observe the witness.

Section 10.152 permits limited discovery after an answer is filed. Discovery is not authorized prior to the filing of an answer. A party seeking such discovery will have to make a clear and convincing case to the administrative law judge that discovery is necessary and relevant.

In the disciplinary proceeding, the Director has the burden of proving his or her case by clear and convincing evidence (Section 10.149). The PTO agrees that the term "clear and convincing" is not susceptible of a precise definition. It stated that "clear and convincing evidence" falls somewhere between proof beyond a reasonable doubt and proof by a preponderance of the evidence. A reasonable doubt is a doubt that would make a reasonable person hesitate to act. Proof beyond a reasonable doubt must, therefore, be proof of such a convincing character that a person would be willing to rely and act upon it unhesitatingly in the most important of his or her

affairs. Devitt, Federal Jury Practice and Instructions, Section 11.01 (2nd Edition 1970).

Section 10.150 provides that the rules of evidence prevailing in courts of law and equity are not controlling in hearings of disciplinary proceedings.

The PTO declined to adopt the Federal Rules of Evidence because they do not apply to administrative proceedings. Davis, Administrative Law Treatise Section 14.01 (Supplement 1970). The PTO reasoned that the controlling law is set out in Title 5 of the United States Code Section 556(d) which provides in part:

"Any oral or documentary evidence may be received, but (the administrative) agency as a matter of policy shall provide for the exclusion of irrelevant immaterial, or unduly repetitious evidence."

After a hearing, the administrative law judge shall afford the parties a reasonable opportunity to submit proposed findings and conclusions and a post-hearing memorandum in support thereof before making an initial decision. That opportunity is afforded in all cases except when the practitioner has failed to answer the complaint (Section 10.153).

The judge's decision will include a statement of findings and conclusions together with the reasons or basis therefor with appropriate references to the record upon all material issues of fact, law or discretion presented on the record. The decision will provide an order of suspension or exclusion from practice, or an order of reprimand, or an order dismissing the complaint. The decision is filed with the Director of Enrollment and Discipline and a copy transmitted to the practitioner.

Either party may appeal to the Commissioner of Patents and Trademarks within thirty days from the date of the initial decision. The Commissioner may remand the matter to the administrative law judge for such further proceedings as the Commissioner may deem appropriate. A final decision of the Commissioner may dismiss a disciplinary proceeding, reprimand a practitioner, or may suspend or exclude the practitioner from practice before the PTO (Section 10.156).

A review of the Commissioner's final decision in a disciplinary case may be had by a petition filed in the United States District Court for the District of Columbia (Section 10.157). The Commissioner may stay a final decision pending that review.

Action After Suspension or Exclusion

A practitioner who is suspended or excluded after a disciplinary proceeding is not allowed to engage in practice before the PTO as an attorney or agent. Section 10.158 is designed to advise a suspended or excluded practitioner as to what he or she can and cannot do during any period of suspension.

A suspended or excluded practitioner may file a petition for reinstatement (Section 10.160). The Director of Enrollment and Discipline may grant that petition when the individual makes a clear and convincing showing that the individual will conduct himself or herself in accordance with the PTO regulations and when the granting of the petition is not contrary to the public interest. The director may, of course, require certain conditions of the individual, including taking and passing the PTO examination under Section 10.7(b). If a practitioner has been excluded from practice, a petition for reinstatement will not be considered until five years after the effective date of the exclusion (Section 10.160(b)).

PTO'S FINAL RULE ON ADMISSION TO PRACTICE, CONDUCT OF DISCIPLINARY PROCEEDINGS, AND CODE OF PROFESSIONAL RESPONSIBILITY

DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Parts 1, 2, and 10

[Docket 407 88-4181]

Practice Before the Patent and Trademark Office

AGENCY: Patent and Trademark Office, Commerce.

ACTION: Final rule.

SUMMARY: The Patent and Trademark Office (PTO) is amending its rules governing practice before the PTO by attorneys and agents. These rules are needed to clarify and modernize the rules relating to admission to practice and the conduct of disciplinary cases. The rules are also needed to set out in the Code of Federal Regulations a PTO Code of Professional Responsibility. By amending the rules, the PTO believes the standards for admission to practice in patent cases will be more easily understood, that those practicing before the PTO will have ready access to a code of professional responsibility, and that procedure in disciplinary cases will be more easily understood. The PTO expects that the conduct of disciplinary proceedings under these rules will be more effective and less costly.

DATES: The effective date of these rules (except § 1.21(a) (5) and (6)) is March 8, 1985. Section 1.21(a) (5) and (6) is effective April 8, 1985.

FOR FURTHER INFORMATION CONTACT: Fred E. McKelvey by telephone at (703) 557–4025 (if no answer, message may be left at 703–557–4103) or by mail marked to his attention and addressed to Box 8, Commissioner of Patents and Trademarks, Washington, D.C. 20231.

SUPPLEMENTARY INFORMATION:

Attorneys and agents practice before the Patent and Trademark Office (PTO) in patent cases. 35 U.S.C. 31. Attorneys also practice before the PTO in trademark and other non-patent cases. 5 U.S.C. 500(b). A few agents also practice before the PTO in trademark cases under rules in force prior to January 1, 1957.

A notice of proposed rulemaking for attorney and agent conduct and disciplinary procedure was published on August 11, 1983 in the Federal Register, 48 FR 36478, and on September 20, 1983 in the *Official Gazette*, 1034 O.G. 39; 1034 TMOG 33. A notice extending the comment period and setting a second hearing was published on October 5, 1983 in the Federal Register, 48 FR 45424, and on October 18, 1983, in the *Official Gazette*, 1035 O.G. 19, 1035 TMOG 17. The PTO decided to withdraw, and not adopt, the rules proposed in the Federal Register notice of August 11, 1983. There were numerous objections to the proposed rules and the public indicated that a longer period for study and review of a code of conduct and disciplinary procedures was necessary.

An advance notice of proposed rulemaking setting out revised rules being considered for standards of conduct and disciplinary proceedings was published on March 16, 1984, in the Federal Register, 49 FR 10012, and on April 10, 1984, in the *Official Gazette*, 1041 O.G. 15, 1041 TMOG 13. Numerous organizations and individuals filed comments in response to the advance notice.

On August 24, 1984, the PTO published in the Federal Register, a notice of proposed rulemaking, 49 FR 33790. On August 28, 1984, the notice was also published in the *Official Gazette*, 1045 O.G. 29; 1045 TMOG 25. The notice also appeared in the Bureau of National Affairs' *Patent, Trademark & Copyright Journal*, Vol. 28, No. 694, pp. 485–515 (August 30, 1984). Twenty-two written comments were timely received in response to the notice of proposed rulemaking. The comments are analyzed herein. A hearing was held on October 10, 1984. Five individuals appeared at the hearing. Oral comments made at the hearing are also analyzed herein. The twenty-two written comments and a copy of the transcript of the hearing are available for public inspection in Room 12B10, Crystal Gateway II, 1225 Jefferson Davis Highway, Arlington, Virginia.

This notice of rulemaking sets out rules in three areas:

(1) Practice of attorneys and agents before the PTO in patent, trademark, and other non-patent cases (§§ 10.2 through 10.19);

(2) A PTO Code of Professional Responsibility (§§ 10.20 through 10.112); and

(3) Rules governing (a) investigation of possible violations of the PTO Code of Professional Responsibility and (b) disciplinary proceedings to reprimand, suspend, or exclude (disbar) individuals from practicing before the PTO who, after notice and opportunity for a hearing, are found to have violated a disciplinary rule of the PTO Code of Professional Responsibility (§§ 10.130 through 10.170).

Familiarity with the advance notice and notice of proposed rulemaking is assumed. Changes in the text of the rules published for comment in the notice of proposed rulemaking are discussed. Comments received in response to the notice of proposed rulemaking are discussed. Comments not timely received in response to the advance notice are also discussed.

Tables 1, 2, and 3 are included in this notice to assist readers in correlating present rules with the new rules and to find the principal source for the new rules. An indication in Tables 1, 2, or 3 that a section is "new" means that a corresponding section does not currently appear in Title 37 of the Code of Federal Regulations.

Table 1 shows the principal sources of the new rules which relate to (1) admission to practice of attorneys and agents in patent cases and (2) practice in trademark and other non-patent cases.

Table 2 shows the principal sources of the rules for the new PTO Code of Professional Responsibility.

Table 3 shows the principal sources of the new rules for disciplinary proceedings.

Other sources for, and rationale in support of, the proposed rules are discussed in the Supplementary Information of the advance notice, 49 FR 10012–10022, and the Supplementary Information of the notice of proposed rulemaking, 49 FR 33790–33803.

In issuing these rules, the PTO has made every effort to minimize preemption of State control over the practice of law. Thus, in § 10.1, second sentence, the new rules provide:

> Nothing in * * * [these rules] shall be construed to preempt the authority of each State to maintain control over the practice of law, except to the extent necessary for the Patent and Trademark Office to accomplish its federal objectives.

This provision of § 10.1 is based on language in *Sperry v. Florida ex rel. Florida Bar*, 373 U.S. 379, 402 (1963), and makes clear the PTO's intent to regulate only conduct related or relevant to practice before the PTO.

In an effort to ascertain whether the proposed rules would have any adverse impact on the States, copies of both the advance notice of March 16, 1984, and the notice of proposed rulemaking of August 24, 1984, were sent to Bar Counsel in each State. The PTO received responses from Bar Counsel in Alaska, Connecticut, Florida, Georgia, Maryland, Mississippi, Nebraska, Texas, and Vermont. Comments were also received from the National Organization of Bar Counsel, the American Bar Association, and others.

Alaska Bar Counsel, contrary to other bar counsel filing comments, suggested that creation of a PTO Code of Professional Responsibility would be "inherently confusing" to any attorney practicing in a State and also before the PTO. The new rules, however, do not

establish for the first time a PTO Code of Professional Responsibility. The current PTO code appears in 37 CFR §§ 1.344 and 2.12. Sections 1.344 and 2.12 merely incorporate by reference the Code of Professional Responsibility of the American Bar Association (1970). The new PTO code more appropriately sets out the standards of conduct relevant to the practice of law before the PTO. Alaska Bar Counsel also felt that it would be more appropriate if the PTO brought alleged ethics violations by attorneys to local state enforcement authorities. This view was not shared by other bar counsel who filed comments. The statute (35 U.S.C. 32) authorizes the Commissioner to administer discipline. The PTO has taken disciplinary action in instances where a State has declined to do so. Moreover, there are registered patent agents who are not subject to discipline by State enforcement agencies. Finally, Alaska Bar counsel suggested that "adjudicative agencies" are too closely involved in a disciplinary matter to be impartial. Congress has determined otherwise. 35 U.S.C. 32 and 5 U.S.C. 500(d).

Comments were received from the Statewide Grievance Committee of Connecticut in response to the advance notice. Many helpful suggestions were made in the comments. Most of the suggestions were adopted at the time the notice of proposed rulemaking was published.

The Florida Bar, through its Director of Lawyer Regulation, filed comments in response to the notice of proposed rulemaking. The Florida Bar commented on §§ 10.1(c) and 10.23(c)(5). The PTO's response to the comment appears later in this notice under a discussion of § 10.1.

An Assistant General Counsel of the State Bar of Georgia filed a response to the advance notice. The response stated, among other things: "Although due to the press of business at the present time I am unable to provide a substantive response in this correspondence, I will respond within the appropriate time limits after having an opportunity to study the enclosed * * * [advance notice]." No further response was received.

Bar counsel for the Attorney Grievance Commission of Maryland filed a response to the advance notice. In his response Bar Counsel states in part:

> It does not appear to me that any of the proposed Rules would present any difficulty in the administration of discipline within Maryland.

Complaint Counsel for Mississippi responded to the advance notice. He stated in part:

> I have not reviewed the proposed Code in comparison with the Code of Professional Responsibility in great detail. In general however I can state that adoption of the proposed Code would not have an adverse effect upon the function of this office.

The General Counsel of the State Bar of Texas responded to the advance notice and did "not perceive that any problem would be created by * * * [the proposed rules] in Texas." The General Counsel did express the thought that the PTO's use of the word "practitioner" instead of "lawyer" would not prevent reciprocal discipline in Texas based on disciplinary action by the PTO. The PTO sees no reason for disagreeing with the General Counsel. The word "practitioner" is used by the PTO to define registered attorneys, registered agents, *and* other attorneys authorized to practice in trademark and other non-patent cases before the PTO under 5 U.S.C. 500(b).

The Chairman of the Professional Conduct Board of Vermont responded to the advance notice. He states in part:

> I find nothing contained in the proposed rules which would present any difficulty in the administration of disciplinary matters within the State of Vermont. Further, I see no problems created vis-a-vis the Code of Professional Responsibility in this jurisdiction.

The President of the National Organization of Bar Counsel responded to the notice of proposed rulemaking. He expressed a concern as to whether the PTO intended to "provide for notice and information of . . . [each disciplinary violation by an attorney] to each jurisdiction where the attorney is licensed." Two provisions of the rules are designed to insure that States are notified of PTO disciplinary action. Section 10.158(b)(1) requires a disciplined attorney to notify all bars of which he or she is a member and to file a copy of the notice with the Director of Enrollment and Discipline of the PTO. Section 10.159(a) requires the Director to notify known State bars and appropriate bar associations of PTO disciplinary action. In addition, as a matter of policy, the PTO intends to notify the National Discipline Data Bank of the American Bar Association.

Comments were filed in response to the advance notice and the notice of proposed rulemaking by the Standing Committee on Professional Discipline of the American Bar Association. The comments filed in response to the advance notice were analyzed in the notice of proposed rulemaking and are not re-analyzed in this notice. In its comments responding to the notice of proposed rulemaking the Standing Committee made several helpful suggestions, some of which are being adopted. A full discussion of the PTO rationale for adopting or not adopting a particular suggestion appears under analysis of comments later in this notice. The Standing Committee urged adoption of the 1983 ABA Model Rules. The PTO is not now adopting the Model Rules *inter alia* because most States have not adopted those rules. If a significant number of States adopt the Model Rules, the PTO will consider further amendments to its Code of Professional Responsibility. The Standing Committee suggested changes to § 10.23(c)(12) which are being adopted in part. The Standing Committee suggested that notice be given to a practitioner prior to any meeting of the Committee on Discipline. This suggestion is not being adopted. In most instances, a practitioner will be able to respond to a notice under 5 U.S.C. 558(c). The Committee will have the practitioner's response at the time of its deliberation. The Standing Committee urged that hearings in disciplinary matters should be open to the public. Others opposed this position. The PTO is not adopting this suggestion in view of 35 U.S.C. 122. Further rationale for not adopting the Standing Committee's suggestion appears later in the notice. The Standing Committee urged a change in § 10.149 to make the burden for proving a disciplinary violation one of "clear and convincing evidence." This suggestion is being adopted. The Standing Committee urged that more discovery be permitted than was authorized by § 10.152 as proposed. This suggestion is being adopted as explained further in this notice. The Standing Committee also thought § 10.159 should provide for notice to the ABA National Discipline Data Bank when the PTO administers discipline. While § 10.159 will not specifically mention the Data Bank, a change has been made to permit the Director to notify appropriate bar associations. The Data Bank is an appropriate bar association.

Changes in Text

Several changes have been made in the text of the new rules from the text of the proposed rules which were published for comment in the notice of proposed rulemaking. Those changes are discussed below.

In § 1.8, the new paragraph will be (xiii). Paragraph (xii) was added when the rules relating to patent interference

proceedings were amended. See 49 F.R. 48451 (Dec. 12, 1984).

In the first sentence of § 1.31, the term "agent" has been changed to "registered agent" to make clear that only registered agents are intended.

Section 1.33(c) is being amended to delete a reference to former §§ 1.341 and 1.347 and to now refer to §§ 10.5 and 10.11.

Section 1.56 (f) and (h) is being amended to delete a reference to former § 1.346 and to now referred to § 10.18.

In the second sentence of § 10.1, "subpart shall" has been changed to "part shall" and "maintain control over" has been changed to "regulate." In the same sentence, "within its borders" has been deleted.

In § 10.2(b)(1), "maintain the register" has been changed to "maintain the register provided for in § 10.5".

In the next-to-the-last sentence of § 10.7(b), "examining corps" has been changed to "patent examining corps".

The language "an alien" in § 10.9(b) has been changed to read "a resident alien" to make clear that aliens registered under paragraphs (a) or (b) of § 10.6 must be resident aliens.

In the first sentence of § 10.14(c), "foreigner" has been changed to "foreign attorney or agent", "registered and in good standing" has been changed to "registered or in good standing", "applicants" has been changed to "parties" and "trademark applications" has been changed to "trademark cases".

In § 10.18(a)(1), "the paper has been read" has been changed to "the paper has been read by the practitioner".

Several changes have been made in § 10.23.

In § 10.23(c)(4)(iii), "improperly" has been added before "bestowing."

In § 10.23(c)(5), "on ethical grounds" has been added after the first occurrence of "attorney or agent" and "suspension or disbarment as an attorney or agent" (after "10.6(c)") has been deleted.

In § 10.23(c)(7), "patent" has been added before "application of another" and the following has been added as a second sentence: "See §§ 1.604(b) and 1.607(c) of this subchapter."

In § 10.23(c)(8), "Failing to forward" has been changed to "Failing to inform a client or former client"; "inability to forward, to" has been changed to "inability to notify"; "client correspondence" has been changed to "client of correspondence"; "is correspondence which" has been changed to "is correspondence of which"; and "under the circumstances should be forwarded to the client or former client" has been changed to "under the circumstances the client or former client should be notified."

Section 10.23(c)(12) has been changed to read: "Knowingly filing, or causing to be filed, a frivolous complaint alleging a violation by a practitioner of the Patent and Trademark Office Code of Professional Responsibility."

In § 10.23(c)(15), "including" has been changed to "making a" and "matter" has been changed to "statement".

In § 10.36(b)(3), the language "in the locality" has been deleted.

The following language has been deleted from § 10.40(c): ", and may not withdraw in other matters."

In § 10.62(b), the language "contemplated or pending litigation or" has been deleted.

In § 10.63(1), the language "contemplated or pending litigation or" has been deleted. Both occurrences of "trail or" have been deleted from § 10.63(a). The language "contemplated or pending litigation or" has been deleted from § 10.63(b).

The following sentence has been added to § 10.64(b): "A practitioner may, however, advance any fee required to prevent or remedy an abandonment of a client's application by reason of an act or omission attributable to the practitioner and not to the client, whether or not the client is ultimately liable for such fee."

In § 10.84(a)(3), "§ 10.85" has been changed to "this part".

The following sentence has been added to § 10.87(a): "It is not improper, however, for a practitioner to encourage a client to meet with an opposing party for settlement discussions."

Paragraph (5) of § 10.89(c)as it appeared in the notice of proposed rulemaking has been deleted. Paragraph (6) of § 10.89(c) as it appeared in the notice of proposed rulemaking has been changed to read: "(5) Engage in undignified or discourteous conduct before the Office (see § 1.3 of this subchapter). "Subparagraph (7) of § 10.89(c) has been redesignated as subparagraph (6).

In § 10.112(a), the language:

> Maintained: (1) In the case of a practitioner whose office is located in the United States, the State in which the practitioner's office is situated or (2) in the case of a practitioner having an office in a foreign country or registered under § 10.6(c) in the United States or the foreign country

has been changed to read

> Maintained in the United States or, in the case of a practitioner having an office in a foreign country or registered under § 10.6(c), in the United States of the foreign country.

In § 10.131(a), the second sentence has been deleted as being unnecessary in view of § 10.132(b). The second sentence of § 10.131(a) in the notice of proposed rulemaking read: "The investigation shall be such as to determine whether there is probable cause to believe that a violation of a Disciplinary Rule by a practitioner has occurred."

In the first sentence of § 10.132(a), the language "that there is probable cause to believe" has been deleted. The Committee on Discipline, not the Director, shall determine whether there is probable cause to believe that a practitioner has violated a Disciplinary Rule. See §§ 10.4(b) and 10.132(b).

Several changes have been made in § 10.133. In the first sentence of § 10.133(b), the language "§§ 10.132(b) and 10.134" has been replaced with "§ 10.134". The reference to § 10.132(b) is not necessary. The language "his or her resignation by filing" in § 10.133(b) has been deleted as unnecessary. The second sentence of § 10.133(d) has been modified to become new paragraphs (c) and (d). Paragraph (c) indicates the content of an affidavit of resignation filed prior to the date set by the administrative law judge (ALJ) for hearing. Paragraph (d) indicates the content of an affidavit of resignation filed on or after the date set by the ALJ for hearing. Paragraph (c) has been redesignated as new paragraph (e). In addition, the language "paragraph (b)" therein has been changed to "paragraphs (b) or (c)". Paragraphs (d) and (e) have been redesignated as new paragraphs (f) and (g), respectively.

In § 10.135(a)(2)(i), "Committee on Enrollment" has been changed to "Director".

In § 10.149, "a preponderance of" has been changed in both instances to "clear and convincing".

Several changes have been made to § 10.152 to expand discovery. Paragraphs (a) and (b) of § 10.152 as set out in the notice of proposed rulemaking have been redesignated as paragraphs (e) and (f), respectively, and new paragraphs (a) through (d) have been added. New paragraph (a) sets forth discovery which is authorized. New paragraph (b) sets forth matter which *cannot* be discovered. Paragraph (c) sets forth factors which an ALJ can consider in determining whether to authorize discovery. Paragraph (d) requires that a motion be filed which addresses specifically and separately each particular request for discovery. In paragraph (e) (formerly paragraph (a)), a new subparagraph (3) has been added to specify that the ALJ may require the parties to set out in a pre-hearing statement information related to expert witnesses. Old paragraphs (3) and (4)

have been redesignated as new paragraphs (4) and (5), respectively.

In § 10.154(b), a new paragraph (5) has been added which states: "(5) any extenuating circumstances."

In § 10.155(a), both occurrences of "on the respondent" have been deleted.

Several changes have been made to § 10.158. In § 10.158(b)(1), after "all clients of the practitioner" the following has been added "for whom he or she is handling matters before the Office." In § 10.158(b)(2), "client's active case files" has been changed to "client's active Office case files". In § 10.158(c), changes have been made to make paragraph (c) applicable to corporate patent departments and to prohibit a suspended or excluded practitioner from meeting in person or in the presence of another practitioner with an official of the PTO in connection with the prosecution of a patent, trademark, or other case.

The following has been added to the end of § 10.159(a): "and any appropriate bar associations."

Several changes have been made in § 10.160(c). "A practitioner has been suspended or excluded" has been changed to "An individual who has resigned under § 10.133 or who has been suspended or excluded". The language "if the Director is satisfied" has been changed to "when the individual makes a clear and convincing showing". The language "suspended or excluded practitioner" has been changed to "individual".

Response to and Analysis of Comments

Twenty-two (22) written comments were timely received in response to the notice of proposed rulemaking. The comments have been analyzed. Some suggestions made in comments have been adopted and others have been rejected. A detailed analysis of the timely received comments follows. Several comments were not timely received by July 9, 1984, in response to the advance notice of proposed rulemaking of March 16, 1984. These comments have now been considered and are analyzed herein.

Several comments were received which suggested that the rules purport to regulate attorney conduct beyond that necessary or proper for administration of federal programs by the PTO. It is not, and has never been, the intention of the PTO to regulate conduct except to the extent necessary for the accomplishment of federal objectives. Thus, only that conduct which is relevant to the practice of patent, trademark, or other law *before the PTO* is what the PTO seeks to regulate. The preamble of §10.1 indicates that Subpart 10 governs solely the practice of patent, trademark, and other law before the PTO. As noted in the preamble to § 10.1, "[n]othing in this subpart shall be construed to preempt the authority of each State to regulate the practice of law, except to the extent necessary for the Patent and Trademark Office to accomplish its federal objectives." See *Sperry v. Florida ex rel. Florida Bar*, 373, U.S. 379, 402 (1963). See also *Michigan Canners and Freezers Ass'n. v. Agricultural Marketing and Bargaining Board*, 104 S.Ct. 2518, 2523 (1984) (State Law is preempted when it stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress) and *Fidelity Federal Savings and Loan Ass'n. v. de la Cuesta*, 102, S.Ct. 3014, 3022 (1982) (federal regulations have no less pre-emptive effect than federal statutes.

Several comments were received concerning § 10.1. The Florida Bar noted that in the notice of proposed rulemaking the PTO indicated "that failure to pay State bar dues is not a basis for suspension or exclusion before the PTO because failure to pay the dues has no relationship to the federal objectives which the PTO seeks to accomplish." 49 FR 33795, column 1, third full paragraph. The Florida Bar suggested that "the loss of good standing [should] be of concern to the PTO." The PTO agrees in part. Suspension from a State bar for failure to pay dues will not be viewed by the PTO as "misconduct." See § 10.23(c)(5), which has been changed to define misconduct as suspension or disbarment on ethical grounds. If an attorney is suspended by his or her State bar for failure to pay bar dues, and for that reason is no longer in good standing before the State bar, that attorney is no longer an attorney within the meaning of § 10.1(c). An attorney suspended from his or her State bar for failure to pay bar dues would no longer be eligible to represent individuals before the PTO in trademark and other non-patent cases.

One commentator suggested that the second sentence of § 10.1 be changed to read: "Nothing in this subpart shall be construed to preempt the authority of each State to regulate the practice of law, except to the extent necessary for the Patent and Trademark Office to accomplish its federal objectives." The suggestion is being adopted. The commentator noted that as originally proposed in the notice of proposed rulemaking, the phrase "to maintain control over the practice of law within its borders" is unduly restrictive. The commentator correctly pointed out that "[c]ertainly, New York would have the authority to regulate the practice of law by a New York attorney residing in Florida."

Another commentator noted the language "federal objectives" in § 10.1 and felt it would be appropriate for the PTO "to set forth what the federal objectives really are." The PTO does not believe it is appropriate to set out in the regulations specific federal objectives. The PTO engages in the examination of applications for patents, reexamination of issued patents, examination of applications for registrations of trademarks, and numerous *inter partes* patent and trademark proceedings. The federal objectives of the PTO center around these activities.

With respect to § 10.2(c), one commentator argued that "it is unfair to require the payment of a fee to review a final decision of the Director." The PTO disagrees. The review provided by § 10.2(c) is a service performed by the PTO for which a fee may be charged. There is no compelling reason for not charging a fee.

Several comments were received discussing § 10.4. One commentator suggested "that a provision for no discovery or testimony from a member of the Committee on Discipline is unfair and inappropriate." The PTO does not believe that a "mini-trial" should be conducted in a subsequent disciplinary proceeding of how or why the Committee on Discipline reached its decision. The commentator also argued that § 10.4(c) "would be in direct conflict with the Federal Rules of Civil Procedure" in any review in the U.S District Court for the District of Columbia. Again, the PTO disagrees. The Federal Rules of Civil Procedure do not apply to disciplinary cases in the PTO. Moreover, those rules do not apply in cases seeking judicial review of a decision of the Commissioner in a disciplinary matter. Applicable law (35 U.S.C. 32 and Local Rule 1-26 of the district court) provides for review on the record made in the PTO. See also *Camp v. Pitts*, 411 U.S. 138 (1973). Hence, there is no discovery in a proceeding under 35 U.S.C. 32.

Comments were received which suggest that the associate and assistant solicitors in the Office of the Solicitor cannot be isoloated from the Solicitor and the Deputy Solicitor. The associate and assistant solicitors are to be isolated so that (1) the associate and assistant solicitors may act as attorney for the Director in prosecuting a disciplinary proceeding and (2) the Solicitor and Deputy Solicitor may act as legal advisor to the Commissioner in deciding a disciplinary matter. In

disciplinary matters, the associate and assistant solicitors will report directly to the Director. Associate and assistant solicitors will not have occasion to discuss disciplinary matters with the Solicitor or Deputy Solicitor.

The following discussion in the *Attorney General's Manual on the Administrative Procedure Act*, pp. 57–58 (1947); commenting on original § 5(c) (now U.S.C. 554(d)) is believed particularly relevant to the issues raised in the comments:

> Assuming that an agency will in many cases wish to consult with certain of its staff members, it may proceed in one of two ways. It may in a particular case consult with staff members who in fact have not performed investigative or prosecuting functions in that or a factually related case. In the alternative, the agency may find it feasible so to organize its staff assignments that the staff members whom it most frequently desires to consult will be free of all investigative and prosecuting functions.
>
> * * * * *
>
> [I]f the agency so organizes its staff that the general counsel is not responsible for the investigative and prosecuting functions, he would be regularly available to the agency for consultation on the decision of cases.[*]

Several commentators suggested that members of the public or the PTO bar should be members of the Committee on Discipline. This suggestion is not being adopted. As noted in the notice of proposed rulemaking (49 FR 33793, column 2, last paragraph), there are two reasons for not adopting the suggestion. Use of individuals outside the PTO is made difficult by 35 U.S.C. 122. Administrative delays would take place because it would be more difficult to schedule meetings.

One commentator suggested that the language "at least" in the phrase "at least three employees of the Office" should be deleted from the second sentence of § 10.4(a). This suggestion is not being adopted. The "at least" language will permit the Commissioner to appoint alternate members to substitute for a member who may be disqualified or who may be unavailable for an extended period.

Section 10.10 provides that only practitioners who are registered under § 10.6 or individuals given limited recognition under § 10.9 will be permitted to prosecute patent applications of others before the PTO. One comment was received which noted that the rules do not address the "status" of (a) "an individual in a training program directed to the preparation and prosecution of applications for patent" or (b) "a long-time employee working within a patent organization in the area of preparation and prosecution of applications for patent, but has never become registered to practice as either a Patent Agent or Patent Attorney." The commentator suggested that the rules should state what such individuals or employees may do. The suggestion is not being adopted. Only registered practitioners (attorneys and agents) may practice patent law before the PTO. The commentator also suggested that the rules should provide that long-time corporate or government employees who have never been registered should be given limited recognition by the PTO. This suggestion is not being adopted. Limited recognition will be given only on a case-by-case basis. See § 10.9.

One comment suggested that "applicants" and "trademark applications" in the first sentence of § 10.14(c) rendered it unclear whether an individual authorized to practice before the PTO in trademark cases could prosecute post-registration cases, such as a cancellation proceeding. The rule has been clarified by changing "applicants" to "parties" and "trademark applications" to "trademark cases". An individual authorized to represent others under § 10.14 is authorized to appear in any trademark case.

Several comments were received discussing § 10.18. One comment made at the hearing suggested that the rule should specify who should read the paper being signed. The commentator stated: "I think it would be salutary if what you really mean is that the practitioner who signs it has read it." The suggestion is being adopted and the language of § 10.18(a)(1) has been changed from "the paper has been read" to "the paper has been read by the practitioner".

Two individuals commented that requiring the signature of a practitioner would eliminate the "custom" of having an associate sign the name of a principal attorney on a paper which the principal authorizes the associate to file. Section 10.18 requires that the practitioner signing the paper sign his or her own name. The rule would permit associate attorney John Smith to sign on behalf of principal attorney David Jones by signing the paper as follows: "David Jones by John Smith." The rule would not permit Smith to merely sign Jones' name or to sign "David Jones by JS." The rule does not authorize a non-practitioner (e.g., a para-legal or secretary) to sign a paper on behalf of a practitioner.

One comment asked the following:

> Assume an inventor is under Final Rejection and the period for proper response is near at hand. The attorney is now instructed to "keep the case alive" until a CIP [continuation-in-part] is prepared and filed. For reasons outside the control of the attorney, the CIP cannot be filed in time. Assume now the attorney files a Notice of Appeal, *never intending* to prosecute the appeal, intending only to buy time until the CIP can be filed. Would the filing of the Notice of Appeal violate Rule 10.18 and subject the attorney to PTO disciplinary action?

A notice of appeal is a proper response to a final rejection. Accordingly, it would not appear under the circumstances outlined that the notice of appeal was "interposed for delay" within the meaning of § 10.18(a)(4).

Three comments were received discussing § 10.22. One comment suggested that modifiers, such as "knowingly" and "willfully" be inserted in paragraphs (a) and (b) of § 10.22. The suggestion is not being adopted. A "materially false statement," a failure "to disclose a material fact," or furthering the application of another "known * * * to be unqualified" constitute acts which cannot be characterized as innocent. Accordingly, there is no need to insert the "modifiers" in the text of the rule. Another commentator suggested that the provisions of § 10.22 are not relevant to the federal objectives of the PTO. The PTO disagrees. Practitioners who (1) fail to tell the truth, (2) fail to reveal material information or (3) knowingly further the application of an unqualified individual to a bar, demonstrate that they are "disreputable" within the meaning of 35 U.S.C. 32. A third commentator suggested that § 10.22(b) is too broad because a practitioner could recommend an individual for membership in a bar and the individual might fail to pass the bar examination. Unless a practitioner has good reason to know that the individual will fail to pass a bar examination, it is not apparent how the practitioner's recommendation could amount to a violation of the PTO Code of Professional Responsibility.

Numerous comments were received discussing § 10.23. One comment suggested that § 10.23(c)(8) be changed to require notification of a client rather than requiring correspondence to be forwarded. This suggestion has been adopted by making appropriate changes to § 10.23(c)(8).

A suggestion was made to delete the reference to $5000 in § 10.23(c)(17). This suggestion is not being adopted. See the

[*] The general counsel's participation in rule making and in court litigation would be entirely compatible with his role in advising the agency in the decision of adjudicatory cases subject to section 5(c).

discussion in the advance notice, 49 FR 10016, column 1.

A suggestion was made that § 10.23(c)(5) has "a built-in inequity as regards different patent attorneys in different states." According to the commentator, a practitioner suspended for an act by Ohio might not be suspended for the same act by New York. The commentator reasons it would be unfair for the Office to suspend the Ohio practitioner, but not the New York practitioner. The commentator's concern is not warranted in view of the second sentence of § 10.1.

Another commentator noted that § 10.23(a)(3) "points up the difficulty of superimposing * * * [a] set of rules on of the various local jurisdictions." Here again, the commentator's concern is not believed warranted in view of the second sentence of § 10.1. Another commentator noted that "moral turpitude" is hard to define. It was suggested that possession of marijuana is regarded as a crime involving moral turpitude in some states where a 99-year sentence may be received. It was suggested that in other states possession of marijuana might result in "a slap on the wrist." If a practitioner is incarcerated for a crime in a state, it follows that the practitioner is not capable of representing individuals before the Office. This is true even if the same practitioner would not have been incarcerated in another state for the same act.

The Florida Bar raised a question concerning § 10.23(c)(5) which is answered under the discussion above of § 10.1. Section 10.23(c)(5) has been changed to make suspension or disbarment "on ethical grounds" a basis for suspension or disbarment by the Office. "Ethical grounds" would include incompetence, but would not include failure to pay State bar dues.

One comment suggested that "disreputable" and "gross misconduct" in § 10.23(a) be defined. The terms "disreputable" and "gross misconduct" appear in 35 U.S.C. 32 and need no further definition in the rules. For a discussion of "disreputable," see *Poole* v. *United States*, 54 A.F.T.R. 2d (P-H) 84-5536 (D.D.C June 29, 1984).

Several comments suggested that the Model Rules of Professional Conduct of the American Bar Association (1983) be adopted in place of § 10.23. Adoption of the Model Rules was given consideration prior to publication of the advance notice and the notice of proposed rulemaking. The matter has been considered again. However, it has not been demonstrated to the Office that a large number of states have adopted the Model Rules. As noted in the notice of proposed rulemaking, at least Virginia has rejected the Model Rules. Accordingly, the PTO will not, at this time, adopt the Model Rules. If a large number of states adopt the Model Rules in the future, the PTO would be willing to reconsider its position.

One comment suggested that "before the Office" be inserted after the word "conduct" in § 10.23(b) (4), (5), and (6). This suggestion is not being adopted in view of the second sentence of § 10.1.

A suggestion was received that "improperly" be inserted at the beginning of § 10.23(c)(4)(iii). This suggestion has been adopted.

A suggestion was received that the word "patent" be inserted before "application" in § 10.23(c)(7). This suggestion has been adopted.

A suggestion was received that § 10.23(c)(15) be changed so that a trademark practitioner could present potentially scandalous subject matter in order to receive a determination on the merits of registrability. See e.g., *In re McGinley*, 660 F.2d 481, 211 USPQ 668 (CCPA 1981). Section 10.23(c)(15) has been changed to refer only "making a scandalous or indecent statement in a paper filed in the Office."

Several individuals suggested that it may be difficult to determine the identity of the "client" under § 10.23(c)(8), particularly in corporate patent departments. The PTO will presume that practitioners know the identities of their clients and that information conveyed to the client is being conveyed in a manner acceptable to the client.

Section 10.23(c)(12) has been changed in response to comments which suggested that it would be difficult for practitioners to comply with § 10.23(c)(12) on the one hand and §§ 10.24 and 10.131 on the other hand. The purpose of § 10.23(c)(12) is to eliminate a frivolous complaint against practitioners. Accordingly, § 10.23(c)(12) has been changed to define as misconduct "knowingly filing, or causing to be filed, a frivolous complaint alleging a violation by a practitioner of the Patent and Trademark Office Code of Professional Responsibility."

Several individuals criticized § 10.24. The provisions of § 10.24 are derived from DR 1-103 of the Code of Professional Responsibility of the American Bar Association (1970)—the rule currently applicable to practitioners. See 37 CFR 1.344 and 2.13. The PTO is not aware that the current rule causes any problems. Accordingly, the numerous suggestions to delete or amend § 10.24 are not being adopted.

One comment was received which suggested that charging another person with trademark infringement and requesting that the person withdraw a pending application "might be . . . interpreted as a violation" of § 10.31(a). The PTO disagrees. A reasonable interpretation of the rule does not justify the unreasonable construction by the commentator.

At the hearing, an individual discussed § 10.32. The individual suggested that three "practices" should be sanctioned under any PTO Code of Professional Responsibility and it was suggested that all three practices might be prohibited by § 10.32. *First*, the individual suggested that "the giving of moderately priced presents . . . to established clients on appropriate occasions—Christmas, weddings of their daughters" should not constitute a violation of § 10.32. The PTO agrees. The giving of a gift to an "established client" on the occasions suggested is not a gift "to a person for recommending the practitioner's services." *Second*, the individual suggested that a practitioner should not be prohibited from "paying for ordinary client entertainment." The PTO agrees. Again the "client" is not "a person recommending the practitioner's services" in return for being entertained. *Third*, the individual argued that the rules should not preclude an "exchange" of cases with foreign practitioners." An "exchange" was said to occur "[w]here a foreign patent practioner in his country sends cases to an American patent or trademark practitioner to prosecute before the PTO, and you send the foreign firm cases to prosecute before the foreign patent office, on the more or less explicit basis that it's something in the nature of a trade." According to the individual, the "exchange" ordinarily takes place without knowledge of the practitioner's client. The individual expressed the opinion that "exchanges" without knowledge of the client presently occur routinely. The PTO believes that the suggested "exchange" may ethically take place *only* when the practitioner's clients are fully advised of the exchange. Three other witnesses at the hearing expressed the view—correctly the PTO believes—that client knowledge is essential to an ethical exchange of the type contemplated. No change in § 10.32 is being made.

A suggestion was received that "in matters before the Office" be inserted after "professional employment" in § 10.33. The suggestion is not being adopted in view of the second sentence of § 10.1. Another comment suggested that Rule 7.3 of the Model Rules of Professional Conduct (1983) be adopted in place of § 10.33. The suggestion is not

being adopted. Section 10.33 is based partly on Rule 7.3, but contains the additional language "under circumstances evidencing undue influence, intimidation, or overreaching." Section 10.33 is designed to prohibit so-called "ambulance chasing." In *Ohralik* v. *Ohio State Bar Ass'n.*, 436 U.S. 447 (1978), the Supreme Court held that a state could lawfully regulate ambulance chasing. In its opinion, the Supreme Court said:

> We need not discuss or evaluate each of these interests in detail as appellant has conceded that the State has a legitimate and indeed "compelling" interest in preventing those aspects of solicitation that involve fraud, undue influence, intimidation, overreaching, and other forms of "vexatious conduct." We agree that protection of the public from these aspects of solicitation is a legitimate and important state interest.

436 U.S. at 462. The additional language appearing in § 10.33 is designed to limit the application of § 10.33 to those situations in which the PTO has a legitimate interest. See also 35 U.S.C. 32 and § 10.31(a).

A suggestion was received that § 10.35(b) should be deleted. According to the suggestion, "[r]egulation of the practitioner's business arrangements should be left to state regulation." While the PTO is in general agreement with the rationale suggested, there exist partnerships of agents which are not subject to regulation by any state. Moreover, the commentator has not suggested or shown that § 10.35(b) is inconsistent with the policy of any state. Practitioners should not be free to hold themselves out as being associated with a partnership or other organizations when an association does not in fact exist.

One comment suggested that "in the locality" be deleted from § 10.36(b)(3). This suggestion is being adopted, because "in the locality" has no particular significance in the practice of patent and trademark law. Clients of patent and trademark practitioners are not necessarily located where counsel are located. Moreover, the practice is national in scope.

An individual at the hearing suggested that the PTO should delete subparagraphs (1) and (2) from § 10.37(a). This suggestion is not being adopted. The individual suggested that a client need not know that "employment" has been referred to another practitioner or to a foreign practitioner. The PTO disagrees and so did three other individuals who expressed a view at the hearing. Moreover, the PTO believes that when "farming out" occurs with the consent of a client, that the fee division should be proportional to the services rendered. Under § 10.37, "farming out" of work without knowledge and consent of a client will constitute a disciplinary rule violation.

One commentator suggested that § 10.39 "may result in numerous claims to the effect that a practitioner brought a proceeding 'merely for the purpose of harassing or maliciously injuring another person.' " Section 10.39 continues existing policy (37 CFR 1.344 and DR 2-109 of the ABA Code (1970)). Under existing policy, the PTO has not experienced "numerous claims." Accordingly, there is no reason to expect such claims under § 10.39.

A suggestion was received that the first sentence of § 10.40(a) be changed to read: "A practitioner may withdraw from employment in a proceeding before the Office without permission from the Commissioner in those instances in which a substitute has been selected and is willing to serve." This suggestion is not being adopted. If "a substitute has been selected and is willing to serve," presumably with the consent of the client, a new power of attorney may be filed in the PTO. Another commentator suggested that § 10.40 should not apply to corporate attorneys. This suggestion likewise is not being adopted. If a corporate attorney changes jobs, the attorney should withdraw from representing the "old" corporation *or* the old corporation should revoke any power of attorney.

One comment suggested that the PTO should be under a burden of deciding requests for permission to withdraw within thirty (30) days. This suggestion is not being adopted, but it is and will continue to be PTO policy to promptly decide requests for permission to withdraw.

One comment suggested that ", and may not withdraw in other matters," be deleted from § 10.40(c). This suggestion has been adopted.

One comment asked whether a power of attorney given during prosecution of a patent application continues to be viable after the patent is issued. The answer is "yes." Communications received during reexamination proceedings are sent to the correspondence address established during prosecution of the application which matures into the patent being reexamined. See 37 CFR 1.525. Notices concerning maintenance fees likewise are mailed to the correspondence address. See 37 CFR 1.363, 49 FR 34725 (Aug. 31, 1984). The commentator also raised a question of who is the client when a case is filed on behalf of an individual, but the individual's assignee pays the practitioner's bills. Practitioners are expected to know the identities of their clients. If a practitioner is hired by a corporation and wishes to make that fact plain on the record of a patent application, the practitioner may file an assignment and a power of attorney signed by the assignee. If a dispute should then occur between the individual and the assignee, the record would be clear that the assignee is the client.

A comment suggested that § 10.40(a) "would appear to be unreasonable" in view of the language "giving due notice to another practitioner." Such language does not appear in § 10.40(a).

An oral comment was received by phone which questioned whether the use of para-legals or apprentices by a practitioner constitutes the unauthorized practice of law. If a para-legal or apprentice works under the direction of a practitioner and the practitioner does not allow the para-legal or apprentice to hold themselves out as a practitioner, there is no unauthorized practice of law problem within the meaning of § 10.47.

One comment discussing § 10.49 made the following statement:

> • • • if the intent of this section is to prohibit a practitioner from forming a partnership with a lawyer who, while in good standing with his State bar, does not qualify to practice before the Office (either because he has not taken the patent examination or is not qualified to handle trademark matters), then it should be stricken.

As explained in the notice of proposed rulemaking (49 FR 33797, column 3), the PTO does not intend to prohibit formation of law firms by members of the Bar of any state.

One comment suggested that "in matters before the Office" should be inserted after "employment" in § 10.62(a). This suggestion is not being adopted in view of the second sentence of § 10.1.

Another comment suggested that §§ 10.62 and 10.63 be replaced with Rule 3.7(b) of the Model Rules of Professional Conduct of the ABA (1983). For reasons already discussed, the PTO is not adopting the Model Rules. The comment went on to suggest that practitioners would not be free to testify concerning attorney diligence in patent interference cases. The PTO has made it plain twice that it disagrees. See the advance notice (49 FR 10016, column 3 (March 16, 1984)) and the notice of proposed rulemaking (49 FR 33797, column 3, last paragraph (August 24, 1984)).

A comment suggested that language in §§ 10.62 and 10.63 is not clear. Specifically, the commentator referred to "solely to an uncontested matter" or "solely to a matter of formality." This language occurs in the current rules and has not caused any known difficulty.

Two comments were received which suggested that § 10.64(b) should permit practitioners to pay fees which rightfully should be paid by a practitioner. This suggestion is being adopted and the following sentence has been added to § 10.64(b): "A practitioner may, however, advance any fee required to prevent or remedy an abandonment of a client's application by reason of an act or omission attributable to the practitioner and not to the client, whether or not the client is ultimately liable for such fee." One of the commentators supplied the following rationale with which the PTO agrees:

> It sometimes happens that payment of a fee is necessitated by some act or omission for which the practitioner and not the client is responsible. One example is a fee for an extension of time to respond to an Office Action (see 37 CFR 1.17 and 1.136), where the delay has resulted from the practitioner's workload for other clients, or from the practitioner's absence from his or her office for purposes unrelated to the client's business. Another example is a petition fee for revival of an application unintentionally abandoned through some inadvertent oversight on the practitioner's part. In these circumstances, it would seem unjust to require the client to bear the cost of the fee.

One comment suggested that § 10.65 should be amended to indicate that it relates only to matters before the PTO. This suggestion is not being adopted in view of the second sentence of § 10.1.

Another comment suggested that § 10.65(a) "may limit a practitioner serving on the board of directors of a client." The commentator went on to say that practitioners serving on boards of directors is a common practice. Inasmuch as the client consents to practitioner serving on the board, it is believed that § 10.65 does not limit a practitioner as suggested by the commentator.

One comment was received which suggested that § 10.66(d) be changed to exclude corporate patent departments. According to the comment, "why should an entire corporate patent department have to withdraw if one of its members has to withdraw for disciplinary reasons?" In situations where it would not be appropriate for an entire firm or department to withdraw, § 10.68(d) permits the Commissioner or the Director to so order. See e.g., *Sunkist Growers, Inc.* v. *The Benjamin Ansehl Co.*, 221 USPQ 1077 (Comm'r. Pat. 1984). Another comment suggested that § 10.68 should be amended to indicate that it relates only to matters before the PTO. This suggestion is not being adopted in view of the second sentence of § 10.1.

One comment was received which suggested that § 10.67 be amended to indicate that it relates only to matters before the PTO. This suggestion is not being adopted in view of the second sentence of § 10.1.

A comment was received which suggested that § 10.68(c) might be construed to preclude a practitioner from joining a law firm where attorneys who are not registered to practice before the PTO "are in control," i.e., are the "senior" partners. The definition of practitioner (see § 10.1(r)) precludes such a construction, because any attorney in good standing in any State is a practitioner. Another comment suggested that § 10.68 be amended to indicate that it relates only to matters before the PTO. This suggestion is not being adopted in view of the second sentence of § 10.1.

One comment was made at the hearing which suggested that modifiers, such as "knowingly, willfully, intentionally," be inserted in § 10.77. This suggestion is not being adopted. The PTO believes § 10.77 states clearly the prohibited conduct.

A comment was received which suggested that §§ 10.77, 10.78 and 10.84 be amended to indicate that they refer only to matters before the PTO. This suggestion is not being adopted in view of the second sentence of § 10.1.

One comment suggested that the term "unwarranted" in § 10.85(a)(2) is "too vague as to its limits." The PTO disagrees. Contrary to the suggestion by the commentator, it is believed that practitioners can readily determine whether they are advocating a position that is unwarranted under existing law.

A comment was received which suggested that § 10.85(b) can place a difficult burden on patent counsel. In support of his position, the commentator gave two examples and commented on both examples as follows:

> *Example 1:* A client engages a patent attorney in the preparation of a patent application, and the patent attorney goes through the usual routine of advising the client of statutory bars, duty to disclose, etc. The attorney prepares and files the application, and during the course of the prosecution, the client informs the attorney of some activities that occurred a couple of years before filing the application, which activities might constitute an offer for sale. The attorney advises that this must be disclosed to the Patent Examiner, but the applicant refuses to follow this course of action and discharges the patent attorney. The client then engages another attorney to complete the prosecution, without telling the new attorney of the potentially damaging prior art.
>
> *Comment:* In accordance with my interpretation of § 10.85(b), the first attorney would be required to disclose this situation to the Office, unless the term "perpetrated a fraud" as it appears in that rule does not include the deliberate failure to disclose relevant prior art. My concern is that this could make for some very poor relationships with the client who might not understand the attorney's duty of disclosure before the Office.
>
> *Example 2:* A rather poor inventor has managed to drum up enough money for the filing fee for a patent application and then proceeds to prepare and file his own patent application, without the assistance of a patent attorney. After a few months, the inventor obtains some financing from an investor, and the inventor and the investor consult the patent attorney to see if he would continue with the prosecution of the application. The attorney reviews the fact pattern and informs both the inventor and the investor that there is unquestionably some prior art, in the form of an earlier publication by the inventor, which must be disclosed before the Office. When the inventor and the investor find that the attorney intends to disclose this prior art as soon as he is engaged as their attorney, the inventor and the investor tell the attorney that they would rather engage the services of some other patent attorney, and that they will not tell the second attorney of the prior art.
>
> *Comment:* As I would interpret § 10.85(b), the first patent attorney would be obliged to inform the Office of the relevant prior art. The first patent attorney would likely have the serial number and filing date of the application, and it would appear to me that the patent attorney would have to disclose not only the prior art, but also disclose the intent of the inventor and the investor not to disclose the same. This is pretty harsh treatment, and I can see where the inventor and the investor would have some very hard feelings against the patent attorney.

The PTO agrees that under the circumstances of Example 1, a "client * * * might not understand the attorney's duty of disclosure. * * *" Likewise, the PTO can understand "where the inventor and the investor [in Example 2] would have some very hard feelings against the patent attorney." Nevertheless, the commentator has correctly noted in each case that the practitioner is required to advise the PTO. The practitioner's obligation under § 10.85(b) has not been changed by the rules and is mandated by *Kingsland* v. *Dorsey*, 338 U.S. 318 (1949). See also Nahstoll, *The Lawyer's Allegiance: Priorities Regarding Confidentiality*, 41 Wash. & Lee L. Rev. 421 (1984).

A comment was received which suggested that § 10.85 be amended to indicate that it pertains only to matters before the PTO. The suggestion is not being adopted in view of the second sentence of § 10.1.

Two comments were received which suggested that § 10.87(a) could be construed to prohibit a practioner from recommending that a client meet with an opposing party for settlement discussions. Both comments suggested

that § 10.87(a) be amended to permit a practitioner to recommend that a client engage in settlement discussions directly with an opposing party. The suggestion is being adopted and the following sentence has been added to § 10.87(a): "It is not improper, however, for a practitioner to encourage a client to meet with an opposing party for settlement discussions."

A suggestion was made that § 10.87 be amended to indicate that it pertains only to matters before the PTO. The suggestion is not being adopted in view of the second sentence of § 10.1.

One comment suggested that § 10.89(c)(5) be "eliminated on the grounds of vagueness" because one cannot "be expected to comply with apparently unpublished customs of courstesy or practice." The suggestion is being adopted. Paragraph (6) of § 10.89(c) is being redesignated as paragraph (5) and has also been changed to read: "Engage in undignified or discourteous conduct before the Office (see § 1.3 of this Subchapter)." Paragraph (7) has been redesignated as paragraph (6).

Another comment discussing § 10.89 asked "since when must counsel cite to the Examiner in *ex parte* proceedings cases known to be directly adverse to the position being advocated?" Counsel are expected to advise patent and trademark examiners of known controlling authority which is contrary to a position being advocated. It is important for counsel to do so in *ex parte* cases because there is no *advocate* taking a position contrary to the position being taken by an applicant. See also *Southern Pacific Transportation Co.* v. *Public Utilities Commission of the State of California,* 716 F.2d 1285, 1291 (9th Cir. 1983).

A commentator contended that § 10.89(a) "makes no sense" because a decision of the PTO may have been overruled by the Federal Circuit. Section 10.89(a) is limited to "a decision of the Office made in the course of a proceeding." Practitioners are expected to follow interlocutory orders entered in PTO proceedings. Obviously if such an order is ultimately overruled or reversed by a court, it no longer need be followed. The same commentator suggested that § 10.89(c)(3) is not appropriate. Specifically, the commentator indicated that practitioners often rely on the specification of a patent application and prior art. The specification and prior art are evidence, not the "practitioner's personal knowledge."

One commentator suggested that §§ 10.92 and 10.93 be amended to indicate that they relate solely to matters before the PTO. This suggestion is not being adopted in view of the second sentence of § 10.1.

A commentator at the hearing suggested that § 10.93 be changed to permit practitioners to discuss procedural matters with interlocutory examiners or members of the Board of Patent Interferences or the Trademark Trial and Appeal Board. In view of Pub. L. 98-622, November 8, 1984, the Board of Patent Interferences will cease to exist on February 8, 1985. All patent interference cases will be transfered to the Board of Patent Appeals and Interferences and will be assigned to an examiner-in-chief. Practitioners may consult an examiner-in-chief orally upon adequate notice to opposing counsel. A telephone conference call may be arranged when opposing counsel desires to participate in the oral consultation. The same is true of the interlocutory examiners or members of the Trademark Trial and Appeal Board. Questions of a purely procedural nature may be asked. However, an examiner-in-chief or the interlocutory examiner or member of the Trademark Trial and Appeal Board may nevertheless decline to answer procedural questions without opposing counsel being present or involved in a conference call.

One commentator suggested that §§ 10.101, 10.102, 10.103, and 10.111 be amended to indicate that they refer only to proceedings in the PTO. The suggestion is not being adopted in view of the second sentence of § 10.1.

One comment suggested that practitioners residing in the United States should be able to maintain trust funds in a bank in any State. This suggestion is being adopted and § 10.112(a) has been changed to implement the suggestion. However, if a State bar requires funds to be kept in a bank within the State, a practitioner would be required to keep funds in a bank in the State in order to comply with State rules. Another comment suggested that § 10.112(c)(2) is not practical. According to the commentator, "invention samples and invention disclosures and drawings usually are the client's property, but keeping them in a safe deposit box is totally impractical." The commentator overlooks that portion of § 10.112(c)(2) which reads "in a safe deposit box or other place of safekeeping. * * *" A client may consent to a practitioner keeping invention samples, invention disclosures, and drawings in the practitioner's office. The practitioner, of course, should see to it that the office is maintained with appropriate security.

An individual testified at the hearing that § 10.112 is not clear. According to the individual, "I think the rules should specify that if you get money up front from a client, whether it's called a retainer, pre-payment, or whatever * * * that money has to be put into a trust fund or a trust account * * * and that you can't take the money out and spend it until you have performed the services and sent a bill to the client that says X dollars has come out of your trust account in payment of Y services." The PTO believes that § 10.112(b)(2) specifies "that you can't take the money out and spend it until you have performed the services" and that § 10.112(c)(3) specifies that you must send "a bill to the client." Accordingly, no change to § 10.112 is necessary.

One commentator testified at the hearing that the PTO rules do not address "those individuals who, due to a mental or physical defect, are not able to bring themselves in conformity with the rules of conduct." * * *" On the contrary, § 10.130 specifies that any practitioner shown to be "incompetent" may be suspended or excluded. The commentator at the hearing referred to an individual "who has a drinking problem or one who is mentally incapable or representing people before the * * * Office." The statute (35 U.S.C. 32) and the rules address such an individual. As noted in the advance notice, the PTO has declined to adopt the suggestion appearing in Manson, *Helping Lawyers Who Need Help (But Won't Ask for It!),* 25 Va. Bar News 27 (June 1977). See 49 FR 10017, column 1 (Mar. 16, 1984). If an individual is suspended due to a drinking problem, reinstatement (see § 10.160) may be conditioned on a clear and convincing showing that the drinking problem has been overcome.

One individual testified at the hearing that a "statute of limitations" should be inserted in § 10.131. This suggestion is not being adopted. As the individual noted during testimony, statutes of limitations do not apply in disciplinary proceedings.

A suggestion was received that § 10.132 be changed to expressly provide that:

> No disposition adverse to the respondent shall be recommended by the Director until the respondent shall have been afforded the opportunity to be heard.

This suggestion is not being adopted. Section 10.132(a) provides that, where necessary, the Director shall comply with 5 U.S.C. 558(c) prior to calling a meeting of the Committee on Discipline. The relevant portion of 5 U.S.C. 558(c) provides:

Except in cases of willfulness or those in which public health, interest, or safety requires otherwise, the withdrawal, suspension, revocation, or annulment of a license is lawful only if, before the institution of agency proceedings therefor, the licensee has been given:

(1) notice by the agency in writing of the facts or conduct which may warrant the action; and

(2) opportunity to demonstrate or achieve compliance with all lawful requirements.

Where appropriate, a notice under § 558(c) will be issued prior to the time the Director takes a case to the Committee on Discipline. Any reply to § 558(c) notice will be reviewed by the Director and the Committee on Discipline prior to deciding whether a complaint should be filed.

Another suggestion was received which indicated that § 10.132(c) should be changed so that the "accused practitioner * * * [would] have the right to select an administrative law judge from a panel of such judges, such panel including the names of at least two law judges." This suggestion is not being adopted. No rationale was given in support of the suggestion and there is no known reason to permit a respondent to select the particular administrative law judge (ALJ) to be assigned to hear the practitioner's case.

Several changes have been made in § 10.133 by the PTO which are not in response to any comment or suggestion. The language "§§ 10.132(b) and 10.134" in the first sentence of § 10.133(b) has been changed to "§ 10.134". This change was made because a reference to § 10.132(b) is not necessary. The language "his or her resignation by filing" in the first sentence of § 10.133(b) has also been deleted as unnecessary. The second sentence of paragraph (b) of § 10.133 has been replaced by new paragraphs (c) and (d). New paragraph (c) specifies the content of an affidavit of resignation filed prior to the date set by the ALJ for a hearing. New paragraph (d) specifies the content of an affidavit of resignation filed on or after the date set by the ALJ for a hearing. Old paragraph (c) has been redesignated as new paragraph (e) and the language "paragraph (b)" therein has been changed to read "paragraphs (b) and (c)". Old paragraphs (d) and (e) have been redesignated as new paragraphs (f) and (g), respectively.

New paragraph (c) of § 10.133 has been added to define the conditions under which a practitioner may resign prior to the date set by the ALJ for a hearing. Experience has shown that practitioners do not readily resign prior to hearing if they are required to admit the charges against them and/or are required to admit that they could not have been defended against the charges or the subject of an investigation. Paragraph (c) does not require a practitioner to admit the charges or any lack of defense at the time of resignation. Rather, under § 10.133(c)(5), any admission is operative at the time of a request for reinstatement and only for the *limited* purpose of determining the request for reinstatement. By deferring the time when the practitioner makes the admissions, it is believed that settlements are more likely. Once a hearing begins, however, there is no reason to permit a resignation without admission of the facts and a lack of defense. The admissions of paragraph (c)(5) are relevant in determining whether reinstatement should be granted and whether sufficient time has passed between resignation and any application for reinstatement.

One comment was made at the hearing which suggested that "if, in fact there is a real stalemate in a settlement discussion, that there be some avenue so that there be, in essence, binding arbitration" on the part of the respondent and the Director. This suggestion is not being adopted. There is no reason to impose binding arbitration in disciplinary matters. While settlements are to be encouraged, if the parties (the respondent and the Director) cannot reach a mutually agreeable settlement, the proper recourse is to proceed with the disciplinary proceeding.

A suggestion was received that the second sentence of § 10.138 be deleted. The suggestion is not being adopted. The second sentence of § 10.138 provides that evidence obtained by a subpoena under 35 U.S.C. 24 will not be admitted unless prior approval was obtained from the ALJ to proceed under section 24. This provision is necessary to retain control over the proceedings in the ALJ. Moreover, an order authorizing a party to proceed under section 24 can be helpful to any district court which is required to determine whether an individual should be compelled to answer counsel's questions. Additional rationale in support of the PTO's decision not to adopt the suggestion appears in the advance notice (49 FR 10019, columns 1 and 2) and in the notice of proposed rulemaking (49 FR 33800, column 1).

Two individuals testified at the hearing concerning § 10.144. Section 10.144 provides that hearings in disciplinary cases will not be open to the public. One individual suggested that hearings in disciplinary matters should be opened to the public. The other individual took the opposite position and supported § 10.144 as proposed. The suggestion to open hearings to the public is not being adopted at this time. The PTO believes that a practitioner should not unnecessarily be exposed to charges of alleged wrongdoing until the practitioner is found to have violated the PTO Code of Professional Responsibility. Unnecessary and premature exposure could cause a practitioner's client to find other counsel based on mere allegations. Additionally, the PTO is required to maintain information concerning patent applications in secrecy. 35 U.S.C. 122. In most disciplinary cases information concerning a patent application is revealed at any hearing. Accordingly, the PTO will not provide for public hearings. However, the PTO intends to further study the possibility of hearings open to the public (e.g., in a disciplinary proceeding involving only trademark matters) and may, in the future, propose to modify § 10.144.

Numerous comments were received which suggested that the burden of proof set forth in § 10.149 should be changed from "preponderance of evidence" to "clear and convincing evidence." As announced at the hearing, this suggestion is being adopted. The "clear and convincing evidence" standard brings § 10.149 in conformance with § 10.158(d)(1)(ii) which also requires proof by clear and convincing evidence.

The term "clear and convincing evidence" is not succeptable to a precise definition. The PTO, therefore, deems it appropriate to set forth its views on what constitutes "clear and convincing evidence." "Clear and convincing evidence" falls somewhere between proof beyond a reasonable doubt and proof by a preponderance of evidence.

A reasonable doubt is a doubt based upon reason and common sense—the kind of doubt that would make a reasonable person hesitate to act. Proof beyond a reasonable doubt must, therefore, be proof of such a convincing character that a person would be willing to rely and act upon it unhesitatingly in the most important of his or her affairs. Devitt, *Federal Jury Practice and Instructions* § 11.01 (2d ed. 1970).

To establish a fact by a preponderance of evidence means to prove that fact is more likely so than not so. A preponderance of evidence means such evidence as, when considered and compared with that opposed to it, has more convincing force, and produces in the mind of the trier of fact a belief that what is sought to be proved is more likely true than not true. Devitt, *supra* at § 7.01.

Clear and convincing evidence is that measure or degree of proof which will produce in the mind of the trier of fact a firm belief or conviction as to an allegation sought to be established; it is more than a preponderance of evidence, but less than that required to establish guilt beyond a reasonable doubt. *Hobson* v. *Eaton*, 399 F.2d 781 (6th Cir. 1968)."It does not mean clear and unequivocal." *Fred C. Walker Agency, Inc.* v. *Lucas*, 215 Va. 535, 540–541, 211 S.E.2d 88, 92 (1975).

Several comments were received which suggested that § 10.150 be changed to make the Federal Rules of Evidence applicable to disciplinary proceedings. The suggestion is not being adopted. The PTO has explained, in both the advance notice (49 FR 10020, column 2) and the notice of proposed rulemaking (49 FR 33801, columns 1 and 2) why it cannot adopt the Federal Rules of Evidence in disciplinary cases. The "Federal Rules of Evidence . . . do not apply to administrative proceedings . . . ." Davis, *Administrative Law Treatise*, § 14.01 (Supp. 1970). The controlling law is set out in 5 U.S.C. 556(d) which provides in part: "Any oral or documentary evidence may be received, but the agency as a matter of policy shall provide for the exclusion of irrelevant, immaterial, or unduly repetitious evidence. A sanction may not be imposed or rule or order issued except on consideration of the whole record or those parts thereof cited by an party and supported by and in accordance with the reliable, probative, and substantial evidence." It appears to be the concern of some of the comments that the Administrative Procedure Act does not articulate an appropriate standard of evidence and that hearsay may be admitted. Suffice it to say that many adjudications occur daily under the Administrative Procedure Act, including disciplinary proceedings. The following language appearing in an opinion of the Eleventh Circuit in *TRW-United Greenfield Division* v. *National Labor Relations Board*, 716 F.2d 1391, 1394 (11th Cir. 1983), may be helpful:

> At the hearing the ALJ refused to allow five additional employees to testify that other employees told them that such a statement had been made. TRW contends it was denied a full and fair hearing by the exclusion of this testimony. The general rule is that administrative tribunals are not bound by the strict rules of evidence governing jury trials. *Opp Cotton Mills, Inc.* v. *Administrator of Wage & Hour Div.*, 312 U.S. 126, 155, 61 S.Ct. 524, 537, 85 L.Ed. 624 (1971). Thus, the admission of testimony which would be deemed incompetent in judicial proceedings would not invalidate the administrative order. *Tagg Bros. & Moorhead* v. *United States*, 280 U.S. 420, 442, 50 S.Ct. 220, 225, 74 L.Ed. 524 (1930). But this assurance of a desirable flexibility in administrative procedure does not go so far as to justify orders without a basis in evidence having rational probative force. Mere uncorroborated hearsay or rumor does not constitute substantial evidence. *Consolidated Edison Co.* v. *N.L.R.B.*, 305 U.S. 197, 230, 59 S.Ct. 206, 217, 83 L.Ed. 126 (1938). Therefore, the hearsay testimony of other employees would not have amounted to substantial evidence sufficient to support a finding for the company. We find that TRW was not denied a full and fair hearing by the judge's refusal to admit hearsay testimony.

See also *Steadman* v. *Securities and Exchange Commission*, 450 U.S. 91, 98 n. 17 (1981); *Richardson* v. *Perales*, 402 U.S. 389, 410–411 (1971); *Brown* v. *Gamage*, 377 F.2d 154, 158 (D.C.Cir.), *cert. denied*, 389 U.S. 858 (1967); Annotation, *Hearsay Evidence In Proceedings Before Federal Administrative Agencies*, 6 ALR Fed 76 (1971); and Davis, *Hearsay in Administrative Proceedings*, 32 Geo. Wash. L. Rev. 689 (1964).

A suggestion was received that § 10.151 be changed to make the deposition rules of the Federal Rules of Civil Procedure applicable to disciplinary proceedings. This suggestion is not being adopted. The discovery provisions of the Federal Rules of Civil Procedure are not being adopted by the PTO in disciplinary cases. Except for discovery which the parties agree to make voluntarily, all discovery under these rules will require the prior permission of the ALJ. This prior permission is designed to insure that the ALJ retains control over the proceeding. By requiring prior approval of the ALJ to take a deposition, the rules insure that the deposition will relate to evidence the ALJ deems to be relevant and will afford the ALJ the option of determining whether he or she wishes to observe the witness.

Several comments were received which suggested that § 10.152 be changed to permit more discovery. Some commentators urged adoption of the discovery provisions of the Federal Rules of Civil Procedure relating to requests for admission, interrogatories, and requests for production of documents. Other commentators felt that the discovery proposed in the notice of proposed rulemaking was not sufficient and that more discovery should be authorized. These latter commentators, however, did not urge adoption of the discovery provisions of the Federal Rules of Civil Procedure. As one commentator noted:

> Disciplinary proceedings are not in the nature of civil actions and full discovery within the scope of the Federal Rules of Civil Procedure is probably not needed or desirable.

The PTO agrees that more discovery is appropriate than would have been authorized under § 10.152 as proposed. The PTO does not agree, however, that discovery should be commensurate in scope with the discovery provisions of the Federal Rules of Civil Procedure.

One commentator at the hearing who urged adoption of the discovery provisions of the Federal Rules of Civil Procedure, correctly recognized the existence of "concerns of the Patent [and Trademark] Office regarding what are alleged to be general discovery abuses." There is ample basis for the PTO's concern. See e.g., Pollack, *Discovery—Its Abuse and Correction*, 80 F.R.D. 219 (1979) (reproducing remarks made by Judge Pollack at the Fifth Circuit Judicial Conference on April 26, 1978 at New Orleans). The same commentator at the hearing went on to note, however, that if the ALJ "gets on top of a case and monitors a case very actively, then no discovery abuses will occur, and if they do, they will be dealt with swiftly and properly."

Advocates of discovery "reform" seemingly rely on two principles which are claimed to be the cure-all for discovery abuse: (1) Active control by the judge and (2) sanctions. See e.g. *Second Report of the Special Committee for the Study of Discovery Abuse*, 92 F.R.D. 137 (1980). The PTO is not in a position to impose the most effective sanction—costs. However, the PTO can invest the ALJ with control over discovery. It is because the PTO can invest the ALJ with control over discovery that the suggestion for more discovery is being adopted. Section 10.152 has been changed to permit discovery which the PTO believes will be effective. The scope of the discovery, however, will not be commensurate in scope with the Federal Rules of Civil Procedure.

Paragraph (a) of § 10.152 will permit *limited* discovery *after* an answer is filed. Discovery is not authorized prior to the filing of an answer. A party seeking discovery will have to make out a clear and convincing case to the ALJ that discovery is necessary *and* relevant. If discovery is authorized, the ALJ may set conditions he or she deems appropriate to accomplish the discovery. For example, the ALJ may set the place and time for inspection of documents which are required to be produced or the ALJ can order a party to mail copies of the documents to the other party. Under paragraph (a) of § 10.152, discovery is limited to a *reasonable* number of requests for admissions.

interrogatories, or requests for production of documents and things. Consideration was given to setting numerical maximums for requests for admission, interrogatories and requests for production of documents and things. See e.g., Local Rule 11.1 of the U.S. District Court for the Eastern District of Virginia. However, numerical maximums are not presently specified. Should discovery become a problem, the PTO will give further consideration to limiting the number of discovery requests which a party may file.

Paragraph (b) § 10.152 specifies certain matters which *cannot* be discovered. Matter which will be used by another party solely for impeachment or cross-examination cannot be discovered. Documents which will be used as part of the Director's case-in-chief of the respondent's case-in-rebuttal or affirmative defenses are subject to discovery. Patent applications not available to a respondent under 35 U.S.C. § 122 are not subject to discovery. Matter relating to disciplinary proceedings commenced prior to the effective date of these rules is not available. For the most part, the reasons for a particular length of suspension or disbarment have not been stated in the past. Accordingly, disciplinary proceedings commenced prior to these rules are not particularly relevant. See *Poole* v. *United States*, 54 A.F.T.R. 2d (P–H) 84–5530 (D.D.C. June 29, 1984). Prior disciplinary proceedings which resulted in public discipline being imposed will continue to be available in the Office of the Director of Enrollment and Discipline. Respondents will continue to be free to inspect the files of those proceedings. Matters relating to experts, except as may be required by the ALJ under § 10.152(e), likewise are not subject to discovery. Privileged matter and attorney work product are excluded from matter which can be discovered.

Paragraph (c) sets forth some factors the ALJ can consider in determining whether to authorize discovery or to limit discovery which is authorized. The factors include delay (which is a major consideration in disciplinary matters), burden on the party required to produce discovery, availability of the discovery sought to the public (in which case, discovery may not be necessary), the extent to which the matter sought to be discovered is equally available to both parties, and the extent to which discovery is available from another source.

Paragraph (d) of § 10.152 requires a party desiring discovery to file a motion which explains, in detail, how each request is relevant to an issue raised in the complaint or the answer.

Paragraph (e) of § 10.152 sets out matter which the ALJ can require a party to produce in a pre-hearing statement. Subparagraph (4) states the matter the ALJ can require disclosed related to experts.

The PTO has every reason to believe that the discovery authorized by § 10.152 will be useful and that sufficient authority has been given to the ALJ to effectively control discovery and prevent abuses. The PTO intends to monitor discovery closely in the future and will consider amending these rules if abuses occur.

One comment suggested that § 10.154(b) be modified by adding "any extenuating circumstances" as a matter to be considered in imposing a penalty. This suggestion is being adopted. Another comment suggested that § 10.154 should address "probation." This suggestion is not being adopted. Nevertheless, the PTO has authority to place a practitioner on probation for all or a portion of any suspension and to revoke the probation upon a showing of a violation. See *In re Dula*, 1030 *Official Gazette* 20 (May 17, 1983).

One comment suggested that § 10.155 be modified to specify that the Director should serve a copy of any appeal "on the respondent or on the attorney for respondent." This suggestion is not being adopted. However, in view of the suggestion the language "on the respondent" (both occurrences) in § 10.155(a) is being deleted. Section 10.142(a) specifies how service is made on a respondent who is represented by an attorney.

A suggestion was received that § 10.157 be modified to provide that a stay would be entered in every case where a respondent seeks judicial review of a decision of the Commissioner. This suggestion was rejected at the time the notice of proposed rulemaking was published (49 FR 33802) and is not being adopted. There are cases where a stay is not appropriate, e.g., when the disbarred practitioner is incarcerated. There are other times when a stay may be appropriate. Accordingly, stays will be granted in the discretion of the Commissioner.

Several comments were received discussing § 10.158. Some commentators suggested that § 10.158 was "too lenient" and another suggested that it was "too hard" on suspended and excluded practitioners. Section 10.158 is designed to advise suspended practitioners as to what they can and cannot do during any period of suspension. The PTO believes that § 10.158 strikes a reasonable balance in a difficult area. See the discussion concerning § 10.158 in the advance notice (49 FR 10021, columns 2 and 3). One comment suggested that § 10.158 should be made applicable to corporations. This suggestion is being adopted by appropriate changes in § 10.158(c) to refer to client-employers. Another comment suggested that § 10.158(b) (1) and (2) be changed to refer to matters before the PTO. This suggestion is also being adopted.

An oral comment was received asking whether the Director could conduct an investigation in connection with a determination under § 10.158(d). The Director may conduct whatever investigation is warranted to determine whether a suspended or excluded practitioner seeking reinstatement has complied with regulations relating to suspended and excluded practitioners.

A comment was received regarding § 10.159(a) which suggested that the Director notify the American Bar Association National Discipline Data Bank when a practitioner is suspended or excluded. This suggestion is not being adopted as such. However, § 10.159(a) has been changed to authorize the Director to notify "any appropriate bar association." The PTO is not inclined to mention any particular bar association by name in the rules. It will be the practice of the PTO to notify the National Discipline Data Bank, among others, when a practitioner is disciplined. Another comment suggested that the entire file of a disciplinary proceeding should not be open to the public when only some, but not all, charges are sustained. This suggestion is not being adopted. In most disciplinary matters, it would be highly inconvenient to segregate the relevant from the irrelevant. Moreover, once discipline is imposed, the principal rationale for keeping the file secret no longer exists. The disciplined practitioner will suffer whatever public embarrassment results from discipline apart from whether part or all of the file is open to the public.

With respect to § 10.160, one commentator suggested that the burden on the suspended or excluded practitioner for reinstatement be stated in the rules. This suggestion is being adopted and a "clear and convincing showing" requirement has been added to §10.160(c). Section 10.149 sets out the burden on the Director for proof of allegations in the complaint and upon the respondent for proving affirmative defenses. The showing required by § 10.158(d)(1) is by "clear and convincing evidence." One commentator

TABLE 3.—PRINCIPAL SOURCE OF §§ 10.130 THROUGH 10.161—Continued

Section	Source
10.162–10.169	(Reserved).
10.170	New, but see 37 CFR 1.183.

Other Considerations

The rules will not have a significant impact on the quality of the human environment or the conservation of energy resources.

The rules are in conformity with the requirements of the Regulatory Flexibility Act (Pub. L. 96–354) and Executive Order 12291.

The General Counsel of the Department of Commerce has certified to the Small Business Administration that the rules will not have a significant adverse economic impact on a substantial number of small entities (Regulatory Flexibility Act, Pub. L. 96–354). The rules regulate the conduct of attorneys and agents who represent individuals and juristic entities before the Patent and Trademark Office and would not be expected to result in an increase of fees charged by attorneys and agents to entities, including small entities.

The Patent and Trademark Office has determined that the rules are not a major rule under Executive Order 12291. The annual effect on the economy will be less than $100 million. There will be no major increase in costs or prices for consumers, individual industries, federal, state, or local government agencies, or geographic regions. There will be no significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of the United States-based enterprises to compete with foreign-based enterprises in domestic or export markets.

The information reporting requirements contained in the rules have been approved by the Office of Management and Budget, OMB Control No. 0651–0012 and OMB Control No. 0651–0017.

List of Subjects in 37 CFR Part 1, 2 and 10

Administrative practice and procedure, Authority delegations, Conflict of interests, Courts, Inventions and patents, Trademarks, Lawyers.

For the reasons given in the preamble and under the authority granted to the Commissioner of Patents and Trademarks by 5 U.S.C. 500; 15 U.S.C. 1123; and 35 U.S.C. 6, 31, 32, and 41. Parts 1, 2, and 10 of Title 37 of the Code of Federal Regulations are amended as set forth below:

suggested that the 5-year period of § 10.160(b) should be changed to a 3-year period. This suggestion is not being adopted. According to the commentator, the PTO has failed to state why a 5-year period was proposed. The commentator believes a 3-year period is more appropriate, although no reason is given in support of the commentator's belief. The PTO, after considering the matter, has concluded that some period must be specified and there is no reason to change the 5-year period proposed. A commentator suggested that a practitioner suspended for less than six months should "automatically" be reinstated. This suggestion is not being adopted, because the Director, as a condition to any reinstatement, must find that the suspended practitioner complied with § 10.158. Another commentator questioned whether the rules should provide for application for reinstatement during a period of probation. The PTO believes the rules need not make provision for application for reinstatement during probation. For example, if a practitioner is suspended for a period of three years and it is ordered that the practitioner be actually suspended for at least one year *and* that the last two years the practitioner be placed on probation, the practitioner would be able to apply for reinstatement after serving one year of the three year suspension.

The PTO disagrees with the following comment concerning § 10.161(b): "This clause is ex post facto legislation as it seeks retroactively an increase of penalties regarding conduct which occurred prior to the legislation." No legislation is involved. Section 10.161(b) does not "increase penalties."

TABLE 1.—PRINCIPAL SOURCE OF §§ 10.2 THROUGH 10.19

Section	Source
10.1 (preamble)	35 U.S.C. 31; *Sperry* v. *Florida*, 373 U.S. 379, 402 (1963).
10.1	35 U.S.C. 25; 28 U.S.C. 1748.
10.1(c)	5 U.S.C. 500(b).
10.1(q)	1 U.S.C. 1.
10.1(aa)	35 U.S.C. 100(c)
10.2(a)	New.
10.2(b)(1)	New, but see 37 CFR 1.341(i) (1983).
10.2(b)(2)	New, but see 37 CFR 1.348(a) (1983).
10.2(c)	New, but see 37 CFR 1.341(i) (1983).
10.3	37 CFR 1.341(f) (1983).
10.4(a)	New.
10.4(b)	New, but see 37 CFR 1.348(a) (1983).
10.4(c)	New.
10.5	37 CFR 1.341 (1983).
10.6(a)	37 CFR 1.341(a) (1983).
10.6(b)	37 CFR 1.341(b) (1983).
10.6(c)	37 CFR 1.341(e) (1983).
10.6(d)	37 CFR 1.341(f) (1983).
10.6(e)	37 CFR 1.341(g) (1983).
10.7 (a), (b)	37 CFR 1.341(c) (1983).
10.7(c)	New.
10.8	37 CFR 1.341(h) (1983).
10.9(a)	37 CFR 1.342 (1983).
10.9(b)	New.
10.10	37 CFR 1.343 (1983).
10.11	37 CFR 1.347 (1983).
10.12	[Reserved].
10.13	[Reserved].
10.14	5 U.S.C. 500(b) and 37 CFR 2.12 (1983).
10.15	35 U.S.C. 32; 5 U.S.C. 500(d)(2); 37 CFR 1.343 (1983); and 37 CFR 2.12(f) (1983).
10.16	[Reserved].
10.17	[Reserved].
10.18(a)	37 CFR 1.346 (1983) and 37 CFR 2.15 (1983), see also Rule 11, FRCP.
10.18(b)	35 U.S.C. 32 and Rule 11, FRCP.
10.19	[Reserved].

TABLE 2.—PRINCIPAL SOURCE OF SECTIONS OF 10.20 THROUGH 10.112, THE PTO CODE OF PROFESSIONAL RESPONSIBILITY

Section	Source
10.20	Preamble to MCPR (1980).
10.21	MCPR Canon 1 (1980).
10.22	MCPR DR 1-101 (1980).
10.23(a)	35 U.S.C. 32.
10.23(b)(1)	35 U.S.C. 32 and MCPR DR 1-102 (A)(1) (1980)
10.23(b) (2)–(5)	MCPRDR 1-102(A) (2)–(6) (1980).
10.23(c) (1)–(14)	PTO created.
10.23(c)(15)	Rule 11, FRCP.
10.23(c) (16)–(18)	PTO created.
10.23(d)	*U.S.* v. *Beecroft*, 608 F.2d 753 (9th Cir. 1979).
10.24	MCPR 1-103(1980).
10.25 through 10.29	[Reserved].
10.30	MCPR Canon 2(1980).
10.31(a)	35 U.S.C. 32.
10.31(b)	5 U.S.C. 501.
10.31(c)	37 CFR 1.345(c) (1983).
10.31(d)	Newly created.
10.32	MRPC Rule 7.2 (1983).
10.33	MRPC Rule 7.3 (1983).
10.34	MRPC Rule 7.4 (1983).
10.35(a)	5 U.S.C. 501 and MR PC Rule 7.5 (1983).
10.35(b)	MRPC Rule 7.5 (1983).
10.36	MCPR DR 2-106 (1980).
10.37	MCPR DR 2-107 (1980).
10.38	MCPR DR 2-108 (1980).
10.39	MCPR DR 2-109 (1980).
10.40	MCPR DR 2-110 (1980).
10.41 through 10.45	[Reserved].
10.46	MCPR Canon 3 (1980).
10.47 (a), (c)	MCPR DR 3-101 (1980).
10.47(b)	New (but see e.g., *Crawford* v. *State Bar of California*, 7 Cal. Rptr. 748, 355 P.2d 490 (Cal. 1960)).
10.48	MCPR DR 3-102 (1980).
10.49	MCPR DR 3-103 (1980).
10.50 through 10.55	[Reserved].
10.56	MCPR Canon 4 (1980).
10.57	MCPR DR 4-101 (1980).
10.58 through 10.60	[Reserved].
10.61	MCPR Canon 5 (1980).
10.62	MCPR DR 5-101 (1980).
10.63	MCPR DR 5-102 (1980).
10.64	MCPR DR 5-103 (1980).
10.65	MCPR DR 5-104 (1980).
10.66	MCPR DR 5-105 (1980).
10.67	MCPR DR 5-106 (1980).
10.68	MCPR DR 5-107 (1980).
10.69 through 10.75	[Reserved].
10.76	MCPR Canon 6 (1980).
10.77	MCPR DR 6-101 (1980).
10.78	MCPR DR 6-102 (1980).
10.79 through 10.82	[Reserved].
10.83	MCPR Canon 7 (1980).
10.84	MCPR DR 7-101 (1980).
10.85	MCPR DR 7-102 (1980).
10.86	[Reserved].
10.87	MCPR DR 7-104 (1980).
10.88	MCPR DR 7-105 (1980).
10.89	MCPR DR 7-106 (1980).
10.90	[Reserved].
10.91	[Reserved].
10.92	MCPR DR 7-109 (1980).
10.93	VCPR DR 7-109 (1964).
10.94 through 10.99	[Reserved].
10.100	MCPR Canon 8 (1980)
10.101(a)	MCPR DR 8-101 (1980).
10.101(b)	37 CFR 1.341(i) (1983) and 41 Op Att'y Gen. 21 (1949), *reprinted in* 1949 Dec. Comm'r. Pat. 1.
10.102	MCPR DR 8-102 (1980).
10.103	MCPR DR 8-103 (1980).
10.104 through 10.109.	[Reserved].
10.110	MCPR Canon 9 (1980).
10.111	MCPR DR 9-101 (1980).
10.112	MCPR DR 9-102 (1980).

Abbreviations:
FRCP means Federal Rules of Civil Procedure.
MCPR means Model Code of Professional Responsibility of the ABA (1980).
MRPC means Model Rules of Professional Conduct of the ABA (1983).
VCPR means the Virginia Code of Professional Responsibility (1964).

TABLE 3.—PRINCIPAL SOURCE OF §§ 10.130 THROUGH 10.161

Section	Source
10.130	35 U.S.C. 32.
10.131(a)	New, but see 37 CFR 1.348(a).
10.131(b)	MCPR DR 1-103 (1980).
10.131(c)	New.
10.132(a), (c)	New.
10.132(b)	New, but see 37 CFR 1.348(b) (1983).
10.133	New.
10.134	37 CFR 1.348(b) (1983).
10.135(a)(1)	New.
10.135(a)(2)	37 CFR 1.348(b) (1983).
10.135(a)(3)	New.
10.135(b)	New.
10.135(c)	New.
10.135(d)	5 U.S.C. 500(f).
10.136(a)	37 CFR 1.348(c) (1983).
10.136(b)	New.
10.136(c)	37 CFR 1.348(c) (1983).
10.136(d)	37 CFR 1.348(c) (1983).
10.136(e)	New.
10.137	37 CFR 1.348(c) (1983).
10.138	New.
10.139(a)	5 U.S.C. 3105.
10.139(b)	5 U.S.C. 556(c).
10.139(c)	New.
10.139(d)	New.
10.139(e)	New.
10.140(a)	5 U.S.C. 500(b)
10.140(b)	New.
10.141	New.
10.142	New.
10.143	New.
10.144	New.
10.145	New
10.146–10.148	[Reserved].
10.149	New.
10.150(a)	5 U.S.C. 556(d)
10.150(b)	37 CFR 1.348(d)(3) (1983).
10.150(c)	New.
10.150(d)	New.
10.150(e)	New.
10.151	37 CFR 1.348(d)(3) (1983).
10.152	New, see *Silverman* v. *CFTC*, 549 F.2d 28 (7th Cir. 1977).
10.153	New, but see 5 U.S.C. 557(c).
10.154	See 5 U.S.C. 557(b) and 35 U.S.C. 32.
10.155	New.
10.156	New.
10.157	35 U.S.C. 32, Local Rule 1-26 (D.D.C.).
10.158	New
10.159	New.
10.160	New.
10.161	New.

PART 1— RULES OF PRACTICE IN PATENT CASES

1. Section 1.8 is amended by adding to paragraph (a)(2) a new paragraph (xiii) to read as follows:

§ 1.8 Certificate of mailing.

(a) * * *

(2) * * *

(xiii) Papers filed in connection with a disciplinary proceeding under Part 10 of this subchapter.

2. Section 1.21 is amended by adding to paragraph (a) two new paragraphs (5) and (6) to read as follows:

§ 1.21 Miscellaneous fees and charges.

(a) * * *

(5) For review of a decision of the Director of Enrollment and Discipline under § 10.2(c)..... 60.00

(6) For requesting regrading of an examination under § 10.7(c).....60.00

* * * * *

3. Section 1.31 is revised to read as follows:

§ 1.31 Applicants may be represented by a registered attorney or agent.

An applicant for patent may file and prosecute his or her own case, or he or she may be represented by a registered attorney, registered agent, or other individual authorized to practice before the Patent and Trademark Office in patent cases. See §§ 10.6 and 10.9 of this subchapter. The Patent and Trademark Office cannot aid in the selection of a registered attorney or agent.

§ 1.33 [Amended]

4. Section 1.33 is amended by removing from paragraph (c) "1.341 and 1.347" and inserting in its place "10.5 and 10.11".

5. Section 1.34 is amended by revising paragraph (a) as follows:

§ 1.34 Recognition for representation.

(a) When a registered attorney or agent acting in a representative capacity appears in person or signs a paper in practice before the Patent and Trademark Office in a patent case, his or her personal appearance or signature shall constitute a representation to the Patent and Trademark Office that under the provisions of this Subchapter and the law, he or she is authorized to represent the particular party in whose behalf he or she acts. In filing such a paper, the registered attorney or agent should specify his or her registration number with his or her signature. Further proof of authority to act in a representative capacity may be required.

* * * * *

§ 1.56 [Amended]

6. Section 1.56 is amended by removing from paragraphs (f) and (h) "1.346" and inserting in its place "10.18".

7. The center heading preceding § 1.341 is removed.

§§ 1.341-1.348 [Removed]

8. Sections 1.341 through 1.348 are removed.

§ 1.455 [Amended]

9. Section 1.455 is amended by removing from paragraph (a) "1.341" and inserting in its place "10.10".

PART 2—RULES OF PRACTICE IN TRADEMARK CASES

10. Section 2.11 is revised to read as follows:

§ 2.11 Applicants may be represented by an attorney.

The owner of a trademark may file and prosecute his or her own application for registration of such trademark, or he or she may be represented by an attorney or other individual authorized to practice in trademark cases under § 10.14 of this subchapter. The Patent and Trademark Office cannot aid in the selection of an attorney or other representative.

§§ 2.12-2.16 [Removed]

11. Sections 2.12 through 2.16 are removed.

12. Section 2.17 is amended by revising paragraph (a) as follows:

§ 2.17 Recognition for representation.

(a) When an attorney as defined in § 10.1(c) of this subchapter acting in a representative capacity appears in person or signs a paper in practice before the Patent and Trademark Office in a trademark case, his or her personal appearance or signature shall constitute a representation to the Patent and Trademark Office that, under the provisions of § 10.14 and the law he or she is authorized to represent the particular party in whose behalf he or she acts. Further proof of authority to act in a representative capacity may be required.

* * * * *

13. Section 2.19 is revised to read as follows:

§ 2.19 Revocation of power of attorney or of other authorization to represent, withdrawal.

(a) Authority to represent an applicant or a party to a proceeding may be revoked at any stage in the proceedings of a case upon notification to the Commissioner; and when it is so

revoked, the Office will communicate directly with the applicant or party to the proceeding or with such other qualified person as may be authorized. The Patent and Trademark Office will notify the person affected of the revocation of his or her authorization.

(b) An individual authorized to represent an applicant or party in a trademark case may withdraw upon application to and approval by the Commissioner.

14. The following Part 10 is added:

PART 10—REPRESENTATION OF OTHERS BEFORE THE PATENT AND TRADEMARK OFFICE

Sec.

10.1 Definitions.
10.2 Director of Enrollment and Discipline.
10.3 Committee on Enrollment.
10.4 Committee on Discipline.

Individuals Entitled to Practice Before the Patent and Trademark Office

10.5 Register of attorneys and agents in patent cases.
10.6 Registration of attorneys and agents.
10.7 Requirements for registration.
10.8 Oath and registration fee.
10.9 Limited recognition in patent cases.
10.10 Individuals not registered or recognized to practice in patent cases.
10.11 Removing names from the register.
10.12–10.13 [Reserved]
10.14 Individuals who may practice before the Office in trademark and other non-patent cases.
10.15 Refusal to recognize a practitioner.
10.16–10.17 [Reserved]
10.18 Signature and certificate of practitioner.
10.19 [Reserved]

Patent and Trademark Office Code of Professional Responsibility

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Authority: 5 U.S.C. 500; 15 U.S.C. 1123; 35 U.S.C. 6, 31, 32, 41.

§ 10.1 Definitions.

This part governs solely the practice of patent, trademark, and other law before the Patent and Trademark Office. Nothing in this part shall be construed to preempt the authority of each State to regulate the practice of law, except to the extent necessary for the Patent and Trademark Office to accomplish its federal objectives. Unless otherwise clear from the context, the following definitions apply to this part:

(a) "Affidavit" means affidavit, declaration under 35 U.S.C. 25 (see § 1.68 and § 2.20 of this subchapter), or statutory declaration under 28 U.S.C. 1746.

(b) "Application" includes an application for a design, plant, or utility patent, an application to reissue any patent, and an application to register a trademark.

(c) "Attorney" or "lawyer" means an individual who is a member in good standing of the bar of any United States court or the highest court of any State. A "non-lawyer" is a person who is not an attorney or lawyer.

(d) "Canon" is defined in § 10.20(a).

(e) "Confidence" is defined in § 10.57(a).

(f) "Differing interests" include every interest that may adversely affect either the judgment or the loyalty of a practitioner to a client, whether it be a conflicting, inconsistent, diverse, or other interest.

(g) "Director" means the Director of Enrollment and Discipline.

(h) "Disciplinary Rule" is defined in § 10.20(b).

(i) "Employee of a tribunal" includes all employees of courts, the Office, and other adjudicatory bodies.

(j) "Giving information" within the meaning of § 10.23(c)(2) includes making (1) a written statement or representation

or (2) an oral statement or representation.

(k) "Law firm" includes a professional legal corporation or a partnership.

(l) "Legal counsel" means practitioner.

(m) "Legal profession" includes the individuals who are lawfully engaged in practice of patent, trademark, and other law before the Office.

(n) "Legal service" means any legal service which may lawfully be performed by a practitioner before the Office.

(o) "Legal System" includes the Office and courts and adjudicatory bodies which review matters on which the Office has acted.

(p) "Office" means Patent and Trademark Office.

(q) "Person" includes a corporation, an association, a trust, a partnership, and any other organization or legal entity.

(r) "Practitioner" means (1) an attorney or agent registered to practice before the Office in patent cases or (2) an individual authorized under 5 U.S.C. 500(b) or otherwise as provided by this Subchapter, to practice before the Office in trademark cases or other non-patent cases. A "suspended or excluded practitioner" is a practitioner who is suspended or excluded under § 10.156. A "non-practitioner" is an individual who is not a practitioner.

(s) A "proceeding before the Office" includes an application, a reexamination, a protest, a public use proceeding, a patent interference, an *inter partes* trademark proceeding, or any other proceeding which is pending before the Office.

(t) "Professional legal corporation" means a corporation authorized by law to practice law for profit.

(u) "Registration" means registration to practice before the Office in patent cases.

(v) "Respondent" is defined in § 10.134(a)(1).

(w) "Secret" is defined in § 10.57(a).

(x) "Solicit" is defined in § 10.33.

(y) "State" includes the District of Columbia, Puerto Rico, and other federal territories and possessions.

(z) "Tribunal" includes courts, the Office, and other adjudicatory bodies.

(aa) "United States" means the United States of America, its territories and possessions.

§ 10.2 Director of Enrollment and Discipline.

(a) *Appointment.* The Commissioner shall appoint a Director of Enrollment and Discipline. In the event of the absence of the Director or a vacancy in the Office of the Director, the Commissioner may designate an employee of the Office to serve as acting Director of Enrollment and Discipline. The Director and any acting Director shall be an active member in good standing of the bar of a State.

(b) *Duties.* The Director shall:

(1) Receive and act upon applications for registration, prepare and grade the examination provided for in § 10.7(b), maintain the register provided for in § 10.5, and perform such other duties in connection with enrollment and recognition of attorneys and agents as may be necessary.

(2) Conduct investigations into possible violations by practitioners of Disciplinary Rules, with the consent of the Committee on Discipline initiate disciplinary proceedings under § 10.132(b), and perform such other duties in connection with investigations and disciplinary proceedings as may be necessary.

(c) *Review of Director's decision.* Any final decision of the Director refusing to register an individual under § 10.6, recognize an individual under §§ 10.9 or 10.14(c), or reinstate a suspended or excluded petitioner under § 10.160, may be reviewed by petition to the Commissioner upon payment of the fee set forth in § 1.21(a)(5). A petition filed more than 30 days after the date of the decision of the Director may be dismissed as untimely. Any petition shall contain (1) a statement of the facts involved and the points to be reviewed and (2) the action requested. Briefs or memoranda, if any, in support of the petition shall accompany or be embodied therein. The petition will be decided on the basis of the record made before the Director and no new evidence will be considered by the Commissioner in deciding the petition. Copies of documents already of record before the Director shall not be submitted with the petition. An oral hearing on the petition will not be granted except when considered necessary by the Commissioner.

[OMB Control No. 0651–0012.]

§ 10.3 Committee on Enrollment.

(a) The Commissioner may establish a Committee on Enrollment composed of one or more employees of the Office.

(b) The Committee on Enrollment shall, as necessary, advise the Director in connection with the Director's duties under § 10.2(b)(1).

§ 10.4 Committee on Discipline.

(a) The Commissioner shall appoint a Committee on Discipline. The Committee on Discipline shall consist of at least three employees of the Office, none of whom reports directly or indirectly to the Director or the Solicitor. Each member of the Committee on Discipline shall be a member in good standing of the bar of a State.

(b) The Committee on Discipline shall meet at the request of the Director and after reviewing evidence presented by the Director shall, by majority vote, determine whether there is probable cause to bring charges under § 10.132 against a practitioner. When charges are brought against a practitioner, no member of the Committee on Discipline, employee under the direction of the Director, or associate solicitor or assistant solicitor in the Office of the Solicitor shall participate in rendering a decision on the charges.

(c) No discovery shall be authorized of, and no member of the Committee on Discipline shall be required to testify about, deliberations of the Committee on Discipline.

Individuals Entitled To Practice Before the Patent and Trademark Office

§ 10.5 Register of attorneys and agents in patent cases.

A register of attorneys and agents is kept in the Office on which are entered the names of all individuals recognized as entitled to represent applicants before the Office in the preparation and prosecution of applications for patent. Registration in the Office under the provisions of this part shall only entitle the individuals registered to practice before the Office in patent cases.

§ 10.6 Registration of attorneys and agents.

(a) *Attorneys.* Any citizen of the United States who is an attorney and who fulfills the requirements of this part may be registered as a patent attorney to practice before the Office. When appropriate, any alien who is an attorney, who lawfully resides in the United States, and who fulfills the requirements of this part may be registered as a patent attorney to practice before the Office, *provided:* Registration is not inconsistent with the terms upon which the alien was admitted to, and resides in, the United States and *further provided:* The alien may remain registered only (1) if the alien continues to lawfully reside in the United States and registration does not become inconsistent with the terms upon which the alien continues to lawfully reside in the United States or (2) if the alien ceases to reside in the United States, the alien is qualified to be registered under paragraph (c) of this section. See also § 10.9(b).

(b) *Agents.* Any citizen of the United States who is not an attorney and who fulfills the requirements of this part may

be registered as a patent agent to practice before the Office. When appropriate, any alien who is not an attorney, who lawfully resides in the United States, and who fulfills the requirements of this part may be registered as a patent agent to practice before the Office, *provided:* Registration is not inconsistent with the terms upon which the alien was admitted to, and resides in, the United States, and *further provided:* The alien may remain registered only (1) if the alien continues to lawfully reside in the United States and registration does not become inconsistent with the terms upon which the alien continues to lawfully reside in the United States or (2) if the alien ceases to reside in the United States, the alien is qualified to be registered under paragraph (c) of this section. See also § 10.9(b).

Note.—All individuals registered prior to November 15, 1938, were registered as attorneys, whether they were attorneys or not, and such registrations have not been changed.

(c) *Foreigners.* Any foreigner not a resident of the United States who shall file proof to the satisfaction of the Director that he or she is registered and in good standing before the patent office of the country in which he or she resides and practices and who is possessed of the qualifications stated in § 10.7, may be registered as a patent agent to practice before the Office for the limited purpose of presenting and prosecuting patent applications of applicants located in such country, *provided:* The patent office of such country allows substantially reciprocal privileges to those admitted to practice before the United States Patent and Trademark Office. Registration as a patent agent under this paragraph shall continue only during the period that the conditions specified in this paragraph obtain.

(d) *Government employees.* Any officer or employee of the United States who is disqualified by statute (18 U.S.C. 203, 205) from practicing as an attorney or agent in proceedings or other matters before Government departments or agencies, may not be registered to practice before the Office. If any registered attorney or agent becomes an officer or employee of the United States who is disqualified by statute from practicing as an attorney or agent in proceedings and other matters before Government departments or agencies, his or her name shall be endorsed as inactive on the register during the period of any employment by the United States. An officer or employee of the United States whose official duties require the preparation and prosecution of applications for patent and who fulfills the requirements of this part may be registered to practice before the Office to the extent necessary to carry out his or her official duties. A written statement describing the official duties of the officer or employee and signed on behalf of the agency employing the officer or employee may be required by the Director.

(e) *Former Office employees.* No individual who has served in the Office will be registered after termination of his or her services, nor if registered before such service, be reinstated, unless he or she signs a written statement indicating that he or she has read 18 U.S.C. 207. No individual who has served in the patent examining corps of the Office will be registered after termination of his or her services, nor if registered before such service, be reinstated, unless he or she signs a written undertaking (1) not to prosecute or aid in any manner in the prosecution of any patent application pending in any patent examining group during his or her period of service therein and (2) not to prepare or prosecute or to assist in any manner in the preparation or prosecution of any patent application of another (i) assigned to such group for examination and (ii) filed within two years after the date he or she left such group, without written authorization of the Director. Associated and related classes in other patent examining groups may be required to be included in the undertaking or designated classes may be excluded from the undertaking. When an application for registration or reinstatement is made after resignation from the Office, the applicant will not be registered or reinstated if he or she has prepared or prosecuted or assisted in the preparation or prosecution of any patent application as indicated in this paragraph.

(OMB Control No. 0651-0012.)

§ 10.7 Requirements for registration.

(a) No individual will be registered to practice before the Office unless he or she shall:

(1) Apply to the Commissioner in writing on a form supplied by the Director and furnish all requested information and material and

(2) Establish to the satisfaction of the Director that he or she is:

(i) Of good moral character and repute;

(ii) Possessed of the legal, scientific, and technical qualifications necessary to enable him or her to render applicants for patents valuable service; and

(iii) Is otherwise competent to advise and assist applicants for patents in the presentation and prosecution of their applications before the Office.

(b) In order that the Director may determine whether an individual seeking to have his or her name placed upon the register has the qualifications specified in paragraph (a) of this secion, satisfactory proof of good moral character and repute and of sufficient basic training in scientific and technical matters must be submitted to the Director. Except as provided in this paragraph, each applicant for registration must take and pass an examination which is held from time to time. Each application for admission to take the examination for registration must be accompanied by the fee set forth in § 1.21(a)(1) of this subchapter. The taking of an examination may be waived in the case of any individual who has actively served for at least four years in the patent examining corps of the Office. The examination will not be administered as a mere academic exercise.

(c) Within two months from the date an applicant is notified that he or she failed an examination, the applicant may request regrading of the examination upon payment of the fee set forth in § 1.21(a)(6). Any applicant requesting regrading shall particularly point out the errors which the applicant believed occurred in the grading of his or her examination.

(OMB Control No. 0651-0012.)

§ 10.8 Oath and registration fee.

Before an individual may have his or her name entered on the register of attorneys and agents, the individual must, after his or her application is approved, subscribe and swear to an oath or make a declaration prescribed by the Commissioner and pay the registration fee set forth in § 1.21(a)(2) of this subchapter.

(OMB Control No. 0651-0012.)

§ 10.9 Limited recognition in patent cases.

(a) Any individual not registered under § 10.6 may, upon a showing of circumstances which render it necessary or justifiable, be given limited recognition by the Director to prosecute as attorney or agent a specified application or specified applications, but limited recognition under this paragraph shall not extend further than the application or applications specified.

(b) When registration of a resident alien under paragraphs (a) or (b) of § 10.6 is not appropriate, the resident alien may be given limited recognition as may be appropriate under paragraph (a) of this section.

§ 10.10 Individuals not registered or recognized to practice in patent cases.

Only practitioners who are registered under § 10.6 or individuals given limited recognition under § 10.9 will be permitted to prosecute patent applications of others before the Office.

§ 10.11 Removing names from the register.

(a) Registered attorneys and agents shall notify the Director of any change of address. Any notification to the Director of any change of address shall be separate from any notice of change of address filed in individual applications.

(b) A letter may be addressed to any individual on the register, at the address of which separate notice was last received by the Director, for the purpose of ascertaining whether such individual desires to remain on the register. The name of any individual failing to reply and give any information requested by the Director within a time limit specified will be removed from the register and the names of individuals so removed will be published in the Official Gazette. The name of any individual so removed may be reinstated on the register as may be appropriate and upon payment of the fee set forth in § 1.21(a)(3) of this subchapter.

[OMB Control No. 0651–0012.]

§§ 10.12–10.13 [Reserved]

§ 10.14 Individuals who may practice before the Office in trademark and other non-patent cases.

(a) *Attorneys.* Any individual who is an attorney may represent others before the Office in trademark and other non-patent cases. An attorney is not required to apply for registration or recognition to practice before the Office in trademark and other non-patent cases.

(b) *Non-lawyers.* Individuals who are not attorneys are not recognized to practice before the Office in trademark and other non-patent cases, except that individuals not attorneys who were recognized to practice before the Office in trademark cases under this chapter prior to January 1, 1957, will be recognized as agents to continue practice before the Office in trademark cases.

(c) *Foreigners.* Any foreign attorney or agent not a resident of the United States who shall prove to the satisfaction of the Director that he or she is registered or in good standing before the patent or trademark office of the country in which he or she resides and practices, may be recognized for the limited purpose of representing parties located in such country before the Office in the presentation and prosecution of trademark cases, *provided:* The patent or trademark office of such country allows substantially reciprocal privileges to those permitted to practice in trademark cases before the United States Patent and Trademark Office. Recognition under this paragraph shall continue only during the period that the conditions specified in this paragraph obtain.

(d) Recognition of any individual under this section shall not be construed as sanctioning or authorizing the performance of any act regarded in the jurisdiction where performed as the unauthorized practice of law.

(e) No individual other than those specified in paragraphs (a), (b), and (c) of this section will be permitted to practice before the Office in trademark cases. Any individual may appear in a trademark or other non-patent case in his or her own behalf. Any individual may appear in a trademark case for (1) a firm of which he or she is a member or (2) a corporation or association of which he or she is an officer and which he or she is authorized to represent, if such firm, corporation, or association is a party to a trademark proceeding pending before the Office.

§ 10.15 Refusal to recognize a practitioner.

Any practitioner authorized to appear before the Office may be suspended or excluded in accordance with the provisions of this part. Any practitioner who is suspended or excluded under this subpart or removed under § 10.11(b) shall not be entitled to practice before the Office.

§§ 10.16–10.17 [Reserved]

§ 10.18 Signature and certificate of practitioner.

(a) Every paper filed by a practitioner representing an applicant or party to a proceeding in the Office must bear the signature of, and be personally signed by, such practitioner except those papers which are required to be signed by the applicant or party. The signature of practitioner to a paper filed by him or her, constitutes a certificate that:

(1) The paper has been read by the practitioner;

(2) The paper's filing is authorized;

(3) To the best of his or her knowledge, information, and belief, there is good ground to support the paper, including any allegations of improper conduct contained or alleged therein; and

(4) It is not interposed for delay.

(b) Any practitioner knowingly violating the provisions of this section is subject to disciplinary action. See § 10.23(c)(15).

§ 10.19 [Reserved]

Patent and Trademark Office Code of Professional Responsibility

§ 10.20 Canons and Disciplinary Rules.

(a) Canons are set out in §§ 10.21, 10.30, 10.46, 10.56, 10.61, 10.76, 10.83, 10.100, and 10.110. Canons are statements of axiomatic norms, expressing in general terms the standards of professional conduct expected of practitioners in their relationships with the public, with the legal system, and with the legal profession.

(b) Disciplinary Rules are set out in §§ 10.22–10.24, 10.31–10.40, 10.47–10.57, 10.62–10.68, 10.77, 10.78, 10.84, 10.85, 10.87–10.89, 10.92, 10.93, 10.101–10.103, 10.111, and 10.112. Disciplinary Rules are mandatory in character and state the minimum level of conduct below which no practitioner can fall without being subjected to disciplinary action.

§ 10.21 Canon 1.

A practitioner should assist in maintaining the integrity and competence of the legal profession.

§ 10.22 Maintaining integrity and competence of the legal profession.

(a) A practitioner is subject to discipline if the practitioner has made a materially false statement in, or if the practitioner has deliberately failed to disclose a material fact requested in connection with, the practitioner's application for registration or membership in the bar of any United States court or any State court or his or her authority to otherwise practice before the Office in trademark and other non-patent cases.

(b) A practitioner shall not further the application for registration or membership in the bar of any United States court, State court, or administrative agency of another person known by the practitioner to be unqualified in respect to character, education, or other relevant attribute.

§ 10.23 Misconduct.

(a) A practitioner shall not engage in disreputable or gross misconduct.

(b) A practitioner shall not:

(1) Violate a Disciplinary Rule.

(2) Circumvent a Disciplinary Rule through actions of another.

(3) Engage in illegal conduct involving moral turpitude.

(4) Engage in conduct involving dishonesty, fraud, deceit, or misrepresentation.

(5) Engage in conduct that is prejudicial to the administration of justice.

(8) Engage in any other conduct that adversely reflects on the practitioner's fitness to practice before the Office.

(c) Conduct which constitutes a violation of paragraphs (a) and (b) of this section includes, but is not limited to:

(1) Conviction of a criminal offense involving moral turpitude, dishonesty, or breach of trust.

(2) Knowingly giving false or misleading information or knowingly participating in a material way in giving false or misleading information, to:

(i) A client in connection with any immediate, prospective, or pending business before the Office.

(ii) The Office or any employee of the Office.

(3) Misappropriation of, or failure to properly or timely remit, funds received by a practitioner or the practitioner's firm from a client to pay a fee which the client is required by law to pay to the Office.

(4) Directly or indirectly improperly influencing, attempting to improperly influence, offering or agreeing to improperly influence, or attempting to offer or agree to improperly influence an official action of any employee of the Office by:

(i) Use of threats, false accusations, duress, or coercion,

(ii) An offer of any special inducement or promise of advantage, or

(iii) Improperly bestowing of any gift, favor, or thing of value.

(5) Suspension or disbarment from practice as an attorney or agent on ethical grounds by any duly constituted authority of a State or the United States or, in the case of a practitioner who resides in a foreign country or is registered under § 10.6(c), by any duly constituted authority of:

(i) A State,

(ii) The United States, or

(iii) The country in which the practitioner resides.

(6) Knowingly aiding or abetting a practitioner suspended or excluded from practice before the Office in engaging in unauthorized practice before the Office under § 10.158.

(7) Knowingly withholding from the Office information identifying a patent or patent application of another from which one or more claims have been copied. See §§ 1.604(b) and 1.607(c) of this subchapter.

(8) Failing to inform a client or former client or failing to timely notify the Office of an inability to notify to a client or former client of correspondence received from the Office or the client's or former client's opponent in an *inter partes* proceeding before the Office when the correspondence (i) could have a significant effect on a matter pending before the Office, (ii) is received by the practitioner on behalf of a client or former client and (iii) is correspondence of which a reasonable practitioner would believe under the circumstances the client or former client should be notified.

(9) Knowingly misusing a certificate of mailing under § 1.8 of this subchapter or a certificate of "Express Mail" under § 1.10 of this subchapter.

(10) Violating the duty of candor or good faith requirements of § 1.56(a) of this subchapter.

(11) Knowingly filing, or causing to be filed, an application which is subject to being stricken under § 1.56(c) of this subchapter.

(12) Knowingly filing, or causing to be filed, a frivolous complaint alleging a violation by a practitioner of the Patent and Trademark Office Code of Professional Responsibility.

(13) Knowingly preparing or prosecuting a patent application in violation of an undertaking signed under § 10.6(e).

(14) Knowingly failing to advise the Director in writing of any change which would preclude continued registration under § 10.6.

(15) Knowingly signing a paper filed in the Office in violation of the provisions of § 10.18 or making a scandalous or indecent statement in a paper filed in the Office.

(16) Willfully refusing to reveal or report knowledge or evidence to the Director contrary to § 10.24 or paragraph (b) of § 101.31.

(17) Representing before the Office in a patent case either a joint venture comprising an inventor and an invention developer or an inventor referred to the registered practitioner by an invention developer when (i) the registered practitioner knows, or has been advised by the Office, that a formal complaint filed by a federal or state agency, based on any violation of any law relating to securities, unfair methods of competition, unfair or deceptive acts or practices, mail fraud, or other civil or criminal conduct, is pending before a federal or state court or federal or state agency, or has been resolved unfavorably by such court or agency, against the invention developer in connection with invention development services and (ii) the registered practitioner fails to fully advise the inventor of the existence of the pending complaint or unfavorable resolution thereof prior to undertaking or continuing representation of the joint venture or inventor. "Invention developer" means any person, and any agent, employee, officer, partner, or independent contractor thereof, who is not a registered practitioner and who advertises invention development services in media of general circulation or who enters into contracts for invention development services with customers as a result of such advertisement. "Invention development services" means acts of invention development required or promised to be performed, or actually performed, or both, by an invention developer for a customer. "Invention development" means the evaluation, perfection, marketing, brokering, or promotion of an invention on behalf of a customer by an invention developer, including a patent search, preparation of a patent application, or any other act done by an invention developer for consideration toward the end of procuring or attempting to procure a license, buyer, or patent for an invention. "Customer" means any individual who has made an invention and who enters into a contract for invention development services with an invention developer with respect to the invention by which the inventor becomes obligated to pay the invention developer less than $5,000 (not to include any additional sums which the invention developer is to receive as a result of successful development of the invention). "Contract for invention development services" means a contract for invention development services with an invention developer with respect to an invention made by a customer by which the inventor becomes obligated to pay the invention developer less than $5,000 (not to include any additional sums which the invention developer is to receive as a result of successful development of the invention).

(18) In the absence of information sufficient to establish a reasonable belief that fraud or inequitable conduct has occurred, alleging before a tribunal that anyone has committee a fraud on the Office or engaged in inequitable conduct in a proceeding before the Office.

(d) A practitioner who acts with reckless indifference to whether a representation is true or false is chargeable with knowledge of its falsity. Deceitful statements of half-truths or concealment of material facts shall be deemed actual fraud within the meaning of this part.

§ 10.24 Disclosure of information to authorities.

(a) A practitioner possessing unprivileged knowledge of a violation of a Disciplinary Rule shall report such knowledge to the Director.

(b) A practitioner possessing unprivileged knowledge or evidence concerning another practitioner, employee of the Office, or a judge shall reveal fully such knowledge or evidence upon proper request of a tribunal or other authority empowered to investigate or act upon the conduct of practitioners, employees of the Office, or judges.

(OMB Control No. 0651–0017.)

§§ 10.25–10.29 [Reserved]

§ 10.30 Canon 2.

A practitioner should assist the legal profession in fulfilling its duty to make legal counsel available.

§ 10.31 Communications concerning a practitioner's services.

(a) No practitioner shall with respect to any prospective business before the Office, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any prospective applicant or other person having immediate or prospective business before the Office.

(b) A practitioner may not use the name of a Member of either House of Congress or of an individual in the service of the United States in advertising the practitioner's practice before the Office.

(c) Unless authorized under § 10.14(b), a non-lawyer practitioner shall not hold himself or herself out as authorized to practice before the Office in trademark cases.

(d) Unless a practitioner is an attorney, the practitioner shall not hold himself or herself out:

(1) To be an attorney or lawyer or

(2) As authorized to practice before the Office in non-patent and trademark cases.

§ 10.32 Advertising.

(a) Subject to § 10.31, a practitioner may advertise services through public media, including a telephone directory legal directory, newspaper, or other periodical, radio, or television, or through written communications not involving solicitation as defined by § 10.33.

(b) A practitioner shall not give anything of value to a person for recommending the practitioner's services, except that a practitioner may pay the reasonable cost of advertising or written communication permitted by this section and may pay the usual charges of a not-for-profit lawyer referral service or other legal service organization.

(c) Any communication made pursuant to this section shall include the name of at least one practitioner responsible for its content.

§ 10.33 Direct contact with prospective clients.

A practitioner may not solicit professional employment from a prospective client with whom the practitioner has no family or prior professional relationship, by mail, in-person or otherwise, when a significant motive for the practitioner's doing so is the practitioner's pecuniary gain under circumstances evidencing undue influence, intimidation, or overreaching. The term "solicit" includes contact in person, by telephone or telegraph, by letter or other writing, or by other communication directed to a specific recipient, but does not include letters addressed or advertising circulars distributed generally to persons not specifically known to need legal services of the kind provided by the practitioner in a particular matter, but who are so situated that they might in general find such services useful.

§ 10.34 Communication of fields of practice.

A registered practitioner may state or imply that the practitioner is a specialist as follows:

(a) A registered practitioner who is an attorney may use the designation "Patents," "Patent Attorney," "Patent Lawyer," "Registered Patent Attorney," or a substantially similar designation.

(b) A registered practitioner who is not an attorney may use the designation "Patents," "Patent Agent," "Registered Patent Agent," or a substantially similar designation, except that any practitioner who was registered prior to November 15, 1938, may refer to himself or herself as a "patent attorney."

§ 10.35 Firm names and letterheads.

(a) A practitioner shall not use a firm name, letterhead, or other professional designation that violates § 10.31. A trade name may be used by a practitioner in private practice if it does not imply a current connection with a government agency or with a public or charitable legal services organization and is not otherwise in violation of § 10.31.

(b) Practitioners may state or imply that they practice in a partnership or other organization only when that is the fact.

§ 10.36 Fees for legal services.

(a) A practitioner shall not enter into an agreement for, charge, or collect an illegal or clearly excessive fee.

(b) A fee is clearly excessive when, after a review of the facts, a practitioner of ordinary prudence would be left with a definite and firm conviction that the fee is in excess of a reasonable fee. Factors to be considered as guides in determining the reasonableness of a fee include the following:

(1) The time and labor required, the novelty and difficulty of the questions involved, and the skill requisite to perform the legal service properly.

(2) The likelihood, if apparent to the client, that the acceptance of the particular employment will preclude other employment by the practitioner.

(3) The fee customarily charged for similar legal services.

(4) The amount involved and the results obtained.

(5) The time limitations imposed by the client or by the circumstances.

(6) The nature and length of the professional relationship with the client.

(7) The experience, reputation, and ability of the practitioner or practitioners performing the services.

(8) Whether the fee is fixed or contingent.

§ 10.37 Division of fees among practitioners.

(a) A practitioner shall not divide a fee for legal services with another practitioner who is not a partner in or associate of the practitioner's law firm or law office, unless:

(1) The client consents to employment of the other practitioner after a full disclosure that a division of fees will be made.

(2) The division is made in proportion to the services performed and responsibility assumed by each.

(3) The total fee of the practitioners does not clearly exceed reasonable compensation for all legal services rendered to the client.

(b) This section does not prohibit payment to a former partner or associate pursuant to a separation or retirement agreement.

§ 10.38 Agreements restricting the practice of a practitioner.

(a) A practitioner shall not be a party to or participate in a partnership or employment agreement with another practitioner that restricts the right of a practitioner to practice before the Office after the termination of a relationship created by the agreement, except as a condition to payment of retirement benefits.

(b) In connection with the settlement of a controversy or suit, a practitioner shall not enter into an agreement that restricts the practitioner's right to practice before the Office.

§ 10.39 Acceptance of employment.

A practitioner shall not accept employment on behalf of a person if the practitioner knows or it is obvious that such person wishes to:

(a) Bring a legal action, commence a proceeding before the Office, conduct a defense, assert a position in any proceeding pending before the Office, or otherwise have steps taken for the person, merely for the purpose of harassing or maliciously injuring any other person.

(b) Present a claim or defense in litigation or any proceeding before the Office that is not warranted under existing law, unless it can be supported by good faith argument for an extension, modification, or reversal of existing law.

§ 10.40 Withdrawal from employment.

(a) A practitioner shall not withdraw from employment in a proceeding before the Office without permission from the Office (see §§ 1.36 and 2.19 of this subchapter). In any event, a practitioner shall not withdraw from employment until the practitioner has taken reasonable steps to avoid foreseeable prejudice to the rights of the client, including giving due notice to his or her client, allowing time for employment of another practitioner, delivering to the client all papers and property to which the client is entitled, and complying with applicable laws and rules. A practitioner who withdraws from employment shall refund promptly any part of a fee paid in advance that has not been earned.

(b) *Mandatory withdrawal.* A practitioner representing a client before the Office shall withdraw from employment if:

(1) The practitioner knows or it is obvious that the client is bringing a legal action, commencing a proceeding before the Office, conducting a defense, or asserting a position in litigation or any proceeding pending before the Office, or is otherwise having steps taken for the client, merely for the purpose of harassing or maliciously injuring any person;

(2) The practitoner knows or it is obvious that the practitoner's continued employment will result in violation of a Disciplinary Rule;

(3) The practitioner's mental or physical condition renders it unreasonably difficult for the practitioner to carry out the employment effectively; or

(4) The practitioner is discharged by the client.

(c) *Permissive withdrawal.* If paragraph (b) of this section is not applicable, a practitioner may not request permission to withdraw in matters pending before the Office unless such request or such withdrawal is because:

(1) The petitioner's client:

(i) Insists upon presenting a claim or defense that is not warranted under existing law and cannot be supported by good faith argument for an extension, modification, or reversal of existing law;

(ii) Personally seeks to pursue an illegal course of conduct;

(iii) Insists that the practitioner pursue a course of conduct that is illegal or that is prohibited under a Disciplinary Rule;

(iv) By other conduct renders it unreasonably difficult for the practitioner to carry out the employment effectively;

(v) Insists, in a matter not pending before a tribunal, that the practitioner engage in conduct that is contrary to the judgment and advice of the practitioner but not prohibited under the Disciplinary Rule; or

(vi) Has failed to pay one or more bills rendered by the practitioner for an unreasonable period of time or has failed to honor an agreement to pay a retainer in advance of the performance of legal services.

(2) The practitioner's continued employment is likely to result in a violation of a Disciplinary Rule;

(3) The practitioner's inability to work with co-counsel indicates that the best interests of the client likely will be served by withdrawal;

(4) The practitioner's mental or physical condition renders it difficult for the practitioner to carry out the employment effectively;

(5) The practitioner's client knowingly and freely assents to termination of the employment; or

(6) The practitioner believes in good faith, in a proceeding pending before the Office, that the Office will find the existence of other good cause for withdrawal.

§§ 10.41–10.45 [Reserved]

§ 10.46 Canon 3.

A practitioner should assist in preventing the unauthorized practice of law.

§ 10.47 Aiding unauthorized practice of law.

(a) A practitioner shall not aid a non-practitioner in the unauthorized practice of law before the Office.

(b) A practitioner shall not aid a suspended or excluded practitioner in the practice of law before the Office.

(c) A practitioner shall not aid a non-lawyer in the unauthorized practice of law.

§ 10.48 Sharing legal fees.

A practitioner or a firm of practitioners shall not share legal fees with a non-practitioner except that:

(a) An agreement by a practitioner with the practitioner's firm, partner, or associate may provide for the payment of money, over a reasonable period of time after the practitioner's death, to the practitioner's estate or to one or more specified persons.

(b) A practitioner who undertakes to complete unfinished legal business of a deceased practitioner may pay to the estate of the deceased practitioner that proportion of the total compensation which fairly represents the services rendered by the deceased practitioner.

(c) A practitioner or firm of practitioners may include non-practitioner employees in a compensation or retirement plan, even though the plan is based in whole or in part on a profit-sharing arrangement, providing such plan does not circumvent another Disciplinary Rule.

§ 10.49 Forming a partnership with a non-practitioner.

A practitioner shall not form a partnership with a non-practitioner if any of the activities of the partnership consist of the practice of patent, trademark, or other law before the Office.

§§ 10.50–10.55 [Reserved]

§ 10.56 Canon 4.

A practitioner should preserve the confidences and secrets of a client.

§ 10.57 Preservation of confidences and secrets of a client.

(a) "Confidence" refers to information protected by the attorney-client or agent-client privilege under applicable law. "Secret" refers to other information gained in the professional relationship that the client has requested be held inviolate or the disclosure of which would be embarrassing or would be likely to be detrimental to the client.

(b) Except when permitted under paragraph (c) of this section, a practitioner shall not knowingly:

(1) Reveal a confidence or secret of a client.

(2) Use a confidence or secret of a client to the disadvantage of the client.

(3) Use a confidence or secret of a client for the advantage of the practitioner or of a third person, unless the client consents after full disclosure.

(c) A practitioner may reveal:

(1) Confidences or secrets with the consent of the client affected but only after a full disclosure to the client.

(2) Confidences or secrets when permitted under Disciplinary Rules or required by law or court order.

(3) The intention of a client to commit a crime and the information necessary to prevent the crime.

(4) Confidences or secrets necessary to establish or collect the practitioner's fee or to defend the practitioner or the practitioner's employees or associates against an accusation of wrongful conduct.

(d) A practitioner shall exercise reasonable care to prevent the practitioner's employees, associates, and others whose services are utilized by the practitioner from disclosing or using confidences or secrets of a client, except that a practitioner may reveal the information allowed by paragraph (c) of this section through an employee.

§§ 10.58-10.60 [Reserved]

§ 10.61 Canon 5.

A practitioner should exercise independent professional judgment on behalf of a client.

§ 10.62 Refusing employment when the interest of the practitioner may impair the practitioner's independent professional judgment.

(a) Except with the consent of a client after full disclosure, a practitioner shall not accept employment if the exercise of the practitioner's professional judgment on behalf of the client will be or reasonably may be affected by the practitioner's own financial, business, property, or personal interests.

(b) A practitioner shall not accept employment in a proceeding before the Office if the practitioner knows or it is obvious that the practitioner or another practitioner in the practitioner's firm ought to sign an affidavit to be filed in the Office or be called as a witness, except that the practitioner may undertake the employment and the practitioner or another practitioner in the practitioner's firm may testify:

(1) If the testimony will relate solely to an uncontested matter.

(2) If the testimony will relate solely to a matter of formality and there is no reason to believe that substantial evidence will be offered in opposition to the testimony.

(3) If the testimony will relate solely to the nature and value of legal services rendered in the case by the practitioner or the practitioner's firm to the client.

(4) As to any matter, if refusal would work a substantial hardship on the client because of the distinctive value of the practitioner or the practitioner's firm as counsel in the particular case.

§ 10.63 Withdrawal when the practitioner becomes a witness.

(a) If, after undertaking employment in a proceeding in the Office, a practitioner learns or it is obvious that the practitioner or another practitioner in the practitioner's firm ought to sign an affidavit to be filed in the Office or be called as a witness on behalf of a practitioner's client, the practitioner shall withdraw from the conduct of the proceeding and the practitioner's firm, if any, shall not continue representation in the proceeding, except that the practitioner may continue the representation and the practitioner or another practitioner in the practitioner's firm may testify in the circumstances enumerated in paragraphs (1) through (4) of § 10.62(b).

(b) If, after undertaking employment in a proceeding before the Office, a practitioner learns or it is obvious that the practitioner or another practitioner in the practitioner's firm may be asked to sign an affidavit to be filed in the Office or be called as a witness other than on behalf of the practitioner's client, the practitioner may continue the representation until it is apparent that the practitioner's affidavit or testimony is or may be prejudicial to the practitioner's client.

§ 10.64 Avoiding acquisition of interest in litigation or proceeding before the Office.

(a) A practitioner shall not acquire a proprietary interest in the subject matter of a proceeding before the Office which the practitioner is conducting for a client, except that the practitioner may:

(1) Acquire a lien granted by law to secure the practitioner's fee or expenses; or

(2) Contract with a client for a reasonable contingent fee; or

(3) In a patent case, take an interest in the patent as part or all of his or her fee.

(b) While representing a client in connection with a contemplated or pending proceeding before the Office, a practitioner shall not advance or guarantee financial assistance to a client, except that a practitioner may advance or guarantee the expenses of going forward in a proceeding before the Office including fees required by law to be paid to the Office, expenses of investigation, expenses of medical examination, and costs of obtaining and presenting evidence, provided the client remains ultimately liable for such expenses. A practitioner may, however, advance any fee required to prevent or remedy an abandonment of a client's application by reason of an act or omission attributable to the practitioner and not to the client, whether or not the client is ultimately liable for such fee.

§ 10.65 Limiting business relations with a client.

A practitioner shall not enter into a business transaction with a client if they have differing interests therein and if the client expects the practitioner to exercise professional judgment therein for the protection of the client, unless the client has consented after full disclosure.

§ 10.66 Refusing to accept or continue employment if the interests of another client may impair the independent professional judgment of the practitioner.

(a) A practitioner shall decline proffered employment if the exercise of the practitioner's independent professional judgment in behalf of a client will be or is likely to be adversely affected by the acceptance of the proffered employment, or if it would be likely to involve the practitioner in representing differing interests, except to the extent permitted under paragraph (c) of this section.

(b) A practitioner shall not continue multiple employment if the exercise of the practitioner's independent professional judgment in behalf of a client will be or is likely to be adversely affected by the practitoner's representation of another client, or if it would be likely to involve the practitioner in representing differing interests, except to the extent permitted under paragraph (c) of this section.

(c) In the situations covered by paragraphs (a) and (b) of this section a practitioner may represent multiple clients if it is obvious that the practitioner can adequately represent the interest of each and if each consents to the representation after full disclosure of the possible effect of such representation on the exercise of the practitioner's independent professional judgment on behalf of each.

(d) If a practitioner is required to decline employment or to withdraw from employment under a Disciplinary Rule, no partner, or associate, or any other practitioner affiliated with the practitioner or the practitioner's firm, may accept or continue such employment unless otherwise ordered by the Director or Commissioner.

§ 10.67 Settling similar claims of clients.

A practitioner who represents two or more clients shall not make or participate in the making of an aggregate settlement of the claims of or against the practitioner's clients, unless each client has consented to the settlement after being advised of the existence and nature of all the claims involved in the proposed settlement, of

the total amount of the settlement, and of the participation of each person in the settlement.

§ 10.68 Avoiding influence by others than the client.

(a) Except with the consent of the practitioner's client after full disclosure, a practitioner shall not:

(1) Accept compensation from one other than the practitioner's client for the practitioner's legal services to or for the client.

(2) Accept from one other than the practitioner's client any thing of value related to the practitioner's representation of or the practitioner's employment by the client.

(b) A practitioner shall not permit a person who recommends, employs, or pays the practitioner to render legal services for another, to direct or regulate the practitioner's professional judgment in rendering such legal services.

(c) A practitioner shall not practice with or in the form of a professional corporation or association authorized to practice law for a profit, if a non-practitioner has the right to direct or control the professional judgment of a practitioner.

§§ 10.69–10.75 [Reserved]

§ 10.76 Canon 6.

A practitioner should represent a client competently.

§ 10.77 Failing to act competently.

A practitioner shall not:

(a) Handle a legal matter which the practitioner knows or should know that the practitioner is not competent to handle, without associating with the practitioner another practitioner who is competent to handle it.

(b) Handle a legal matter without preparation adequate in the circumstances.

(c) Neglect a legal matter entrusted to the practitioner.

§ 10.78 Limiting liability to client.

A practitioner shall not attempt to exonerate himself or herself from, or limit his or her liability to, a client for his or her personal malpractice.

§§ 10.79–10.82 [Reserved]

§ 10.83 Canon 7.

A practitioner should represent a client zealously within the bounds of the law.

§ 10.84 Representing a client zealously.

(a) A practitioner shall not intentionally:

(1) Fail to seek the lawful objectives of a client through reasonably available means permitted by law and the Disciplinary Rules, except as provided by paragraph (b) of this section. A practitioner does not violate the provisions of this section, however, by acceding to reasonable requests of opposing counsel which do not prejudice the rights of the client, by being punctual in fulfilling all professional commitments, by avoiding offensive tactics, or by treating with courtesy and consideration all persons involved in the legal process.

(2) Fail to carry out a contract of employment entered into with a client for professional services, but a practitioner may withdraw as permitted under §§ 10.40, 10.63, and 10.66.

(3) Prejudice or damage a client during the course of a professional relationship, except as required under this part.

(b) In representation of a client, a practitioner may:

(1) Where permissible, exercise professional judgment to waive or fail to assert a right or position of the client.

(2) Refuse to aid or participate in conduct that the practitioner believes to be unlawful, even though there is some support for an argument that the conduct is legal.

§ 10.85 Representing a client within the bounds of the law.

(a) In representation of a client, a practitioner shall not:

(1) Initiate or defend any proceeding before the Office, assert a position, conduct a defense, delay a trial or proceeding before the Office, or take other action on behalf of the practitioner's client when the practitioner knows or when it is obvious that such action would serve merely to harass or maliciously injure another.

(2) Knowingly advance a claim or defense that is unwarranted under existing law, except that a practitioner may advance such claim or defense if it can be supported by good faith argument for an extension, modification, or reversal of existing law.

(3) Conceal or knowingly fail to disclose that which the practitioner is required by law to reveal.

(4) Knowingly use perjured testimony or false evidence.

(5) Knowingly make a false statement of law or fact.

(6) Participate in the creation or preservation of evidence when the practitioner knows or it is obvious that the evidence is false.

(7) Counsel or assist a client in conduct that the practitioner knows to be illegal or fraudulent.

(8) Knowingly engage in other illegal conduct or conduct contrary to a Disciplinary Rule.

(b) A practitioner who receives information clearly establishing that:

(1) A client has, in the course of the representation, perpetrated a fraud upon a person or tribunal shall promptly call upon the client to rectify the same, and if the client refuses or is unable to do so the practitioner shall reveal the fraud to the affected person or tribunal.

(2) A person other than a client has perpetrated a fraud upon a tribunal shall promptly reveal the fraud to the tribunal.

§ 10.86 [Reserved]

§ 10.87 Communicating with one of adverse interest.

During the course of representation of a client, a practitioner shall not:

(a) Communicate or cause another to communicate on the subject of the representation with a party the practitioner knows to be represented by another practitioner in that matter unless the practitioner has the prior consent of the other practitioner representing such other party or is authorized by law to do so. It is not improper, however, for a practitioner to encourage a client to meet with an opposing party for settlement discussions.

(b) Give advice to a person who is not represented by a practitioner other than the advice to secure counsel, if the interests of such person are or have a reasonable possibility of being in conflict with the interests of the practitioner's client.

§ 10.88 Threatening criminal prosecution.

A practitioner shall not present, participate in presenting, or threaten to present criminal charges solely to obtain an advantage in any prospective or pending proceeding before the Office.

§ 10.89 Conduct in proceedings.

(a) A practitioner shall not disregard or advise a client to disregard any provision of this Subchapter or a decision of the Office made in the course of a proceeding before the Office, but the practitioner may take appropriate steps in good faith to test the validity of such provision or decision.

(b) In presenting a matter to the Office, a practitioner shall disclose:

(1) Controlling legal authority known to the practitioner to be directly adverse to the position of the client and which is not disclosed by opposing counsel or an employee of the Office.

(2) Unless privileged or irrelevant, the identities of the client the practitioner represents and of the persons who employed the practitioner.

(c) In appearing in a professional capacity before a tribunal, a practitioner shall not:

(1) State or allude to any matter that the practitioner has no reasonable basis to believe is relevant to the case or that will not be supported by admissible evidence.

(2) Ask any question that the practitioner has no reasonable basis to believe is relevant to the case and that is intended to degrade a witness or other person.

(3) Assert the practitioner's personal knowledge of the facts in issue, except when testifying as a witness.

(4) Assert the practitioner's personal opinion as to the justness of a cause, as to the credibility of a witness, as to the culpability of a civil litigant, or as to the guilt or innocence of an accused; but the practitioner may argue, on the practitioner's analysis of the evidence, for any position or conclusion with respect to the matters stated herein.

(5) Engage in undignified or discourteous conduct before the Office (see § 1.3 of the subchapter).

(6) Intentionally or habitually violate any provision of this subchapter or established rule of evidence.

§§ 10.90–10.91 [Reserved]

§ 10.92 Contact with witnesses.

(a) A practitioner shall not suppress any evidence that the practitioner or the practitioner's client has a legal obligation to reveal or produce.

(b) A practitioner shall not advise or cause a person to be secreted or to leave the jurisdiction of a tribunal for the purpose of making the person unavailable as a witness therein.

(c) A practitioner shall not pay, offer to pay, or acquiesce in the payment of compensation to a witness contingent upon the content of the witness' affidavit, testimony or the outcome of the case. But a practitioner may advance, guarantee, or acquiesce in the payment of:

(1) Expenses reasonably incurred by a witness in attending, testifying, or making an affidavit.

(2) Reasonable compensation to a witness for the witness' loss of time in attending, testifying, or making an affidavit.

(3) A reasonable fee for the professional services of an expert witness.

§ 10.93 Contact with officials.

(a) A practitioner shall not give or lend anything of value to a judge, official, or employee of a tribunal under circumstances which might give the appearance that the gift or loan is made to influence official action.

(b) In an adversary proceeding, including any *inter partes* proceeding before the Office, a practitioner shall not communicate, or cause another to communicate, as to the merits of the cause with a judge, official, or Office employee before whom the proceeding is pending, except:

(1) In the course of official proceedings in the cause.

(2) In writing if the practitioner promptly delivers a copy of the writing to opposing counsel or to the adverse party if the adverse party is not represented by a practitioner.

(3) Orally upon adequate notice to opposing counsel or to the adverse party if the adverse party is not represented by a practitioner.

(4) As otherwise authorized by law.

§§ 10.94–10.99 [Reserved]

§ 10.100 Canon 8.

A practitioner should assist in improving the legal system.

§ 10.101 Action as a public official.

(a) A practitioner who holds public office shall not:

(1) Use the practitioner's public position to obtain, or attempt to obtain, a special advantage in legislative matters for the practitioner or for a client under circumstances where the practitioner knows or it is obvious that such action is not in the public interest.

(2) Use the practitioner's public position to influence, or attempt to influence, a tribunal to act in favor of the practitioner or of a client.

(3) Accept any thing of value from any person when the practitioner knows or it is obvious that the offer is for the purpose of influencing the practitioner's action as a public official.

(b) A practitioner who is an officer or employee of the United States shall not practice before the Office in patent cases except as provided in § 10.6(d).

§ 10.102 Statements concerning officials.

(a) A practitioner shall not knowingly make false statements of fact concerning the qualifications of a candidate for election or appointment to a judicial office or to a position in the Office.

(b) A practitioner shall not knowingly make false accusations against a judge, other adjudicatory officer, or employee of the Office.

§ 10.103 Practitioner candidate for judicial office.

A practitioner who is a candidate for judicial office shall comply with applicable provisions of law.

§§ 10.104–10.109 [Reserved]

§ 10.110 Canon 9.

A practitioner should avoid even the appearance of professional impropriety.

§ 10.111 Avoiding even the appearance of impropriety.

(a) A practitioner shall not accept private employment in a matter upon the merits of which he or she has acted in a judicial capacity.

(b) A practitioner shall not accept private employment in a matter in which he or she had personal responsibility while a public employee.

(c) A practitioner shall not state or imply that the practitioner is able to influence improperly or upon irrelevant grounds any tribunal, legislative body, or public official.

§ 10.112 Preserving identity of funds and property of client.

(a) All funds of clients paid to a practitioner or a practitioner's firm, other than advances for costs and expenses, shall be deposited in one or more identifiable bank accounts maintained in the United States or, in the case of a practitioner having an office in a foreign country or registered under § 10.6(c), in the United States or the foreign country.

(b) No funds belonging to the practitioner or the practitioner's firm shall be deposited in the bank accounts required by paragraph (a) of this section except as follows:

(1) Funds reasonably sufficient to pay bank charges may be deposited therein.

(2) Funds belonging in part to a client and in part presently or potentially to the practitioner or the practitioner's firm must be deposited therein, but the portion belonging to the practitioner or the practitioner's firm may be withdrawn when due unless the right of the practitioner or the practitioner's firm to receive it is disputed by the client, in which event the disputed portion shall not be withdrawn until the dispute is finally resolved.

(c) A practitioner shall:

(1) Promptly notify a client of the receipt of the client's funds, securities, or other properties.

(2) Identify and label securities and properties of a client promptly upon receipt and place them in a safe deposit box or other place of safekeeping as soon as practicable.

(3) Maintain complete records of all funds, securities, and other properties of a client coming into the possession of the practitioner and render appropriate accounts to the client regarding the funds, securities, or other properties.

(4) Promptly pay or deliver to the client as requested by a client the funds, securities, or other properties in the possession of the practitioner which the client is entitled to receive.

(OMB Control No. 0651-0017.)

§§ 10.113-10.129 [Reserved]

Investigations and Disciplinary Proceedings

§ 10.130 Reprimand, suspension or exclusion.

(a) The Commissioner may, after notice and opportunity for a hearing, (1) reprimand or (2) suspend or exclude, either generally or in any particular case, any individual, attorney, or agent shown to be incompetent or disreputable, who is guilty of gross misconduct, or who violates a Disciplinary Rule.

(b) Petitions to disqualify a practitioner in *ex parte* or *inter partes* cases in the Office are not governed by §§ 10.130 through 10.170 and will be handled on a case-by-case basis under such conditions as the Commissioner deems appropriate.

§ 10.131 Investigations.

(a) The Director is authorized to investigate possible violations of Disciplinary Rules by practitioners. See § 10.2(b)(2).

(b) Practitioners shall report and reveal to the Director any knowledge or evidence required by § 10.24. A practitioner shall cooperate with the Director in connection with any investigation under paragraph (a) of this section and with officials of the Office in connection with any disciplinary proceeding instituted under § 10.132(b).

(c) Any non-practitioner possessing knowledge or information concerning a violation of a Disciplinary Rule by a practitioner may report the violation to the Director. The Director may require that the report be presented in the form of an affidavit.

§ 10.132 Initiating a disciplinary proceeding; reference to an administrative law judge.

(a) If after conducting an investigation under § 10.131(a) the Director is of the opinion that a practitioner has violated a Disciplinary Rule, the Director shall, after complying where necessary with the provisions of 5 U.S.C. 558(c), call a meeting of the Committee on Discipline. The Committee on Discipline shall then determine as specified in § 10.4(b) whether a disciplinary proceeding shall be instituted under paragraph (b) of this section.

(b) If the Committee on Discipline determines that probable cause exists to believe that a practitioner has violated a Disciplinary Rule, the Director shall institute a disciplinary proceeding by filing a complaint under § 10.134. The complaint shall be filed in the Office of the Director. A disciplinary proceeding may result in:

(1) A reprimand, or

(2) Suspension or exclusion of a practitioner from practice before the Office.

(c) Upon the filing of a complaint under § 10.134, the Commissioner will refer the disciplinary proceeding to an administrative law judge.

§ 10.133 Conference between Director and practitioner; resignation.

(a) *General.* The Director may confer with a practitioner concerning possible violations by the practitioner of a Disciplinary Rule whether or not a disciplinary proceeding has been instituted.

(b) *Resignation.* Any practitioner who is the subject of an investigation under § 10.131 or against whom a complaint has been filed under § 10.134 may resign from practice before the Office only by submitting with the Director an affidavit stating his or her desire to resign.

(c) If filed prior to the date set by the administrative law judge for a hearing, the affidavit shall state that:

(1) The resignation is freely and voluntarily proffered;

(2) The practitioner is not acting under duress or coercion from the Office;

(3) The practitioner is fully aware of the implications of filing the resignation;

(4) The practitioner is aware (i) of a pending investigation or (ii) of charges arising from the complaint alleging that he or she is guilty of a violation of the Patent and Trademark Office Code of Professional Responsibility, the nature of which shall be set forth by the practitioner to the satisfaction of the Director;

(5) The practitioner acknowledges that, if and when he or she applies for reinstatement under § 10.160, the Director will conclusively presume, for the limited purpose of determining the application for reinstatement, that:

(i) The facts upon which the complaint is based are true and

(ii) The practitioner could not have successfully defended himself or herself against (A) charges predicated on the violation under investigation or (B) charges set out in the complaint filed against the practitioner.

(d) If filed on or after the date set by the administrative law judge for a hearing, the affidavit shall make the statements required by paragraphs (b)(1) through (4) of this section and shall state that:

(1) The practitioner acknowledges the facts upon which the complaint is based are true; and

(2) The resignation is being submitted because the practitioner could not successfully defend himself or herself against (i) charges predicated on the violation under investigation or (ii) charges set out in the complaint.

(e) When an affidavit under paragraphs (b) or (c) of this section is received while an investigation is pending, the Commissioner shall enter an order excluding the practitioner "on consent." When an affidavit under paragraphs (b) or (c) of this section is received after a complaint under § 10.134 has been filed, the Director shall notify the administrative law judge. The administrative law judge shall enter an order transferring the disciplinary proceeding to the Commissioner and the Commissioner shall enter an order excluding the practitioner "on consent."

(f) Any practitioner who resigns from practice before the Office under this section and who intends to reapply for admission to practice before the Office must comply with the provisions of § 10.158.

(g) *Settlement.* Before or after a complaint is filed under § 10.134, a settlement conference may occur between the Director and a practitioner for the purpose of settling any disciplinary matter. If an offer of settlement is made by the Director or the practitioner and is not accepted by the other, no reference to the offer of settlement or its refusal shall be admissible in evidence in the disciplinary proceeding unless both the Director and the practitioner agree in writing.

§ 10.134 Complaint.

(a) A complaint instituting a disciplinary proceeding shall:

(1) Name the practitioner, who may then be referred to as the "respondent."

(2) Give a plain and concise description of the alleged violations of the Disciplinary Rules by the practitioner.

(3) State the place and time for filing an answer by the respondent.

(4) State that a decision by default may be entered against the respondent if an answer is not timely filed.

(5) Be signed by the Director.

(b) A complaint will be deemed sufficient if it fairly informs the respondent of any violation of the Disciplinary Rules which form the basis for the disciplinary proceeding so that the respondent is able to adequately prepare a defense.

§ 10.135 Service of complaint.

(a) A complaint may be served on a respondent in any of the following methods:

(1) By handing a copy of the complaint personally to the respondent, in which case the individual handing the complaint to the respondent shall file an affidavit with the Director indicating the time and place the complaint was handed to the respondent.

(2) By mailing a copy of the complaint by "Express Mail" or first-class mail to:

(i) A registered practitioner at the address for which separate notice was last received by the Director or

(ii) A non-registered practitioner at the last address for the respondent known to the Director.

(3) By any method mutually agreeable to the Director and the respondent.

(b) If a complaint served by mail under paragraph (a)(2) of this section is returned by the U.S. Postal Service, the Director shall mail a second copy of the complaint to the respondent. If the second copy of the complaint is also returned by the U.S. Postal Service, the Director shall serve the respondent by publishing an appropriate notice in the *Official Gazette* for four consecutive weeks, in which case the time for answer shall be at least thirty days from the fourth publication of the notice.

(c) If a respondent is a registered practitioner, the Director may serve simultaneously with the complaint a letter under § 10.11(b). The Director may require the respondent to answer the § 10.11(b) letter within a period of not less than 15 days. An answer to the § 10.11(b) letter shall constitute proof of service. If the respondent fails to answer the § 10.11(b) letter, his or her name will be removed from the register as provided by § 10.11(b).

(d) If the respondent is represented by an attorney under § 10.140(a), a copy of the complaint shall also be served on the attorney.

§ 10.136 Answer to complaint.

(a) *Time for answer.* An answer to a complaint shall be filed within a time set in the complaint which shall be not less than thirty days.

(b) *With whom filed.* The answer shall be filed in writing with the administrative law judge. The time for filing an answer may be extended once for a period of no more than thirty days by the administrative law judge upon a showing of good cause provided a motion requesting an extension of time is filed within thirty days after the date the complaint is filed by the Director. A copy of the answer shall be served on the Director.

(c) *Content.* The respondent shall include in the answer a statement of the facts which constitute the grounds of defense and shall specifically admit or deny each allegation set forth in the complaint. The respondent shall not deny a material allegation in the complaint which the respondent knows to be true or state that respondent is without sufficient information to form a belief as to the truth of an allegation when in fact the respondent possesses that information. The respondent shall also state affirmatively special matters of defense.

(d) *Failure to deny allegations in complaint.* Every allegation in the complaint which is not denied by a respondent if the answer is deemed to be admitted and may be considered proven. No further evidence in respect of that allegation need be received by the administrative law judge at any hearing. Failure to timely file an answer will constitute an admission of the allegations in the complaint.

(3) *Reply by Director.* No reply to an answer is required by the Director and any affirmative defense in the answer shall be deemed to be denied. The Director may, however, file a reply if he or she chooses or if ordered by the administrative law judge.

§ 10.137 Supplemental complaint.

False statements in an answer may be made the basis of a supplemental complaint.

§ 10.138 Contested case.

Upon the filing of an answer by the respondent, a disciplinary proceeding shall be regarded as a contested case within the meaning of 35 U.S.C. 24. Evidence obtained by a subpoena issued under 35 U.S.C. 24 shall not be admitted into the record or considered unless leave to proceed under 35 U.S.C. 24 was previously authorized by the administrative law judge.

§ 10.139 Administrative law judge; appointment; responsibilities; review of interlocutory orders; stays.

(a) *Appointment.* An administrative law judge, appointed under 5 U.S.C 3105, shall conduct disciplinary proceedings as provided by this part.

(b) *Responsibilities.* The administrative law judge shall have authority to:

(1) Administer oaths and affirmations;

(2) Make rulings upon motions and other requests;

(3) Rule upon offers of proof, receive relevant evidence, and examine witnesses;

(4) Authorize the taking of a deposition of a witness in lieu of personal appearance of the witness before the administrative law judge;

(5) Determine the time and place of any hearing and regulate its course and conduct;

(6) Hold or provide for the holding of conferences to settle or simplify the issues;

(7) Receive and consider oral or written arguments on facts or law;

(8) Adopt procedures and modify procedures from time to time as occasion requires for the orderly disposition of proceedings;

(9) Make initial decisions under § 10.154; and

(10) Perform acts and take measures as necessary to promote the efficient and timely conduct of any disciplinary proceeding.

(c) *Time for making initial decision.* The administrative law judge shall set times and exercise control over a disciplinary proceeding such that an initial decision under § 10.154 is normally issued within six months of the date a complaint is filed. The administrative law judge may, however, issue an initial decision more than six months after a complaint is filed if in his or her opinion there exist unusual circumstances which preclude issuance of an initial decision within six months of the filing of the complaint.

(d) *Review of interlocutory orders.* An interlocutory order of an administrative law judge will not be reviewed by the Commissioner except:

(1) when the administrative law judge shall be of the opinion (i) that the interlocutory order involves a controlling question of procedure or law as to which there is a substantial ground for a difference of opinion and (ii) that an immediate decision by the Commissioner may materially advance the ultimate termination of the disciplinary proceeding or

(2) in an extraordinary situation where justice requies review

(e) *Stays pending review of interlocutory order.* If the Director or a respondent seeks review of an interlocutory order of an administrative law judge under paragraph (b)(2) of this section, any time period set for taking action by the administrative law judge shall not be stayed unless ordered by the Commissioner or the administrative law judge.

§ 10.140 Representative for Director or respondent.

(a) A respondent may be represented before the Office in connection with an investigation or disciplinary proceeding by an attorney. The attorney shall file a written declaration that he or she is an

attorney within the meaning of § 10.1(c) and shall state:

(1) The address to which the attorney wants correspondence related to the investigation or disciplinary proceeding sent and

(2) A telephone number where the attorney may be reached during normal business hours.

(b) The Commissioner shall designate at least two associate solicitors in the Office of the Solicitor to act as representatives for the Director in disciplinary proceedings. In prosecuting disciplinary proceedings, the designated associate solicitors shall not involve the Solicitor or the Deputy Solicitor. The Solicitor and the Deputy Solicitor shall remain insulated from the investigation and prosecution of all disciplinary proceedings in order that they shall be available as counsel to the Commissioner in deciding disciplinary proceedings.

§ 10.141 Filing of papers.

(a) The provisions of § 1.8 of this subchapter do not apply to disciplinary proceedings.

(b) All papers filed after the complaint and prior to entry of an initial decision by the administrative law judge shall be filed with the administrative law judge at an address or place designated by the administrative law judge. All papers filed after entry of an initial decision by the administrative law judge shall be filed with the Director. The Director shall promptly forward to the Commissioner any paper which requires action under this part by the Commissioner.

(c) The administrative law judge or the Director may provide for filing papers and other matters by hand or by "Express Mail."

§ 10.142 Service of papers.

(a) All papers other than a complaint shall be served on a respondent represented by an attorney by:

(1) Delivering a copy of the paper to the office of the attorney; or

(2) Mailing a copy of the paper by first-class mail or "Express Mail" to the attorney at the address provided by the attorney under § 10.140(a)(1); or

(3) Any other method mutually agreeable to the attorney and a representative for the Director.

(b) All papers other than a complaint shall be served on a respondent who is not represented by an attorney by:

(1) Delivering a copy of the paper to the respondent; or

(2) Mailing a copy of the paper by first-class mail or "Express Mail" to the respondent at the address to which a complaint may be served or such other address as may be designated in writing by the respondent; or

(3) Any other method mutually agreeable to the respondent and a representative of the Director.

(c) A respondent shall serve on the representative for the Director one copy of each paper filed with the administrative law judge or the Director. A paper may be served on the representative for the Director by:

(1) Delivering a copy of the paper to the representative; or

(2) Mailing a copy of the paper by first-class mail or "Express Mail" to an address designated in writing by the representative; or

(3) Any other method mutually agreeable to the respondent and the representative.

(d) Each paper filed in a disciplinary proceeding shall contain therein a certificate of service indicating:

(1) The date on which service was made and

(2) The method by which service was made.

(e) The administrative law judge or the Commissioner may require that a paper be served by hand or by "Express Mail."

(f) Service by mail is completed when the paper mailed in the United States is placed into the custody of the U.S. Postal Service.

§ 10.143 Motions.

Motions may be filed with the administrative law judge. The administrative law judge will determine on a case-by-case basis the time period for response to a motion and whether replies to responses will be authorized. No motion shall be filed with the administrative law judge unless such motion is supported by a written statement by the moving party that the moving party or attorney for the moving party has conferred with the opposing party or attorney for the opposing party in an effort in good faith to resolve by agreement the issues raised by the motion and has been unable to reach agreement. If issues raised by a motion are resolved by the parties prior to a decision on the motion by the administrative law judge, the parties shall promptly notify the administrative law judge.

§ 10.144 Hearings.

(a) The administrative law judge shall preside at hearings in disciplinary proceedings. Hearings will be stenographically recorded and transcribed and the testimony of witnesses will be received under oath or affirmation. The administrative law judge shall conduct hearings in accordance with 5 U.S.C. 556. A copy of the transcript of the hearing shall become part of the record. A copy of the transcript shall be provided to the Director and the respondent at the expense of the Office.

(b) If the respondent to a disciplinary proceeding fails to appear at the hearing after a notice of hearing has been given by the administrative law judge, the administrative law judge may deem the respondent to have waived the right to a hearing and may proceed with the hearing in the absence of the respondent.

(c) A hearing under this section will not be open to the public except that the Director may grant a request by a respondent to open his or her hearing to the public and make the record of the disciplinary proceeding available for public inspection, *provided*, Agreement is reached in advance to exclude from public disclosure information which is privileged or confidential under applicable laws or regulations. If a disciplinary proceeding results in disciplinary action against a practitioner, and subject to § 10.159(c) the record of the entire disciplinary proceeding, including any settlement agreement, will be available for public inspection.

§ 10.145 Proof; variance; amendment of pleadings.

In case of a variance between the evidence and the allegations in a complaint, answer, or reply, if any, the administrative law judge may order or authorize amendment of the complaint, answer, or reply to conform to the evidence. Any party who would otherwise be prejudiced by the amendment will be given reasonable opportunity to meet the allegations in the complaint, answer, or reply, as amended, and the administrative law judge shall make findings on any issue presented by the complaint, answer, or reply as amended.

§§ 10.146–10.148 [Reserved]

§ 10.149 Burden of proof.

In a disciplinary proceeding, the Director shall have the burden of proving his or her case by clear and convincing evidence and a respondent shall have the burden of proving any affirmative defense by clear and convincing evidence.

§ 10.150 Evidence.

(a) *Rules of evidence.* The rules of evidence prevailing in courts of law and equity are not controlling in hearings in disciplinary proceedings. However, the administrative law judge shall exclude

evidence which is irrelevant, immaterial, or unduly repetitious.

(b) *Depositions.* Depositions of witnesses taken pursuant to § 10.151 may be admitted as evidence.

(c) *Government documents.* Official documents, records, and papers of the Office are admissible without extrinsic evidence of authenticity. These documents, records and papers may be evidenced by a copy certified as correct by an employee of the Office.

(d) *Exhibits.* If any document, record, or other paper is introduced in evidence as an exhibit, the administrative law judge may authorize the withdrawal of the exhibit subject to any conditions the administrative law judge deems appropriate.

(e) *Objections.* Objections to evidence will be in short form, stating the grounds of objection. Objections and rulings on objections will be a part of the record. No exception to the ruling is necessary to preserve the rights of the parties.

§ 10.151 Depositions.

(a) Depositions for use at the hearing in lieu of personal appearance of a witness before the administrative law judge may be taken by respondent or the Director upon a showing of good cause and with the approval of, and under such conditions as may be deemed appropriate by, the administrative law judge. Depositions may be taken upon oral or written questions, upon not less than ten days written notice to the other party, before any officer authorized to administer an oath or affirmation in the place where the deposition is to be taken. The requirement of ten days notice may be waived by the parties and depositions may then be taken of a witness and at a time and place mutually agreed to by the parties. When a deposition is taken upon written questions, copies of the written questions will be served upon the other party with the notice and copies of any written cross-questions will be served by hand or "Express Mail" not less than five days before the date of the taking of the deposition unless the parties mutually agree otherwise. A party on whose behalf a deposition is taken shall file a copy of a transcript of the deposition signed by a court reporter with the administrative law judge and shall serve one copy upon the opposing party. Expenses for a court reporter and preparing, serving, and filing depositions shall be borne by the party at whose instance the deposition is taken.

(b) When the Director and the respondent agree in writing, a deposition of any witness who will appear voluntarily may be taken under such terms and condition as may be mutually agreeable to the Director and the respondent. The deposition shall not be filed with the administrative law judge and may not be admitted in evidence before the administrative law judge unless he or she orders the deposition admitted in evidence. The admissibility of the deposition shall lie within the discretion of the administrative law judge who may reject the deposition on any reasonable basis including the fact that demeanor is involved and that the witness should have been called to appear personally before the administrative law judge.

§ 10.152 Discovery.

Discovery shall not be authorized except as follows:

(a) After an answer is filed under § 10.136 and when a party establishes in a clear and convincing manner that discovery is necessary and relevant, the administrative law judge, under such conditions as he or she deems appropriate, may order an opposing party to:

(1) Answer a reasonable number of written requests for admission or interrogatories;

(2) Produce for inspection and copying a reasonable number of documents; and

(3) Produce for inspection a reasonable number of things other than documents.

(b) Discovery shall not be authorized under paragraph (a) of this section of any matter which:

(1) Will be used by another party solely for impeachment or cross-examination;

(2) Is not available to the party under 35 U.S.C. § 122;

(3) Relates to any disciplinary proceeding commenced in the Patent and Trademark Office prior to March 8, 1985;

(4) Relates to experts except as the administrative law judge may require under paragraph (e) of this section.

(5) Is privileged; or

(6) Relates to mental impressions, conclusions, opinions, or legal theories of any attorney or other representative of a party.

(c) The administrative law judge may deny discovery requested under paragraph (a) of this section if the discovery sought:

(1) Will unduly delay the disciplinary proceeding;

(2) Will place an undue burden on the party required to produce the discovery sought; or

(3) Is available (i) generally to the public, (ii) equally to the parties; or (iii) to the party seeking the discovery through another source.

(d) Prior to authorizing discovery under paragraph (a) of this section, the administrative law judge shall require the party seeking discovery to file a motion (§ 10.143) and explain in detail for each request made how the discovery sought is necessary and relevant to an issue actually raised in the complaint or the answer.

(e) The administrative law judge may require parties to file and serve, prior to any hearing, a pre-hearing statement which contains:

(1) A list (together with a copy) of all proposed exhibits to be used in connection with a party's case-in-chief,

(2) A list of proposed witnesses,

(3) As to each proposed expert witness:

(i) An identification of the field in which the individual will be qualified as an expert;

(ii) A statement as to the subject matter on which the expert is expected to testify; and

(iii) A statement of the substance of the facts and opinions to which the expert is expected to testify,

(4) The identity of government employees who have investigated the case, and

(5) Copies of memoranda reflecting respondent's own statements to administrative representatives.

(f) After a witness testifies for a party if the opposing party requests, the party may be required to produce, prior to cross-examination, any written statement made by the witness.

§ 10.153 Proposed findings and conclusions; post-hearing memorandum.

Except in cases when the respondent has failed to answer the complaint, the administrative law judge, prior to making an initial decision, shall afford the parties a reasonable opportunity to submit proposed findings and conclusions and a post-hearing memorandum in support of the proposed findings and conclusions.

§ 10.154 Initial decision of administrative law judge.

(a) The administrative law judge shall make an initial decision in the case. The decision will include (a) a statement of findings and conclusions, as well as the reasons or basis therefore with appropriate references to the record, upon all the material issues of fact, law, or discretion presented on the record, and (b) an order of suspension or exclusion from practice, an order of reprimand, or an order dismissing the complaint. The administrative law judge shall file the decision with the Director and shall transmit a copy to the

representative of the Director and to the respondent. In the absence of an appeal to the Commissioner, the decision of the administrative law judge will, without further proceedings, become the decision of the Commissioner of Patents and Trademarks thirty (30) days from the date of the decision of the administrative law judge.

(b) The initial decision of the administrative law judge shall explain the reason for any penalty or reprimand, suspension or exclusion. In determining any penalty, the following should normally be considered:

(1) The public interest;

(2) The seriousness of the violation of the Disciplinary Rule;

(3) The deterrent effects deemed necessary; and

(4) The integrity of the legal profession; and

(5) Any extenuating circumstances.

§ 10.155 Appeal to the Commissioner.

(a) Within thirty (30) days from the date of the initial decision of the administrative law judge under § 10.154, either party may appeal to the Commissioner. An appeal by the respondent will be filed with the Director in duplicate and will include exceptions to the decisions of the administrative law judge and supporting reasons for those exceptions. If the Director files the appeal, the Director shall serve a copy of the appeal. Within thirty (30) days after receipt of an appeal or copy thereof, the other party may file a reply brief, in duplicate with the Director. If the Director files the reply brief, the Director shall serve a copy of the reply brief. Upon the filing of an appeal and a reply brief, if any, the Director shall transmit the entire record to the Commissioner.

(b) The appeal will be decided by the Commissioner on the record made before the administrative law judge.

(c) The Commissioner may order reopening of a disciplinary proceeding in accordance with the principles which govern the granting of new trials. Any request to reopen a disciplinary proceeding on the basis of newly discovered evidence must demonstrate that the newly discovered evidence could not have been discovered by due diligence.

§ 10.156 Decision of the Commissioner.

(a) An appeal from an initial decision of the administrative law judge shall be decided by the Commissioner. The Commissioner may affirm, reverse, or modify the initial decision or remand the matter to the administrative law judge for such further proceedings as the Commissioner may deem appropriate. Entry of a decision by the Commissioner is a final agency action in a disciplinary proceeding. In making a final decision, the Commissioner shall review the record or those portions of the record as may be cited by the parties in order to limit the issues. The Commissioner shall transmit a copy of the final decision to the Director and to the respondent.

(b) A final decision of the Commissioner may dismiss a disciplinary proceeding, reprimand a practitioner, or may suspend or exclude the practitioner from practice before the Office.

§ 10.157 Review of Commissioner's final decision.

(a) Review of the Commissioner's final decision in a disciplinary case may be had by a petition filed in the United States District Court for the District of Columbia. See 35 U.S.C. 32 and Local Rule 1-26 of the United States District Court for the District of Columbia.

(b) The Commissioner may stay a final decision pending review of the Commissioner's final decision.

§ 10.158 Suspended or excluded practitioner.

(a) A practitioner who is suspended or excluded from practice before the Office under § 10.156(b) shall not engage in unauthorized practice of patent, trademark and other non-patent law before the Office.

(b) Unless otherwise ordered by the Commissioner, any practitioner who is suspended or excluded from practice before the Office under § 10.156(b) shall:

(1) Within 30 days of entry of the order of suspension or exclusion, notify all bars of which he or she is a member and all clients of the practitioner for whom he or she is handling matters before the Office in separate written communications of the suspension or exclusion and shall file a copy of each written communication with the Director.

(2) Within 30 days of entry of the order of suspension or exclusion, surrender a client's active Office case files to (i) the client or (ii) another practitioner designated by the client.

(3) Not hold himself or herself out as authorized to practice law before the Office.

(4) Promptly take any necessary and appropriate steps to remove from any telephone, legal, or other directory any advertisement, statement, or representation which would reasonably suggest that the practitioner is authorized to practice patent, trademark or other non-patent law before the Office, and within 30 days of taking those steps, file with the Director an affidavit describing the precise nature of the steps taken.

(5) Not advertise the practitioner's availability or ability to perform or render legal services for any person having immediate, prospective, or pending business before the Office.

(6) Not render legal advice or services to any person having immediate, prospective, or pending business before the Office as to that business.

(7) Promptly take steps to change any sign identifying a practitioner's or the practitioner's firm's office and the practitioner's or the practitioner's firm's stationery to delete therefrom any advertisement, statement, or representation which would reasonably suggest that the practitioner is authorized to practice law before the Office.

(8) Within 30 days, return to any client any unearned funds, including any unearned retainer fee, and any securities and property of the client.

(c) A practitioner who is suspended or excluded from practice before the Office and who aids another practitioner in any way in the other practitioner's practice of law before the Office, may, under the direct supervision of the other practitioner, act as a para-legal for the other practitioner or perform other services for the other practitioner which are normally performed by lay-persons, *provided:*

(1) The practitioner who is suspended or excluded is:

(i) A salaried employee of:

(A) The other practitioner;

(B) The other practitioner's law firm; or

(C) A client-employer who employs the other practitioner as a salaried employee;

(2) The other practitioner assumes full professional responsibility to any client and the Office for any work performed by the suspended or excluded practitioner for the other practitioner;

(3) The suspended or excluded practitioner, in connection with any immediate, prospective, or pending business before the Office, does not:

(i) Communicate directly in writing, orally, or otherwise with a client of the other practitioner;

(ii) Render any legal advice or any legal services to a client of the other practitioner; or

(iii) Meet in person or in the presence of the other practitioner with:

(A) Any Office official in connection with the prosecution of any patent, trademark, or other case;

(B) Any client of the other practitioner, the other practitioner's law

firm, or the client-employer of the other practitioner;

(c) Any witness or potential witness which the other practitioner, the other practitioner's law firm, or the other practitioner's client-employer may or intends to call as a witness in any proceeding before the Office. The term "witness" includes individuals who will testify orally in a proceeding before, or sign an affidavit or any other document to be filed in, the Office.

(d) When a suspended or excluded practitioner acts as a para-legal or performs services under paragraph (c) of this section, the suspended or excluded practitioner shall not thereafter be reinstated to practice before the Office unless:

(1) The suspended or excluded practitioner shall have filed with the Director an affidavit which (i) explains in detail the precise nature of all para-legal or other services performed by the suspended or excluded practitioner and (ii) shows by clear and convincing evidence that the suspended or excluded practitioner has complied with the provisions of this section and all Disciplinary Rules, and

(2) The other practitioner shall have filed with the Director a written statement which (i) shows that the other practitioner has read the affidavit required by subparagraph (d)(1) of this section and that the other practitioner believes every statement in the affidavit to be true and (ii) states why the other practitioner believes that the suspended or excluded practitioner has complied with paragraph (c) of this section.

§ 10.159 Notice of suspension or exclusion.

(a) Upon issuance of a final decision reprimanding a practitioner or suspending or excluding a practitioner from practice before the Office, the Director shall give notice of the final decision to appropriate employees of the Office and to interested departments, agencies, and courts of the United States. The Director shall also give notice to appropriate authorities of any State in which a practitioner is known to be a member of the bar and any appropriate bar association.

(b) The Director shall cause to be published in the *Official Gazette* the name of any practitioner suspended or excluded from practice. Unless otherwise ordered by the Commissioner, the Director shall publish in the *Official Gazette* the name of any practitioner reprimanded by the Commissioner.

(c) The Director shall maintain records, which shall be available for public inspection, of every disciplinary proceeding where a practitioner is reprimanded, suspended, or excluded unless the Commissioner orders that the proceeding be kept confidential.

§ 10.160 Petition for reinstatement.

(a) A petition for reinstatement of a practitioner suspended for a period of less than five years will not be considered until the period of suspension has passed.

(b) A petition for reinstatement of a practitioner excluded from practice will not be considered until five years after the effective date of the exclusion.

(c) An individual who has resigned under § 10.133 or who has been suspended or excluded may file a petition for reinstatement. The Director may grant a petition for reinstatement when the individual makes a clear and convincing showing that the individual will conduct himself or herself in accordance with the regulations of this part and that granting a petition for reinstatement is not contrary to the public interest. As a condition to reinstatement, the Director may require the individual to:

(1) Meet the requirements of § 10.7, including taking and passing an examination under § 10.7(b) and

(2) Pay all or a portion of the costs and expenses, not to exceed $1,500, of the disciplinary proceeding which led to suspension or exclusion.

(d) Any suspended or excluded practitioner who has violated the provisions of § 10.158 during his or her period of suspension or exclusion shall not be entitled to reinstatement until such time as the Director is satisfied that a period of suspension equal in time to that ordered by the Commissioner or exclusion for five years has passed during which the suspended or excluded practitioner has complied with the provisions of § 10.158.

(e) Proceedings on any petition for reinstatement shall be open to the public. Before reinstating any suspended or excluded practitioner, the Director shall publish in the *Official Gazette* a notice of the suspended or excluded practitioner's petition for reinstatement and shall permit the public a reasonable opportunity to comment or submit evidence with respect to the petition for reinstatement.

§ 10.161 Savings clause.

(a) A disciplinary proceeding based on conduct engaged in prior to the effective date of these regulations may be instituted subsequent to such effective date, if such conduct would continue to justify suspension or exclusion under the provisions of this part.

(b) No practitioner shall be subject to a disciplinary proceeding under this part based on conduct engaged in before the effective date hereof if such conduct would not have been subject to disciplinary action before such effective date.

10.162–10.169 [Reserved]

10.170 Suspension of rules.

(a) In an extraordinary situation, when justice requires, any requirement of the regulations of this part which is not a requirement of the statutes may be suspended or waived by the Commissioner or the Commissioner's designee, *sua sponte*, or on petition of any party, including the Director or the Director's representative, subject to such other requirements as may be imposed.

(b) Any petition under this section will not stay a disciplinary proceeding unless ordered by the Commissioner or an administrative law judge.

Dated: December 21, 1984.

Gerald J. Mossinghoff,

Commissioner of Patents and Trademarks.

[FR Doc. 85-2803 Filed 2-5-85; 8:45 am]

BILLING CODE 3510-16-M

INTRODUCTION OF THE INTERNAL PRIORITY SYSTEM IN JAPAN

Japanese Group, Committee No. 1
Subcommittee No. 1

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ABSTRACT

The newly introduced internal priority system permits Japanese applications to claim one or more priorities based on previously filed Japanese application(s), within one year from the filing date(s) of the earlier application(s). This system will provide applicants with the chance to obtain extensive patent rights. The benefit of internal priority is substantially the same as that of convention priority under the Paris Convention. Any acts performed in relation to the prior application after its filing will not adversely affect the priority-claiming later application. However, a major difference as compared with the Paris Convention is that, under the internal priority system, the prior application will be deemed withdrawn, provided that the priority claim is not withdrawn effectively. The prior application considered withdrawn is not laid open, so that matter disclosed in the prior application but not in the later application cannot preclude a third party from obtaining a patent for the same matter even after the publication of the later application. The new system is applicable to PCT applications when Japan is a designated country. The basic Japanese application will constitute a basis of priority for Japan-designating PCT applications. An increased number of PCT applications by Japanese applicants can be expected.

I. INTRODUCTION

The Paris Convention for the Protection of Industrial Property permits the filing of a convention application claiming multiple priorities and the filing of an application incorporating developments and improvements. This arrangement is provided in light of the fact that "unity of invention" is not always the same in different countries. It also fulfils an excellent function, not primarily aimed at, of allowing the obtaining of extensive patent coverage for a series of related inventions.

To introduce the benefits of such an arrangement into Japan, amendments to the Patent Law were enacted by the 102nd National Diet. The amended Law, which will come into effect on November 1, 1985, newly adopts an internal priority system, so as thereby to allow a patent for a series of related inventions.

The Japanese Group, Committee No. 1, Subcommittee No. 1, would like to discuss this new system provided under the amended Patent Law, with reference to the background, details, applications, and impact of the new system.

II. BACKGROUND

A. Changes in R&D Activities and Existing Problems

As technology advances and technological development speeds up, many applications for related inventions tend to be filed, in order to secure an organized and effective framework on and around the basic, pioneer invention. These are usually called improvements or additional inventions. However, the former system before the law amendment had several problems which prevented applicants from obtaining

extensive and effective patent coverage of such improvements and additions. For example:

(1) Later patent applications for improvements were sometimes rejected in the light of the applicant's own prior application, for the cited reason that they were the same invention.

(2) Later supplementation of improvements into the earlier application as additional examples of the invention was likely to be refused on the grounds that such inclusion would unlawfully change the gist of the earlier application.

(3) A later application incorporating developments and improvements might be filed after the filing of the prior application, in order to obtain broader protection, and the prior application might be abandoned. However, it could easily occur that a third party application might be filed between the filing dates of these two applications, and this could prevent such a later filed application from being patented.

B. Imbalance between the Alien and the National

When a foreign applicant files a convention application in Japan claiming the priority of his or her national application, the applicant is legitimately allowed to incorporate developments and improvements and to claim one or more priorities. Unlike foreign applicants, Japanese applicants have not up till now been able to enjoy such a benefit. It is a general understanding that imbalance has existed between non-Japanese applicants who have been able to enjoy the benefits of an internal priority system or a similar such system in their country, and Japanese applicants where no such system has heretofore existed.

C. Stagnant PCT Utilization

While the total number of normal type foreign applications originating in Japan has increased recently, international applications by Japanese applicants under the PCT have not undergone the expected increase. One of the reasons is the lack of statutory provisions in the Japanese Patent Law for regulating the treatment of Japan-designating PCT applications claiming the priority of basic Japanese applications. The Japanese government has sought measures to promote the use of the PCT system, in view of the development of the industrial property system and of the desirability of international cooperation in this field.

D. Adoption of a Paris Convention Type System

The Industrial Property Council and several other groups reviewed this issue and discussed the possibility of introducing, as a measure to solve these problems, either (a) the internal priority system as has been recently adopted in EC nations; or (b) the provisional specification system as was used in the United Kingdom; or (c) the continuation-in-part (CIP) application system as used in the United States.

In principle, the CIP application system does not restrict the period for filing a new application incorporating new matter. Furthermore, a CIP application is an independent application and does not adversely affect the prior application.

The provisional specification system differs from the CIP system in the point that the submission of the complete specification has to be made within a certain time period.

The Japanese patent system adopts the early publication or open-to-public-inspection (OPI) system and the publication

for opposition system. These systems, however, cannot well coexist with the CIP application system. To be more specific, a new-matter-added application would be refused in the light of its prior application, if the prior application had already been laid open before the filing date of the CIP application. Furthermore, adding new matter after the publication for opposition would be against the current requirements which restrict amendments after such publication.

The introduction of the provisional specification system is also not practical, as it would require an essential reform of the Japanese patent system in order to distinguish between a normal application and a provisional specification application.

Consequently, the determination was made that an internal priority system -- akin to application of the priority system under the Paris Convention to national applications -- would be the most preferable, from the standpoint of conformity with the current system. The internal priority system has been adopted in the area of the EPC, and in other European nations where systems similar to the early publication (OPI) system and to publication for opposition exist.

In short, the Japanese internal priority system is a shift of the priority system under the Paris Convention from the international arena to the domestic arena. The formal requirements are thus similar. However, the internal priority system features the provision of broad protection of an invention which incorporates improvements and additions depending upon a basic application. This is a substantial difference from the usual Paris Convention priority system.

III. DETAILS

A. Claim of Priority Right

(1) An application for patent or utility model, so long as it is pending in the Patent Office, gives rise to a priority right for all matters which it contains, for the period of one year from its filing date. However, if there are several applications disclosing the same subject matter, only the earliest such application can be used as a basis for claiming a right of priority. (Patent Law Art. 42^{bis}-1; Utility Model Law Art. 7^{bis}-1)

(2) A utility model application can be filed claiming the internal priority of a prior patent application. Likewise, a patent application can be filed claiming the internal priority of a prior utility model application.

(3) A PCT application which is based on (claims the Convention priority of) a Japanese patent (or utility model) application, and which designates Japan, can enjoy the benefit of the right of internal priority, so far as Japan is concerned.

(4) The later application may include matter which is not disclosed in the prior application. The claiming of two or more internal priorities is acceptable. The claiming of internal priority in combination with the claiming of convention priority under the Paris Convention is also acceptable. Generally, the scope of the priority right in any of these cases extends only to the subject matter disclosed in the prior application(s) of which internal or Paris Convention priority is claimed.

(5) Two or more later applications can rely on one prior

application for priority right.

(6) If a later application claims the internal priority of a prior application, any divisional application from the later application or any conversion thereof to or from utility model application can likewise enjoy the benefit of the same internal priority.

(7) A later application disclosing the same subject matter as that included in a prior application is not entitled to be a basis for the claiming of any further internal priority right, insofar as that subject matter is concerned. However, other matter in the later application which is not disclosed in the prior application can constitute a basis for claiming of internal priority by a subsequent application.

(8) If an application is filed in Japan claiming the Paris Convention priority right of a foreign application, only those matters in the Japanese application not disclosed in the foreign application can serve as a basis for the claiming of any subsequent internal priority right.

(9) Later applications claiming the internal priority right of a prior application are not affected by the progress of the prior application subsequent to its filing and to the priority claim - in particular, by whether it remains pending or is withdrawn.

(10) A claim by a later application of the internal priority right of a prior application can be withdrawn at any time during the period of fifteen (15) months from the filing date of the prior application.

(11) The entity entitled to claim the priority right of the prior application is the one having title to obtain

patent therefor. Common inventorship for the prior application and the later application(s) is not required.

(12) The applicant desiring to declare a priority claim must, simultaneously with the later application, submit a document to that effect to the director-general of the Patent Office, identifying the prior application. (Patent Law Art. 42^{bis}-4; Utility Model Law Art. 7^{bis}-4) No submission of any priority document is required. Priority-claiming applications and the withdrawal of a claimed priority right must be accompanied by a power of attorney to those effects.

B. Effect

B-1 Fundamental Effect

The effect of claiming the internal priority of a Japanese application is very similar to that of claiming priority under the Paris Convention. As far as the subject matter disclosed in the prior application is concerned, the later application(s) claiming the priority of the prior application cannot be adversely affected by any acts accomplished by a third party, or by any publication or exploitation of the invention occurring, after the filing date of the prior application. Thus, use by a third party of the invention before the filing date of the later application cannot give rise to any third party right unless said use precedes the filing date of the prior application. The later application, having the effective filing date of the prior application, will be examined or reviewed according to the statutory criteria.

The criteria according to the Patent Law Arts. 42^{bis}-2 and 42^{bis}-3 and the Utility Model Law Arts. 7^{bis}-2 and 7^{bis}-3

can be classified into the following four groups:

(1) For patentability of the later priority-claiming application:

Novelty (Patent Law Arts. 29-1 and 29bis-1; Utility Model Law Arts. 3-1 and 3bis-1)

Inventive Step (Patent Law Art. 29-2; Utility Model Law Art. 3-2)

"First-to-File" Rule (Patent Law Arts. 39-1 to 39-4; Utility Model Law Arts. 7-1 to 7-3)

Exception to Lack of Novelty of Invention (Patent Law Arts. 30-1 to 30-3; Utility Model Law Art. 9-1)

Period of Exclusion for Appeal for Patent Invalidation (Patent Law Art. 124; Utility Model Law Art. 38)

Appeal for Correction (Patent Law Art. 126-3; Utility Model Law Art. 39-3)

(2) For the possible effect of the later priority-claiming application against a third party's application:

The later priority-claiming application, upon laying open or upon publication for opposition, can be cited as a reason for the rejection of a third party's application which was filed after the filing date of the prior application and before the filing date of the later application. (Patent Law Art. 29bis-1; Utility Model Law Art. 3bis-1) On the other hand, as far as claim interference is concerned, the earlier application can be cited against later-filed third party applications irrespective of whether or not the prior

application has been laid open or published for oppostion. (Patent Law Art. 39; Utility Model Law Art. 7)

(3) For the effect of granted inventions:

- Limits of Patent Right (Patent Law Art. 69bis-(ii); Utility Model Law Art. 26)

- Relationship of Another's Invention, etc. (Patent Law Art. 72; Utility Model Law Art. 17; Design Patent Law Art. 26)

- Presumption of Manufacture by Patented Process (Patent Law Art. 104)

(4) For prior use rights and statutory non-exclusive licences:

- Non-Exclusive Licence by Virtue of Prior Use (Patent Law Art. 79; Utility Model Law Art. 26)

- Non-Exclusive Licence after Expiration of the Design Right (Patent Law Arts. 81 and 82-1; Utility Model Law Art. 26; Design Patent Law Arts. 31-2 and 32-2)

B-2 Influence of the Later Priority-Claiming Application on the Prior Application

(1) Withdrawal of the Prior Application

When the internal priority of a prior application is duly claimed by a later application, the priority-generating prior application is considered as withdrawn after 15 months from its filing date. The internal priority system is particularly distinguished from the Paris Convention system and the CIP application system in this respect. The internal priority system is intended to permit a broader scope of

protection for covering not only the basic invention but also its improvements. After being superseded by the later priority-claiming application, the prior application is deemed to be withdrawn, and thereby its publication is avoided.

(2) Withdrawal of the Priority Claim

The applicant may withdraw a claim of internal priority within 15 months from the filing date of the priority-generating prior application. As stated above, the prior application becomes withdrawn in the case that its priority is claimed. In order to avoid inadvertent withdrawal of an application due to claiming its priority by mistake, a safeguard interval of three months is allowed after the expiration of the one-year priority period. Under the new system, the prior application will continue to be in force if all priority claims for later applications based upon that prior application are withdrawn within the legal period of 15 months after the filing date of the prior application. In this case, of course, withdrawal of the prior application will not occur.

B-3 Applicable Date

When an application claiming an internal priority is filed, the date for its laying open publication and the time period within which amendments to it are allowed will be determined on the basis of the filing date of the priority-generating prior application, or on the basis of the filing date of the earliest such prior application, in the case of claiming of multiple priorities. (Patent Law Arts. 17 and 17-2) There is no difference in this respect from the case of an application in Japan claiming Paris Convention priority.

For duration, and for the statutory periods for filing a request for examination and for conversion to or from a utility model application, the effective date is the actual filing date of the later application, i.e. of the application which claims the internal priority of the prior application.

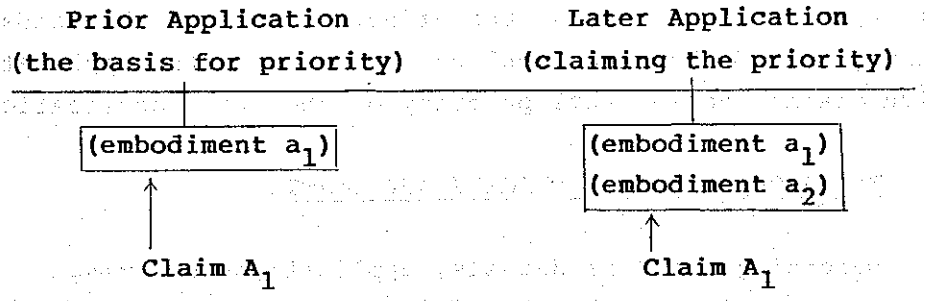
IV. TYPES OF PRIORITY-CLAIMING APPLICATION

Depending upon the details, applications claiming internal priority can be classified into four types: supplementation of embodiments, presentation of a higher concept, consolidation of several applications, and others.

1) Supplementation of Embodiments

When an inventive concept is initially formulated, an initial application may be filed detailing only primary embodiments. Later, it may be desirable to supplement further embodiments, and possibly experimental results. See Fig. 1. In a case where the scope of claim in the initial application is broad and is not fully supported by the embodiments given in the specification, it is likely that, if the examination of this initial application were allowed to progress, the scope of claim might be undesirably restricted to one fully supported by the initially presented embodiments. Thus, the supplementation of further embodiments in a later application claiming internal priority of the prior application would be effective for obtaining a broader scope of claim than would otherwise be obtained.

Fig. 1



2) Presentation of Higher Concept

There are two types of later application claiming internal priority in this category: the developing of the concept of one prior application (see Fig. 2), and the enlarging of the concept of several prior applications (see Fig. 3). The first type is useful when a new and broader concept, or a higher concept, comes to light after the filing of the prior application. In the case of the latter type, several applications for related species inventions are initially filed, and they are later replaced by a single application of broader scope for the generic concept.

Fig. 2

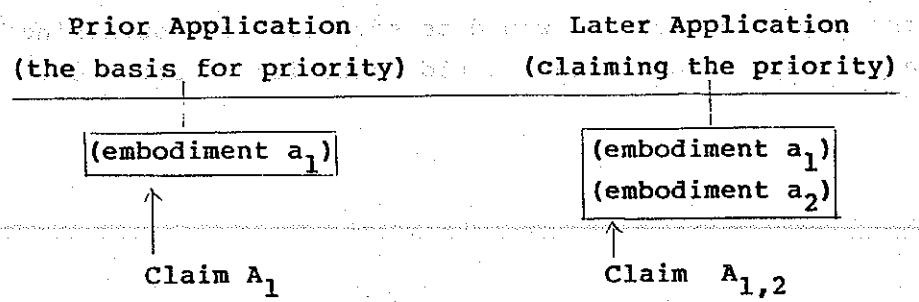
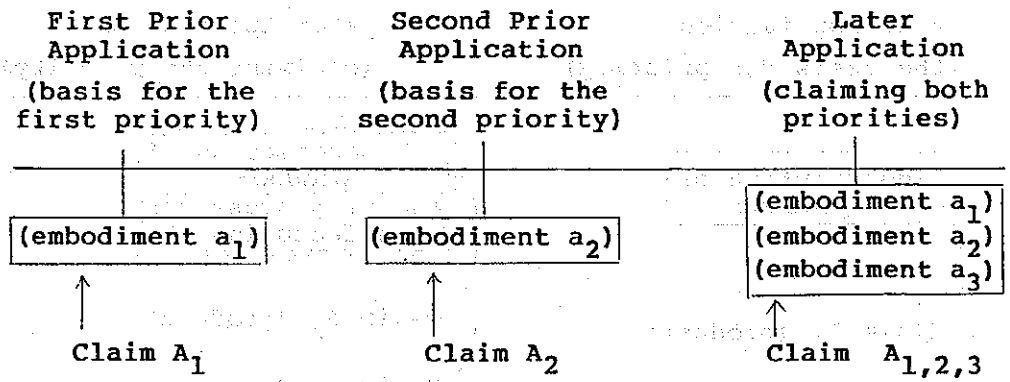


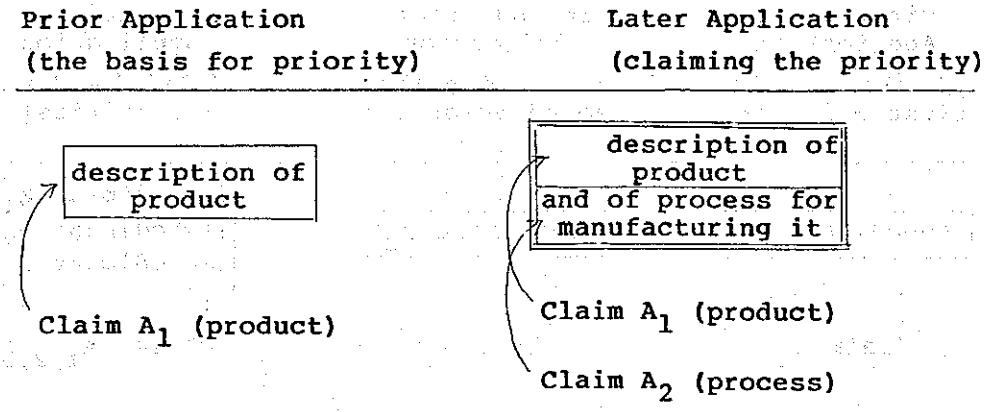
Fig. 3



3) Consolidated Combined Application

A consolidated application is useful in the case when a later application is contemplated for an invention which, although different from the invention of a prior application, has a specific relationship therewith of one of the types set forth in Art. 38 of the Patent Law. More specifically, if one of the applications is for a process of manufacturing a product which was claimed in the other application, or if one of the applications is for a machine, instrument, piece of equipment, or other device used directly in a process claimed in the other application, or if one of the applications is for an invention having the whole or the substantial portion of the invention of the other application as its substantial portion, then it is useful for the later application to constitute a combined application for both inventions, and to claim the internal priority of and thus to supersede the prior application. Fig. 4 shows an example of this.

Fig. 4



4) Other

In the situation when a doubt arises as to whether the description and the drawings of an initial application are sufficient for those skilled in the art to practice the invention, and when it is considered likely that a corrective amendment would be rejected on the grounds that it would change the gist of the invention, a later application with supplemented subject matter can be filed claiming the internal priority of the prior initial application. If the Examiner allows the benefit of the claimed priority, the filing date of the prior application will be lawfully applicable to the later application.

In a similar situation, if errors are found in an initial application and is considered likely that a corrective amendment would be rejected on the grounds that it would change the gist of the invention, a later application with the proper amendments can be filed claiming the internal priority of the prior initial application. Again, if the claimed priority is allowed, the later application will have as its effective filing date the filing date of the prior

application.

In this connection, the previous Arts. 53-4 to 53-6 of the Patent Law have been rescinded, and the system to allow, after the rejection of an amendment to an application, the back-dating of a new application for the invention with the amendment incorporated to the date the amendment was first submitted, has been abolished.

V. POSSIBLE IMPACT

Now, the possible impact of the new system will be discussed.

A. The internal priority system aims at solving outstanding issues in connection with the Patent Law, and it offers measures to acquire broad and extensive protection for inventions. Under the current first-to-file system, applications for new developments and improvements are filed one after another as the relevant technology advances. In these circumstances, the new internal priority system will prove to be significant.

The new system also allows the adoption of a more organized general patent strategy, and it is considered likely that this will influence the future course of research and development for technological innovation.

B. The new system will allow Japanese nationals and residents to file Japanese applications incorporating developments and improvements, claiming one or more priorities in a similar manner to Paris Convention priority claims. This will assure such applicants of the opportunity to acquire a patent of the same scope as that of a convention application under the Paris Convention.

C. The new system will permit a Japan-designating PCT application in which the priority of a prior Japanese application is claimed. It is believed that this will result in an increase in the number of PCT applications filed by Japanese applicants.

D. Related applications can be replaced by a single application filed later. This replacement will reduce the burden of file management and the financial expenditure for requests for examination.

It is true, however, that preparation of priority-claiming applications will increase the burden on the applicant. The applicant's responsibility is particularly increased because, if a later priority-claiming application fails to cover some of the matter which was disclosed in the prior application, the prior application (being deemed as withdrawn) will not be available later to defend such matter against another party's application.

E. The later priority-claiming application, with a well drafted specification made at leisure, when published, will be a worthy source of technological information. This will facilitate patent searches, and also examination.

F. A priority-claiming application may take somewhat longer for examination. However, due to a possible reduction in the total number of applications for which requests for examination are filed, the overall time period elapsing from the filing date to the end of examination may in fact be somewhat reduced.

But some people foresee that the overall number of examined applications will not decrease substantially, due to an increase in the number of divisional applications. It is thought to be likely that, when a later priority-claiming

application with broad claims is found not to meet the requirements for patentability and is rejected, the applicant will seek patents for more restricted claims by filing one or more divisional applications. This argument seems fairly convincing, because the new internal priority system will be used in Japan for relatively important inventions. The applicant will naturally prosecute his application as diligently as possible, and in the worst case will revert to filing divisional applications.

G. Determination of the benefit of the priority claim will be made by the Examiner if required by the publication dates of the citations. When the date of a citation falls between the filing date of the priority-originating prior application and the filing date of the later priority-claiming application, then the Examiner will consider whether the claimed priority right is admissible or not. In this situation, it is hoped that the Examiner will discuss in the Office Action the merits of the inventive step of each claim as against the citation.

If nothing is cited by the Examiner, then the priority-claiming later application will be granted without the consideration, by the Examiner, of the benefit of priority right. Of course, a third party may at a later stage raise the question as to the benefit of priority right.

H. The internal priority system permits different priority dates for the various claims of a single application. However, in the case of an appeal for patent invalidation, the invalidation of a claim will render all claims dependent upon that claim invalid - this feature of the present system remains unchanged.

In conclusion, the introduction of the internal priority system is significant. It will give a chance to the

applicant to acquire extensive patent protection for the results of rapidly growing R&D activities. It is considered, therefore, that the number of Japanese internal priority applications will become comparable to the number of U.S. applications filed by Japanese applicants, when the system has reached maturity.

Reference:

"Report on Law Modification in accordance with the Reform of the Patent Cooperation Treaty (PCT), and on the New System to Promote the Use of the PCT" (in Japanese) of the Industrial Property Council, November 29, 1984.

APPENDIX. COMPARISON OF PRIORITY SYSTEMS

	Japan	U.S.A. (CIP)	Priority Right under Paris Convention
1. Prior Application	Patent Utility Model PCT	Patent PCT	Applications in member countries (Patent, Utility Model, PCT, EPC)
2. Priority period	1 year	Any time while the prior application is pending	12 months
3. Later application	Patent Utility Model PCT	Patent PCT	Applications in member countries (Patent, Utility Model, PCT, EPC)
4. Inventor(s) of prior application and later application	No regulation	Same inventor(s)	No regulation
5. Requirements of the prior application for priority	-Must be pending -Must be first application	-Must be pending -CIP of CIP is available	-Must be due application -Must be first application
6. Multiple claims of the same priority	Available	Available	Available
7. Withdrawal of priority claim	Available (prior application survives if priority claim is withdrawn within 15 months from the prior application's filing date)	Seems possible	No provisions

(Continued)

	Japan	U.S.A. (CIP)	Priority Right under Paris Convention
8. Effect of Priority claim	Benefit of priority right	A sort of benefit of priority right	Benefit of priority right
9. Influence on prior application	-prior application considered becoming withdrawn after 15 months from its filing date	None	None
10. Claiming of Multiple priorities/ Partial priority	Available	Available	Available
11. Combination with priority under Paris Convention	Available	Available	--
12. Procedures	Claiming priority and identifying prior application	Claiming priority and identifying prior application	Procedures as provided for in Art. 4D of Paris Convention

U.S. CIP PRACTICE: A FLEXIBLE MEANS TO PERFECT YOUR PRIORITY CASE

ABSTRACT

Continuation-in-part (CIP) applications in the United States Patent and Trademark Office (PTO) provide an excellent vehicle to perfect a priority application prior to international filing. Recent changes in U.S. law have made the practice even more attractive, since filing dates are more easily obtained, and applications may be more easily combined. Care should be exercised in filing CIP applications in response to PTO rejections. CIP practice, when used in connection with the Patent Cooperation Treaty, can lead to more uniform worldwide patent protection.

Lawrence T. Welch
The Upjohn Company

U.S. CIP PRACTICE: A FLEXIBLE MEANS TO PERFECT YOUR PRIORITY CASE

INTRODUCTION

The United States' practice of allowing continuation-in-part (CIP) applications, which has no precise counterpart in Japanese or major European patent systems[1], has always provided a good vehicle for U.S. practitioners to perfect their priority application prior to international filing under the Paris Convention. However, recent statutory[2] and regulatory changes[3] in U.S. patent law and procedures have greatly expanded the usefulness of this practice. Because of the changes in U.S. law, it is now possible for U.S. patent practitioners to:

(1) Obtain a filing date without paying a significant fee or obtaining an oath or declaration of the inventor;

(2) Claim the benefit of a previously filed application having a different inventive entity, as long as at least one inventor is common to each application; and

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[1] In Japan it is apparently possible to file additional applications on novel, related, potentially "obvious" (i.e., lacking an inventive step) subject matter prior to the publication date of a first application, thereby avoiding any prior art effects from one's own prior work. This would include that of coworkers of the same assignee. However, these applications are generally not combined as in a CIP.

[2] These changes include 35 USC 103, 116, and 120 and were the result of Public Law 98-622, The Patent Law Amendments Act of 1984.

[3] These include 37 CFR 1.53(b) and 37 CFR 1.21(l), as well as the regulatory changes carrying out the amendments to 35 USC 103, 116, and 120.

(3) Combine the work of several inventors working in related areas in one application which can be prosecuted in the U.S. and internationally.

The present paper will focus on the use of CIP practice in view of the recent changes in U.S. patent law. An illustration of how a patent department of a U.S. corporation might make use of these procedures will be given. Finally, some caveats regarding the legal significance of CIP practice and new matter rejections will be set forth.

CIP PRACTICE DEFINED

The U.S. Patent and Trademark Office (PTO) defines a continuation-in-part as a second application filed during pendency of an earlier application and "repeating some substantial portion or all of the earlier application and adding matter not disclosed in" the earlier application.[4] The statutory basis for continuation-in-part applications is 35 USC 120.[5] Previously, the requirements were that

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[4] Manual of Patent Examining Procedure, § 201.08 (5th ed. 1983).

[5] The current text of 35 USC 120 reads as follows:

§120. Benefit of earlier filing date in the United States

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States, or as provided by section 363 of this title, which is filed by an inventor or inventors named in the previously filed application, shall have the same effect, as to such invention, as through filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference ot the earlier filed application.

(1) the continuation-in-part (CIP) application be filed while the previous application is still pending,[6] and

(2) the inventive entity of the previous application be the same as the CIP.[7]

Now, the application need only be filed by an "inventor or inventors" named in the previous application.[8]

Traditionally, CIP practice has been used by patentees when new research uncovers significant improvements in the invention, which might broaden the scope of embodiments claimed. Often, these CIP's were filed more than a year after the original U.S. filing. CIP's filed in this instance

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[6] Reference to the previous application needs to be set forth in the CIP. A later amendment for this purpose is acceptable. See 35 USC 120, supra. Further, the courts have allowed liberal correction of failure to cite all prior applications through reissue. See, Sampson v. Comr. of Patents, 195 USPQ 136 (D.D.C. 1976).

[7] This requirement derived from the language of §120 prior to the last amendment which stated that the previous application needed to be filed "by the same inventor." Correction of errors in designating inventorship in a CIP can relate back to the parent, however, see, e.g., In re Schmidt, 293 F.2d 274, 130 USPQ 404 (CCPA 1961).

[8] See, 35 USC 120 supra, and 37 CFR 1.78(a).

would not, of course, be useful as a priority application for international filing under the Paris Convention.

However, as the pace of technological advances quickens, and international competition in high technology industries becomes more intense, the need for an early patent application filing date becomes more important.

While the U.S. patent system awards patents to the first person to invent, the important patent systems of Japan and Europe award patents to the first to file. Therefore, for multinational companies, it must be considered a "first-to-file world," since few companies can afford the research and development expense necessary to bring a product to market, if they only have the right to market it in the United States.

In light of these developments, the U.S. continuation-in-part practice becomes more important as a tool to obtain an early priority date, and perfect the priority application prior to international filing.

OBTAINING A FILING DATE FOR $100.00.

Under traditional CIP practice, a complete U.S. application needed to be filed in each instance. This included a declaration or oath and a filing fee. Now, under 37 CFR 1.53(b),[9] it is possible to obtain a

[9] 37 CFR 1.53(b) reads as follows:

(b) The filing date of an application for patent is the date on which: (1) A specification containing a description pursuant to §1.71 and at least one claim pursuant to §1.75; and (2) Any drawing required by §1.81(a) are filed in the Patent and Trademark Office in the name of

filing date for a U.S. application on the filing of an application including at least one claim. The filing fee and oath or declaration can be filed at a later date, or a CIP application can be filed claiming the benefit of the prior application. As long as the retention fee of $100.00 is paid,[10] the benefit of the filing date of the prior application is thereby obtained.[11]

The advantages of obtaining a filing date in this manner are apparent. When at least one operative embodiment of the invention is developed, a patent application can be quickly filed with the U.S. Patent and Trademark Office (PTO) without perhaps exploring all of the parameters of the invention. After further research and development, a CIP application can be filed, claiming the benefit of the first case, with an oath or declaration and filing fee. The retention fee could be paid for the previous application and, in this manner, an early U.S. filing date, which could be claimed in the subsequent international convention application, is thereby obtained.

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the actual inventor or inventors as required by §1.41. No new matter may be introduced into an application after its filing date (§1.118).

[10] See 37 CFR 1.21(l) A recent proposal to raise this fee was dropped by the U.S. Patent and Trademark Office (PTO) after objections by the Patent Bar.

[11] A succession of cases may be filed without fee or oath or declaration in this manner, as long as the retention fee for each is paid and a filing fee and oath or declaration is ultimately filed in a CIP application claiming their benefit.

Consistent with their first-to-file systems, patent practitioners in Japan and Europe have long had a philosophy of early filing, although potential problems do exist. For example, if the early priority application in Japan is published prior to the second filing, prior art obviousness or inventive step-type problems may be created. In Europe, there is the possibility that the applicant's own prior patent application can be used as inventive step-type prior art against the later application even if the prior application has not yet been published.

Generally, under the U.S. practice described above, the prior application would be abandoned.[12] Because of a change to 35 USC 103, if the inventive entity is the same, or if all of the inventors had the same assignee, the previous application would have no prior art effect.

COMBINING APPLICATIONS FOR MAXIMUM ADVANTAGE

It has been a fairly common practice for U.S. patent practitioners to combine the work of two or more inventors working on related subject matter which is filed in separate U.S. applications into a single application for Japanese and European filing. This is possible because the applicant in Japan and Europe can be the corporate assignee of the inventors. However, U.S. practitioners were then forced to prosecute U.S. and international applications which differed greatly.

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[12] Note that if the earlier application issues as a patent, it becomes prior art under 35 USC 102(e).

Now, under recent statutory changes to 35 USC 116[13] and 35 USC 120, it is now possible to combine the work of several inventors in one application, even in the U.S. Further, it would be possible to file these applications together in the first instance. A change in U.S. law also partially overcomes a uniquely U.S. problem sometimes referred to as "secret prior art." Under In re Bass[14] the work of an inventor's co-worker, which is not generally available to those of ordinary skill in the art, might nonetheless be used to render the claimed invention obvious. The recent amendment to 35 USC 103 added the following regarding the prior art effect of the work of coworkers:

> Subject matter developed by another person, which qualifies as prior art only under subsection (f) or (g) of section 102 of this title, shall not preclude patentability under this section where the subject matter and the claimed invention were, at the time the invention was made, owned by the same person or subject to an obligation of assignment to the same person.

While this overcomes the secret prior art problem regarding co-workers, it does nothing about the prior art which might be generated through consulting arrangements with universities and the like, since persons working for different institutions would not be under a common obligation

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[13] The salient portion of 35 USC 116 as amended reads as follows: When an invention is made by two or more persons jointly, they shall apply for patent jointly and each make the required oath, except as otherwise provided in this title. Inventors may apply for a patent jointly even though (1) they did not physically work together or at the same time, (2) each did not make the same type or amount of contribution, or (3) each did not make a contribution to the subject matter of every claim of the patent.

[14] See 474 F.2d 1276, 177 USPQ 178 (CCPA 1973).

to assign to the same corporate assignee. A number of other questions are raised by this statutory change, which are beyond the scope of the present paper.[15] In any event, the effect of all these statutory changes will be that U.S. practitioners will be combining subject matter much more frequently.

Clearly, then, the effect of the legislative changes will mean that patent applications in the U.S. will become more complex, and more likely to have joint inventive entities. It will become more and more common for international counterparts of originally filed U.S. patent applications to claim the benefit of several prior applications. While the number of applications filed in the U.S. may increase, due to successive filings, the number of applications passing to issue may actually decrease. Certainly, the complexity of these applications, with multiple priorities having diverse inventive entities, will increase.

CIP PRACTICE IN THE CORPORATE SETTING

Typically, in a research based company, development of new products may proceed along the following lines. The following example will use the pharmaceutical industry for illustration purposes, but the principles set forth would apply to most other industries as well.

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[15] See, e.g., Wegner, "Group Inventions As Joint Inventions Under 35 USC §116 and §120 of the New 1984 Law," a Plenary speech to the Spring 1985 Meeting of the American Intellectual Property Law Association, reproduced in AIPLA Selected Legal Publications (1985).

A scientist (A) employed for the drug company discovers that a chemically modified version of a naturally occurring product prevents a particular disease syndrome in an animal system. While this compound was previously known, this use was not. Other scientists (B and C) employed by the same company examine the biologically modified product and begin synthesizing more stable analogs of this compound. These stable analogs are novel compounds, never having been previously disclosed. Other scientists (D and E) at that company discover that certain pharmacological carriers are particularly appropriate for these kinds of compounds. Finally, one compound and a particular carrier is chosen as a product candidate for the company.

Under previous U.S. practice, three or more separate patent applications would need to be filed, with each separate inventive entity: A's application on the new use of known compounds; B and C's application on the chemically modified versions thereof; and D and E's application on the novel formulations of these compounds. Under the practice described above, a better approach might be that an application be filed on the new use of the known compound immediately, and as further novel chemical embodiments are found, new applications are filed. Finally, an application might be filed on the new formulation. If this activity takes place within a year,[16] all of these applications might be filed in a

[16] Those familiar with the pharmaceutical industry understand that in most cases, the research program described in this theoretical example would take place over several years. However, so much of this program as was completed in a year could be filed in one case. In a year's time, several patentable

single continuation-in-part application, naming inventors A-E, which might then be used for international filing under the Paris Convention.[17]

THE USE OF CIP APPLICATIONS TO OVERCOME NEW MATTER REJECTIONS: A CAVEAT

In Pennwalt Corp. v. Akzona,[18] the Court of Appeals for the Federal Circuit held that the filing of a continuation-in-part application in response to a rejection under 35 USC 112 that the proposed amendment represented was not supported by the disclosure was an admission that the previous application did not fulfill the obligation of 35 USC 112 with regard to the new claims as of the initial filing date. This acquiescence barred the patentee from later arguing during litigation that the new claims were entitled to their initial filing date. In a subsequent decision of the Court of Appeals for the Federal Circuit, State Industries, Inc. v. A.O. Smith Corp.,[19] the Court made clear that the filing of a CIP creates no presumption that the prior application was insufficient under 35 USC 112 where the filing is not in response to a PTO rejection.

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developments would likely be generated in relation to one project.

[17] The last CIP application could be filed under the Patent Cooperation Treaty (PCT) and thus the U.S. and international filing is completed with one application. See PCT Rule 4.14.

[18] 740 F.2d 1573, 222 USPQ 833 (Fed. Cir. 1984).

[19] 751 F.2d 1226, 224 USPQ 418 (Fed. Cir. 1985).

Therefore, the prosecution history of the parent application must be carefully analyzed before a CIP is filed. Under the practice suggested above for perfecting priority applications, this will seldom become a problem, since a first office action will not have been received.

CONCLUSION

U.S. CIP practice, particularly in view of the recent statutory and regulatory changes, represents a significant aid for U.S. companies seeking to remain competitive in the international high technology fields. In a first to file world, continuation-in-part practice, when used effectively, brings the U.S. in line with patent practitioners in Europe and Japan. By using these combination applications for international filing, and employing the Patent Cooperation Treaty and/or the European Patent Convention, more uniform international patent protection is obtained.

Current Situation of Legal Protection for Computer Programs in Japan

Japanese Group, Committee No. 1
Yutaka Yaguchi (Toshiba Corporation)

1. Introduction

At PIPA's general meeting of last year, the Japanese members presented a paper titled "Current Situation of Legal Protection of Computer Program in Japan" and reported on the two approaches to legal protection that were developing in Japan at the time. One was a proposal by the Ministry of International Trade and Industry (MITI) and the other by the Agency for Cultural Affairs. MITI's proposal for establishing a Program Rights Act as a separate legislation was built on the argument that, because of its uniqueness, computer programs no longer could be adequately protected by the framework of existing law. The view of the Agency for Cultural Affairs was that a partial amendment of the Copyright Law would suffice. This suggests that although systematic protection through the Patent Law was in the process of being established at the time, protection of computer programs per se in Japan was still in a "state of flux".

This report will look at how the situation changed since the last general meeting of PIPA from two aspects; one, legislative developments and two, developments in legal judgements or decisions.

2. Legislative Developments

Since early 1985, some sensational developments in U.S. have been reported in Japanese newspapers. The first was the International Computer Software Protection Act of 1985 introduced by Senator Frank Lautenberg. As you may know, this proposed legislation included two major points, one of which was that U.S. will not extend protection under its Copyright Law to countries that do not have copyright protection for software. This created a great deal of interest in Japan.

Secondly, in their evaluation of the competitiveness of the U.S. software industry which was published in December of 1984, the U.S. Department of Commerce argued that the lack of software protection constituted a trade barrier warranting some rataliatory measures.

In addition, there were many detailed reports on the interaction between the Department of Commerce and MITI indicating that software protection was considered to be one of the most urgent issues involved in U.S.-Japan trade frictions.

On the other hand, many participating countries indicated their view at the joint conference of WIPO and UNESCO held at the end of February of this year, that computer programs should be protected under the Copyright Law for the time being.

Under these circumstances, on March 16, 1985, MITI and the Ministry of Education agreed to partially amend the Copyright Law incorporating MITI's proposals in the amendments as much as possible. The Ministry of Education and the Agency for Cultural Affairs, in accordance with

the agreement, expedited the drafting of the proposed amendments which were introduced to the Diet on April 11 following the cabinet decision. This legislation passed the House of Representatives on May 23 and the House of Councillors on June 7, 1985. The law was publicly promulgated on June 14 and will take effect as of January 1, 1986.

3. Outline of the Bill for Partial Amendments to the Copyright Law (Law No. 62)

This proposed legislation has as its aim clarification of the protection for program works under the Copyright Law, and the revision of regulations in line with the specific requirements of computer programs. The changes include the following aspects.

(1) Clarification of Program Protection

Addition of Article 2, Paragraph I, 10-2. A program is defined as "an expression of combined instructions given to a computer so as to make it function and obtain a certain result."

Article 10, Paragraph I. "Program works" is added to the list of various works. At the same time, it limits the extent of protection to "program works" by stating that "it will not extend to any programming language, rule or algorithm used for making such works."

The definition of the above mentioned "program" is to be similar to that of Article 101 in the U.S. Copyright Law. However, giving an express provision to excluded items makes clearer the extent of program protection.

(2) Revision of the Regulation for Works Made in the Course of One's Duties

Article 15 - As a definition of authorship, our Copyrihgt Law has so far required, in addition to the "works made in the course of one's duties" as stipulated in the U.S. Copyright Law, a condition that it "be made public under the name of some legal person, etc., as the author". However, in this amendment, "except a program work" is added and therefore excluded from the said regulation, thus corresponding to the requirements used in the program industry at the time of official publication.

(3) Changes to the Right of Preserving the Integrity

Article 20, Paragraph II is added. Of the Moral Rights stipulated in our Copyright Law, the provisions concerning the right to preserve the integrity have always been criticized as being inappropriate for works such as computer programs which require constant modificatiions. The new amendment, taking this criticism into consideration, excludes "necessary modification" such as improvements in the program from the object of the preservation of integrity provision.

(4) Changes to the Right to Reproduce by the Owner of a Copy of Program Works

Article 47-2 is added. It is here stipulated that "the owner of a copy of a program work can make copies or adaptations of the work if and to the extent deemed necessary for the use of that particular program." This limits the copyright from the point of

securing fair utilization of the program. This corresponds to the Article 117 of the U.S. Copyright Law.

(5) Regulation for the Use of Program Works

Article 113, Paragraph II is added. WIPO's Model Provisions and MITI's Program Rights Act both acknowledged the right to use program works as an independent right to the same extent that making copies was regarded as a right. However, in these amendments, this right is not included.

However, by adding the provision that "an act of using (a copied program work) in a computer, in the conduct of business, shall be considered to constitute an infringement on that copyright so long as a person using such a copy is aware of such infringement at the time when he has acquired title to use this copy," it claims that the Copyright Law covers usage of program works under certain conditions.

(6) Registration of the Data of Creation

Article 76-2 is added that "the author of a program work may have the date of creation of his program work registered within a period of six months following the creation of that work." And it aims to protect the authors by presuming that the registration date is the date on which the work was created.

Article 78-2 is added stating that "other than those provided for in this Section, matters relating to the registration of program works shall be provided for by another law," thus leaving the details of registration undealt with in these amendments.

(7) Effective Date

As I indicated earlier, these amendments are to become effective January 1 of 1986, except for regulations relating to registration which however will not become effective until the above mentioned "another law" becomes effective.

I have listed above the revisions included in the proposed amendments. As you can see, some items discussed in MITI's proposed Program Rights Act such as the shortening of the duration of protection and the introduction of an arbitration system are not included in these amendments.

4. Development in Legal Judgements of Decisions

After the report was made last year, there have been two judgements made similar to the one of December 6, 1982, by the Tokyo District Court in the case of Taito vs. ING Enterprises, which is regarded to be a leading case. Although only on a district court level, there is other evidence in addition to the above, that the courts support copyright protection for computer programs. The two judgements I mentioned are; the judgement given by the Tokyo District Court on March 9, 1985 in the case of Namco Corp. vs. TIM Corp. and by the same court on June 10, 1985 in Namco Corp. vs. Arrow Electric Company. In these cases, as in the leading case, the defendants mechanically removed an object program out of the plaintiff's video game machine ROM and put it in their own video game machine and sold them. The court upheld that the source program is covered by copyright, using the rationale that since the object program is a copy of a source

program, copying without the author's permission is an infringement of the copyright of the source program. In addition, these judgements claim that the pictures of video games can be protected as cinematographic works as well.

However, as was pointed out last year, we should pay attention to the fact that the cases involved here are almost without exception straightforward cases of pirating, and also the fact that these rulings are limited to video games and do not address problems for various computer programs being mass produced and sold in the industry.

5. Conclusion

As I have indicated, the protection of computer programs in Japan will be dealt with by the Bill to Partially Amend the Copyright Law. However this bill will not offer definite solutions to all problems. When we look at the issue of protection, I recognize two points that will greatly affect the development of the software industry.

(1) Duration of Copyright Protection

Based on the Berne Convention, the duration stipulated in the new bill is fifty years following the death of the author or the making public of the work. However a long duration such as this gives too much protection for the authors and will inhibit the development and distribution of software, thus causing grave consequences for the future of the computer software industry.

Therefore, the term of protection for program works should be decided separately from other works, considering the balance of interest between the authors and the users. For example, in France, it is reported that the duration stipulated in the Copyright Law for computer software has been shortened to 25 years effective as of January 1, 1986.

(2) Procedure for Registration

These amendments stipulate that the details of registration will be dealt with by "another law" which has not been made public yet. But in order to avoid overlapping investment in the same project and to promote the circulation of developmental results, registration accompanied with publication of the outline of a project to the extent it will not jeopardize proprietary information should be required.

Thus the issue of protection for computer programs in Japan saw a certain amount of progress but there are still unanswered aspects. We intend to continuously monitor future developments.

COMMITTEE NO.2

* Panel Discussion: Collaborated R and D Works
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PIPA CONGRESS

OCTOBER, 1985

CHICAGO, ILLINOIS

COLLABORATED R/D WORKS

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Richard B. Megley
FMC Corporation

August 27, 1985
PIPA Committee No. 2
Collaborated R/D Works

Research joint ventures or collaborations, like so many other activities in which U.S. firms become involved, must pass muster under the U.S. antitrust law. Three basic questions must be answered: (1) will the joint venture lessen existing and potential competition between the participants, including competition in research; (2) will unreasonable collateral restraints be imposed on the parties; and (3) will limitations on participation in the venture or access to the results create or abuse market power by the venturers? (i.e. is it an essential facility which need be open to all on nondiscriminatory terms?)

There are, unfortunately, no clear guidelines or precise legal standards by which to judge the answers. A "rule of reason" standard applies to the joint venture itself; see Antitrust Guide Concerning Research Joint Ventures, U.S. Justice Department, November, 1980; National Cooperative Research Act of 1984 (In addition to codifying application of the rule of reason to R&D ventures generally, the 1984 Cooperative Research Act provides for award of actual, rather than multiple, damage if notification of the venture is timely filed with the U.S. Attorney General and the FTC). The facts are all important; U.S. v. Penn Olin Chemical Co., 378 U.S. 158 ('64); Berkey Photo, Inc. v. Eastman Kodak Co., 603 F2d 263 (2nd Cir '79); U.S. v. Automobile Mfs Assoc., 307 FS 617 (CD. Cal '69).

The structure of the market (is it concentrated or populated by a small number of firms); the size and posture of the participants (are they dominant; competitors); the nature of the research; (is it developmental or applied rather than basic); the justification for the joint effort (would or could the participants undertake the research independently); are there significant entry barriers to the industry; the scope and nature of the joint venture (does it extend to manufacture and marketing or a diverse product mix) - affirmative answers to these questions are a warning sign that the joint venture agreement itself may pose antitrust concerns. Research joint ventures involving U.S. and foreign entities are within the reach of the U.S. antitrust law; see, for example, Antitrust Guide For International Operations, March 1, 1977 Revision - particularly case D (while somewhat outdated due to the current level of attention to market economics, the statements of principle of the Guideline remain relevant, except for occasional misconception of patent laws).

While collateral restraints which unreasonably restrain competition may not necessarily rule the research project itself unlawful, they can in themselves be improper; e.g. where the primary purpose is to fix prices or divide markets. Collateral restraints reasonably related to legitimate

joint research are also judged by the "rule of reason", i.e., are they reasonably ancillary to a lawful main objective, limited to the scope and time necessary to achieve the objective, and not part of a scheme to restrain trade.

The important business issues which must be addressed in each research collaboration agreement include the rights of the parties in the fruits of the effort and later improvements suggested by or derived therefrom, the extent of the background or previously developed technology to be exchanged, confidentiality requirements and access to blocking rights owned by the participants which could prevent or block exploitation of the results by other participants. These are normally collateral to the objective and legitimate areas for the imposition of reasonable restraints. They should be clearly resolved in the agreement to neutralize any distinctions in the laws of the States of the participants.

Title or rights in patents and trade secrets are preferrably allocated based on product line considerations or the historical markets of the parties. Distribution of these property rights predicated on the creator's employer is usually ill-advised as this may dampen the free exchange of information necessary for success of the project and sow fertile seeds for future disputes on inventorship. Further, it frequently occurs that but for the disclosure of technical information by one participant, the other participant's employees would not have conceived a critical advance in the art.

Where there is an overlap or commonality in product line and historical or potential market involvement of the participants, the patent and/or trade secret ownership decision is best mitigated by the grant of appropriate license rights to the other participant(s). This is particularly - if not necessarily -so if the participants are leading firms in a given relevant market. Patent ownership is, of course, not the only key; e.g. a patent owner and a non-exclusive, royalty-free licensee having the right to sublicense stand in essentially the same shoes. Thus, a properly structured collaboration agreement should address title to patents, etc., licenses thereunder, access by non-participants, and royalty or other payments in a manner calculated to satisfy the reasonable market interests of the participants and to provide a vehicle for access by non-participants to the extent such is, or becomes, appropriate. Collaboration on future decisions effecting further non-participant licensing should be avoided as should joint ownership of patents.

RBM/jp
A-30,31

Joint Research and Development of New Technology

Japanese Group, Committee No.2
Sub-committee No.3

Toshikazu Yoshikawa, Nissan Motor Co., Ltd.
Minoru Tahara, Fuji Heavy Industries Ltd.
Akikazu Doi, Nippon Kokan K. K.
Iwao Seki, Mitsui Engineering & Shipbuilding Co., Ltd.

Speaker: Katsuhiko Shimizu, Ebara Corporation

Abstract

In joint research and development of new technologies and new materials, it is essential to distribute the load of investment and risk and to complete the desired development in a reasonably short time. Generally, in the present cultural and business climate, it is believed that achievement of fruitful results will be facilitated if the joint development combines an ingenious new technology and/or new material of a U.S. company with a product development or production technology of a Japanese company. Depending upon the form of joint activities such as joint venture, development association and involvement of individual paticipants, many questions should be anticipated as to how the fruits of the joint activities should be utilized. If the fruits are utilized by individual participants, it is a common practice among Japanese companies to agree in advance that the profits should be shared equally by each participant whose actual contribution to the joint effort would not be foreseen. The access to the background technology owned by the other participant must be taken into conideration. Moreover, failure or incompletion of the development that has started will bring about many problems that should be considered and dealt with in advance.

1. Necessity of Joint R & D of New Technology

In order to hold an advantageous position in the market, it is necessary to continue supplying new products which do not follow in the wake of others but employ such new technology, aiming at differentiation from competitive products by the addition of further value, as (1) technology which has not been introduced into market, (2) technology whose commercial success has not been evidenced, and (3) technology which has not been applied to similar products to intended new products.

Meanwhile, the products of machine and automobile industry are composed of a large number of constituent components and parts, hense improvement or development of these complex-technology products requires a large number of new technologies and new materials.

However, it is not practical for complete products manufacturer to rely only on its in-house developed technology for all of constituent components or parts of their product.

Therefore, a joint development with material suppliers or parts makers, etc. is very essential for the manufacturer of complete products.

2. Motive to joint research and development

Usually, what are considered as motive to joint development of new technology are as follows;

(1) Diversification of huge amount of investment and risk:
If trial production, evaluation, and experiment are conducted on a large scale, the influence in case of failure is great.

(2) Decrease in number of development items or shortening of development term as a countermeasure to rapid emergence of newer technology:
In order to survive severe competition, efficient development must be made.

(3) Opening up new avenues of use for high technology and/or new material that has been established on experimetal scale but has not proved on production scale:
What are regarded herein as examples include application of optoelectronics technology, intelligent robotics technology, complexed materials, fine ceramics, and shape memory alloy which have been known to show promising effects, but have not applied in commercial production.

(4) Upgrading in quality, and reduction in cost of products or materials:

What are regarded herein as examples include application of electronic control for enhancement of operability, of fail-safe device for the purpose of the elimination of maintenance and as a countermeasure to product liability, and application of low cost alternative materials.

(5) Research and development of highly complex technology and products:

What are regarded herein as examples include linear motor technology, waste energy recovery technology, and space technology which result from the integration of new individual technologies and materials.

(6) Technology with expectation of great demands and profits:

What are regarded herein as examples include power plant using new energy sources, new types of aircraft, space technology.

In the Japanese machine and automobile industry, up to recent year, research and development emphasis has been placed on improvement and betterment of products to meet needs of customers and on improvement in production technology for quality stabilization and cost reduction. On the other hand, what we recognize as a feature of a research and development in the United States is the research and development of ingenious technology with emphasis placed on original concept.

Therefore, if a joint research and development is conducted which combines ingenious new technology and/or new material, based on original concept by a U.S. company with product development and production technology by a Japanese company, the joint efforts for producing new product making use of such new technology and/or new material will be facilitated presently.

3. How to deal with result

Possession of a result produced in research and development

process, including industrial property, differs in each case of joint research and development. Although it is commonly stipulated that "Invention shall belong to a company which employs the inventor", such rule should not always be applied.

(1) Where a result of a joint research and development is to be used by a joint venture company, adjustment of interests between the participants is relatively easy. In this case, amalgamation of the result of the joint efforts and background technology is inevitable without allowing any of the participant to make use of the result which might incur competition in same business field.

However, this kind of inconvenience arising from such restriction should be defined carefully, because the effect of such resriction varies depending upon business circumstances and/or advent of newer technologies which could not be anticipated at the time of setting up of the joint venture company.

This type of utilization of the fruits of joint efforts is not so popular in Japan.

(2) Where research and development is conducted by a research association (consortium) a problem might arise between a participant which has made much contribution to the research and development and another participant which has made less contribution to the research and development when a result of the research and development is actually utilized. Specifically, it is most likely that only a participant that has a strong marketing power although it has made little contribution to the development would enjoy the result, and thus it is difficult to maintain equity in the utilization of the result.

Therefore, the fruits shall be alloted to each participant taking into account of its contribution to the research and development, by setting reasonable differences between them such as when each participant can start utilization of a result.

(3) Even if a result of development is used individually by the participants, it is necessary to consider contribution made by each participant similarly to the case above.

It is recommended that rough guidelines for determining a basic view among the participants in regard to a manner of enjoying profits be agreed to on the assumption that the participants will make contribution to the development almost alike, because a research and development of new technology might produce a different field of application which is not anticipated at early stage. This is the common practice among Japanese companies.

Such a basic view includes the following factors;

(i) For the purpose of protecting profit of participant, utilization of a result of research and development is not granted to a third party till expiration of a predetermined period. Sale to third party and license thereto are allowed upon expiration of this predetermined period.

(ii) Give the participants different markets where there exist no conflicting business relationship and thus allow them to freely utilize a result in their allotted markets.

4. In connection with above items, we should note the difference between patent law in the United States and it in Japan in dealing with industrial property.

(1) 35 U.S.C. 184 to 186 ... A Person shall file in the United States in respect of an invention made in this country and shall not file in any foreign country prior to six month after filing in the United States except when authorized by a license obtained from the Commisioner.

(2) In Japan, first-to-file principle is employed and thus priority is based on the filing date.

(3) Japanese Patent Law section 73(1) and (2) ... A joint owner of a patent right may not transfer his share and may not grant a license without the consent of all the other joint owners.

(4) Japanese Patent Law section 132(3) ... A trial shall be made jointly by all the joint owners.

5. With regards to utilization of a result, whether each participant may access to technology already owned by the other participant (background technology) must be taken into consideration in many cases, because usually the existence of the background technology owned by the other participant greatly stimulates the participant into a joint research and development agreement, in the expectation that he can utilize a result of the research and development upon receiving grant of license involving the background technology.

Therefore it might be essential to provide for in an agreement a clause that any one of the parties holds a right to receive a license involving the background technology without royalty or at a relatively low royalty. Such license, however, should be limited to utilization of the result of the research and development concerned and prohibit the use for other purpose.

6. What must be considered in the research and development agreement of new technology is the possible termination of a development prior to its completion. Diffuculty exists in judging whether the research and development is completed, and it depends on how to set targets. With the consent of all of the participants, the judgement should be made flexibly reflecting the trend of the market and amount of investment etc.

The following are the most likely causes of early termination and abandonment of joint R&D.

(i) Poor prospect of demands owing to a change in market condition, etc.

(ii) A third party has accomplished the development of the products out of similar technology or is about to do so.

(iii) No prospect of completion of the development itself because of technical deadlock.

(iv) Withdrawal of one of the participants due to a change in management policy or financial crisis, etc.

(v) Failure by one of the participants to carry out the contract, such as default of an obligation.

It is desirable to provide for rights and obligations of the participants in the event any of the these causes of termination arises.

In the case where one of the participants continue development after the termination of the agreement, the following problems must be dissolved;

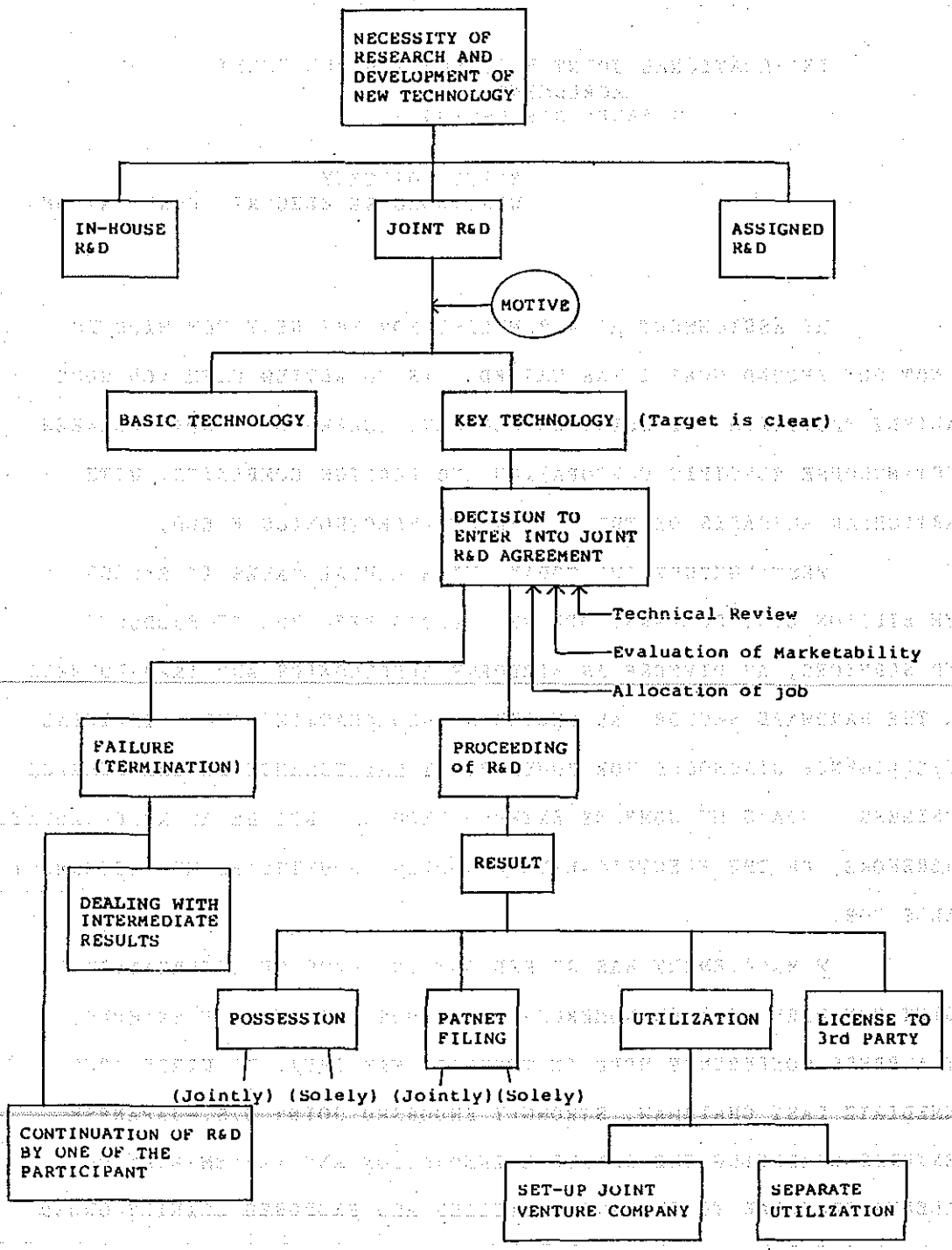
(1) The requirement for secrecy obligation becomes a stumbling block to production and marketing of the products.

(2) Owing to secrecy requirement, it is difficult to cooperate with a third party in continuing the research and development.

(3) Technology and know-how owned by one of the participants are needed in proceeding with the research and development.

Therefore, provisions as how to deal with these situations should be discussed in advance.

JOINT R & D OF NEW TECHNOLOGY



PACIFIC INDUSTRIAL PROPERTY ASSOCIATION
16TH CONGRESS
CHICAGO, ILL. - OCTOBER 1985

INTERNATIONAL JOINT RESEARCH & DEVELOPMENT AGREEMENTS
- A PANEL DISCUSSION -

HEINZ GORETZKY
WESTINGHOUSE ELECTRIC CORPORATION

MY ASSIGNMENT AS A PANELIST FOR THE NEXT TEN MINUTES - NOT ONE SECOND MORE I WAS WARNED - IS TO REVIEW WITH YOU SOME SALIENT PROVISIONS OF JOINT DEVELOPMENT AGREEMENTS (JDA) BETWEEN WESTINGHOUSE ELECTRIC CORPORATION AND FOREIGN COMPANIES, WITH PARTICULAR EMPHASIS ON THE ELECTRICAL-ELECTRONICS FIELD.

WESTINGHOUSE (W) TODAY, WITH ANNUAL SALES IN EXCESS OF TEN BILLION U.S. DOLLARS, OFFERS A BROAD SPECTRUM OF PRODUCTS AND SERVICES, AS DIVERSE AS AIRBORNE ELECTRONICS AND TRANSFORMERS IN THE HARDWARE SECTOR, AS UNLIKE AS BROADCASTING AND ARTIFICIAL INTELLIGENCE DIAGNOSES FOR POWER PLANT MAINTENANCE IN THE SERVICE BUSINESS. JDA'S MY COMPANY ENTERED INTO MAY NOT BE AS REPRESENTATIVE, THEREFORE, OF THE ELECTRICAL-ELECTRONICS INDUSTRY AS MY ASSIGNMENT CALLS FOR.

W MANAGEMENT HAS SPOKEN OUT IN FAVOR OF INTERNATIONAL JOINT VENTURES (JV) ON NUMEROUS OCCASIONS. BY WAY OF EXAMPLE, AT A PRESS CONFERENCE HELD IN TOKYO IN MAY 1981, R. KIRBY, OUR IMMEDIATE PAST CHAIRMAN, STRONGLY ENDORSED JOINT U.S.-JAPANESE VENTURES COMBINING THE SKILLFUL INNOVATION AND IMPLEMENTATION TALENTS PECULIAR TO OUR TWO SOCIETIES AND PROPOSED JOINTLY OWNED

PLANTS ON BOTH SIDES OF THE PACIFIC.[1] TODAY, W IS A PARTY TO JV'S WITH ENTERPRISES IN BOTH ADVANCED COUNTRIES, SUCH AS JAPAN, AND DEVELOPING COUNTRIES, FOR EXAMPLE, THE PEOPLES REPUBLIC OF CHINA (PRC). THESE VENTURES SPAN A BROAD RANGE FROM PRODUCT-UNRELATED RESEARCH PROJECTS AT ONE END OF THE SPECTRUM TO JOINTLY OWNED VENTURE COMPANIES WITH COMPLETE PRODUCT DEVELOPMENT, MANUFACTURING AND MARKETING RESPONSIBILITY AT THE OTHER. LIKE W, OUR CONTRACT PARTNERS ABROAD APPARENTLY RECOGNIZE THE MUTUAL BENEFITS THAT MAY FLOW FROM JOINT DEVELOPMENT EFFORTS, SUCH AS ENHANCED COST-EFFECTIVENESS AND RISK SHARING, COMPRESSED PRODUCT DEVELOPMENT TIME, ACCESS BY EITHER PARTY TO THE OTHER PARTY'S TECHNOLOGY AT AN EARLY STAGE, AND, PERHAPS MOST IMPORTANT, COMPLEMENTARY CROSS-FERTILIZATION AMONG INNOVATORS AND INVENTORS FROM BOTH PARTIES.

FROM THIS BROAD SPECTRUM OF JV'S, I SHALL SINGLE OUT FOR MY FOLLOWING REMARKS PRIMARILY HORIZONTAL TYPE JDA'S WHICH, APART FROM FOLLOW-UP CROSS-LICENSES UNDER FOREGROUND TECHNOLOGY AND RELEVANT BACKGROUND TECHNOLOGY, TERMINATE WITH THE COMPLETION OF A DEFINED DEVELOPMENT PROJECT. THE FOREIGN PARTIES TO THESE JDA'S ARE FREQUENTLY HIGH-TECHNOLOGY MANUFACTURING ENTERPRISES, INCLUDING FOREIGN LICENSEES OF OURS, WITH HIGHLY ADVANCED R&D FACILITIES OF THEIR OWN. NOT SURPRISINGLY, THEREFORE,

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[1] e.g., Nihon Keizai Shimbun, May 16, 1981.

THEY PREFER JDA'S WHICH CALL FOR THE DEVELOPMENT OF NEW OR IMPROVED TECHNOLOGIES AT FACILITIES OF BOTH PARTIES, WITH PARTICIPATION OF TECHNICAL EXPERTS FROM BOTH PARTIES WORKING SIDE-BY-SIDE. JDA'S IN THIS CATEGORY ARE THE ONES WHICH, FROM OUR EXPERIENCE CHALLENGE THE IMAGINATION AND TALENTS OF THE AGREEMENT NEGOTIATORS AND DRAFTERS FOR VIABLE ANSWERS TO INDUSTRIAL PROPERTY ISSUES DEEMED OF PRIME INTEREST TO PIPA, I.E., TREATMENT OF FOREGROUND INVENTIONS AND (UNPATENTED) FOREGROUND INFORMATION INCLUDING KNOW-HOW, SOLICITATION OF FOREGROUND PATENTS, EQUITABLE ALLOCATION OF OWNERSHIP OR USE RIGHTS IN FOREGROUND TECHNOLOGY, ACCESS TO AND USE RIGHTS UNDER BACKGROUND TECHNOLOGY, AND SO ON.

ESSENTIAL COMPONENTS OF A REPRESENTATIVE HORIZONTAL TYPE JDA OF OURS YOU WILL FIND IN THE ATTACHED APPENDIX A OUTLINE. I SUPPOSE IT FOLLOWS A PATTERN YOU ARE QUITE FAMILIAR WITH. AS YOU WILL READILY CONCLUDE FROM APPENDIX A, BY DEFINITION FOR THE PURPOSE OF THIS DISCUSSION, FOREGROUND PATENTS ARE PATENTS (INCLUDING UTILITY MODELS, ETC.) TAKEN OUT ON (FOREGROUND) INVENTIONS CONCEIVED IN THE PERFORMANCE OF WORK UNDER THE DEFINED PROJECT, AND FOREGROUND INFORMATION IS INFORMATION DEVELOPED UNDER THE PROJECT. VIRTUALLY EVERYTHING ELSE, BY DEFINITION, IS BACKGROUND TECHNOLOGY (BACKGROUND PATENTS AND BACKGROUND INFORMATION).

WHO MADE THE FOREGROUND INVENTION? IS IT "SOLE" IN THE CONTRACTUAL SENSE THAT INVENTORSHIP RESIDES WITH ONE OR MORE INVENTORS OF ONE CONTRACTING PARTY ONLY? IS IT A "JOINT" INVENTION? WHERE WAS THE INVENTION CONCEIVED, WHERE ACTUALLY REDUCED TO PRACTICE?

SUPPOSE THE INVENTION IS THE JOINT WORK PRODUCT OF A W (HOST) ENGINEER AND A JAPANESE (GUEST) ENGINEER, OR THE SOLE INVENTION OF THE JAPANESE GUEST ENGINEER MADE AT A HOST FACILITY IN THE U.S. ABSENT ANY EARLIER U.S. PATENT FILING, HOW COULD PATENT FILING IN JAPAN BE IMPLEMENTED WITHOUT RUNNING AFOUL OF U.S. EXPORT CONTROL REGULATIONS INCLUDING 35 USC 184? WHO DECIDES THE PATENT ROUTE v. TRADE SECRET ROUTE ISSUE? WHERE SHOULD THE FOREGROUND PATENT APPLICATION, IF ANY, BE FILED FIRST? WHO DECIDES ON PATENT FILING IN THE HOST PARTY'S HOME COUNTRY, IN THE OTHER PARTY'S HOME COUNTRY, IN THIRD COUNTRIES? WHO SHOULD BE THE OWNER, THE ASSIGNEE OR APPLICANT OF RECORD? THE HOST PARTY, THE OTHER PARTY, BOTH PARTIES JOINTLY? HOW DO YOU PROSECUTE EFFECTIVELY AND TIMELY A SWEDISH OR AN EPC PATENT APPLICATION IN A JOINT FASHION WHEN THE PATENT ATTORNEYS REPRESENTING THE TWO CONTRACTING PARTIES RESIDE IN TOKYO AND PITTSBURGH, RESPECTIVELY? IS IT SUFFICIENT OR APPROPRIATE TO SPELL OUT OWNERSHIP IN UNPATENTED INFORMATION WITHOUT CLEARLY SETTING FORTH USE RIGHTS? HOW SHOULD USE RIGHTS BE ALLOCATED AMONG THE PARTIES? ARE THE PARTIES' BENEFITS EQUITABLY BALANCED AGAINST THEIR RESPECTIVE CONTRIBUTIONS? ASSUMING THE PARTIES PLAN TO INCORPORATE FOREGROUND TECHNOLOGY IN PRODUCTS COMPETING IN THE MARKETPLACE, HOW DO YOU AVOID OFFENDING ANTITRUST AND FAIR TRADE LAWS AND REGULATIONS?

SOME OF THESE QUESTIONS - AND MANY OTHERS, I SUPPOSE - MIGHT REMIND YOU OF THE WIPO GUIDE "JOINT INVENTIVE ACTIVITY"[2] WHICH WE LOOK AT FROM TIME TO TIME. WE FIND IT, ON BALANCE, TO FORMULATE MORE QUESTIONS THAN VIABLE ANSWERS - A NOTION OTHER PIPA MEMBERS SEEMED TO SHARE,[3] AT LEAST IN THE COURSE OF REVIEWING THE EARLIER WIPO DRAFT: JOINT INVENTIVE ACTIVITY GUIDE, JIA/II/2, DECEMBER 13, 1982.

HOW DOES W COPE WITH THESE QUESTIONS? THE INDUSTRIAL PROPERTY GUIDELINES APPEARING ON THE ENCLOSED APPENDIX B, WHILE BY NO MEANS ALL-INCLUSIVE, MIGHT OFFER SOME CLUES. THEY ARE INDICATIVE OF W PRACTICE OVER A GOOD NUMBER OF YEARS, ADDRESSING AND ATTEMPTING TO DEAL WITH DELICATE ISSUES WHICH, ON OCCASION, COLLIDE DIRECTLY WITH THE INTERESTS OF THE PARTIES, SUCH AS TIMELY FOREGROUND PATENT FILING IN THE U.S. AS WELL AS ABROAD, CONSISTENT NOT JUST WITH RELEVANT U.S. AND FOREIGN PATENT LAWS AND REGULATIONS BUT ALSO WITH SENSITIVE U.S. EXPORT CONTROL REGULATIONS INCLUDING 35 USC 181-188. YET, WE FOUND JDA'S INCORPORATING THE APPENDIX B GUIDELINES BY AND LARGE TO BE EQUITABLE, ADMINISTRATIVELY WORKABLE AND OTHERWISE VIABLE: THEY SURVIVED NOT ONLY THE INITIAL JDA TERMS BUT FREQUENTLY WERE CARRIED OVER AND INCORPORATED IN FOLLOW-UP OR EXPANDED SCOPE JDA'S WITH THE SAME PARTIES ABROAD.

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[2] WIPO - A Guide to the Regulation of Legal Questions Arising from Joint Inventive Activity between Partners from different Countries, Geneva, 1984.

[3] PIPA Presentations 262 (Oct. 1983).

THE APPENDIX B GUIDELINES DO NOT CAST, HOWEVER, W POLICY IN CONCRETE. THUS, THEY MAY NOT BE APPROPRIATE IF, FOR EXAMPLE, THE RESPECTIVE SCOPE SPLITS AND INVESTMENTS OF THE PARTIES TO THE JDA ARE NOT BALANCED OR IF THE INNOVATIVE CONTRIBUTIONS, THOUGH LARGELY WITHIN THE DEVELOPMENT SCOPE ASSIGNED TO ONE PARTY, ARE PREDOMINANTLY MADE BY, OR AT FACILITIES OF, THE OTHER PARTY. ALSO, DO NOT EXPECT FROM THEM, FOR EXAMPLE, PAT SOLUTIONS TO SUCH SUBSERVIENT QUESTIONS AS THE MEANING OF INVENTION "CONCEIVED" v. "MADE" UNDER JAPANESE LAW ON THE ONE HAND AND U.S. LAW ON THE OTHER. LET ME TELL YOU, HOWEVER, THAT MY ADVICE TO MY ASSOCIATES IS NOT TO RELY SOLELY ON THE SEALECTRO CASE[4] WHEN WE EXAMINE 35 USC 184[5] FOR THE PURPOSE OF EVALUATING FOREIGN PATENT FILING ON INVENTIONS CONCEIVED IN THE U.S. EITHER BY W HOST ENGINEERS OR BY JAPANESE GUEST ENGINEERS, OR BY BOTH JOINTLY. THE SEALECTRO COURT, APPARENTLY RELYING ON 35 USC 102(g), ESSENTIALLY EQUATED "MADE" WITH CONCEIVED AND REDUCED TO PRACTICE. IN LIGHT OF THE LEGISLATIVE HISTORY OF 35 USC 184, BORN OUT OF NATIONAL SECURITY CONSIDERATIONS, DOUBTS HAVE BEEN EXPRESSED WHETHER A COURT FACED WITH CONSTRUING THIS SECTION TODAY, WOULD FOLLOW SEALECTRO[6]. I SHARE THESE DOUBTS.

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[4] 153 USPQ 611 (E.D.N.Y. 1967).

[5] 35 USC 184. Filing of application in foreign country. Except when authorized by a license obtained from the Commissioner a person shall not file or cause or authorize to be filed in any foreign country prior to six months after filing in the United States an application for patent or for the registration of a utility model, industrial design, or model in respect of an invention made in this country. A license shall not be granted....

[6] K. L. Cage, Foreign Filing License Procedure - The Invention Secrecy Act of 1951, 66 JPOS 497 (1984).

LET ME STRESS AS A CAVEAT THAT I HAVE PARAPHRASED THE APPENDIX B GUIDELINES WITH CONSIDERABLE RELUCTANCE: WHILE AS NOTED REFLECTING W PRACTICE, THEY ARE FLAVORED WITH THOUGHTS OF MY OWN WHICH DO NOT NECESSARILY COINCIDE WITH THE POLICIES OF MY COMPANY BUT SHOULD PROVOKE SOME LIVELY QUESTIONS IN THE FOLLOWING PANEL DISCUSSION.

MY CONCLUDING REMARKS CONCERN SECT. 6 OF APPENDIX B, PRESUMING THE U.S. COMPANY TO BE THE HOST PARTY, AND WILL FOCUS ON SOME POTENTIAL PITFALLS THAT MAY STEM FROM UNAUTHORIZED PATENT/UM FILING ABROAD IN LIGHT OF THE U.S. INVENTION SECRECY ACT OF 1951 (35 USC 181-188) - POTENTIAL PITFALLS THAT REQUIRE THE HOST PARTY TO TAKE CERTAIN STEPS OR TO INSIST ON CONTRACTUAL TERMS WHICH, IN OUR EXPERIENCE, OTHERS NOT JUST ABROAD, SEEM TO FIND BEWILDERING OR DIFFICULT TO FATHOM. REGARDING THE INVENTION SECURITY ACT, IT IS IRRELEVANT, OF COURSE, WHETHER THE INVENTION IS CONCEIVED SOLELY BY EITHER THE U.S. HOST INVENTOR OR THE JAPANESE GUEST INVENTOR, OR JOINTLY BY BOTH. BUT LET US CONSIDER FOR THE MOMENT THE SCENARIO OF (i) A "SOLE" INVENTION CONCEIVED BY A JAPANESE GUEST ENGINEER AT THE U.S. HOST PARTY'S FACILITY, (ii) THE JAPANESE PARTY'S URGENT INSISTENCE ON IMMEDIATE JAPANESE PATENT FILING (FIRST-TO-FILE SYSTEM), AND (iii) THE U.S. HOST PARTY'S PREFERENCE TO POSTPONE (U.S.) PATENT FILING (FIRST-TO-INVENT SYSTEM), PERHAPS PENDING EXPERIMENTAL VERIFICATION OF THE INVENTION.

THE HOST PARTY, OBVIOUSLY, HAS TO COMPLY SCRUPULOUSLY WITH, i.a., 35 USC 184; THAT IS, UNLESS A FOREIGN FILING LICENSE

(PTO LICENSE) IS SECURED UNDER THE PTO RULES, 37 CFR PART 5, IT MUST AVOID ANYTHING THAT MIGHT BE CONSTRUED AS FILING PREMATURELY, OR CAUSING OR AUTHORIZE PREMATURE FILING. BUT WHAT IS "CAUSING"? DOES THE MERE EXPORT OF POTENTIALLY PATENTABLE TECHNICAL DATA, CONCEIVABLY IN THE FORM OF A PATENT DISCLOSURE, FROM THE UNITED STATES REQUIRE A PTO LICENSE? SUPPOSE THE PATENT DISCLOSURE IS EXPORTED UNDER A GENERAL TECHNICAL DATA RESTRICTED (GTDR) LICENSE, PURSUANT TO A JDA WHICH (i) COMPLIES WITH ALL RELEVANT EXPORT CONTROL REGULATIONS INCLUDING 15 CFR 379 (TECHNICAL DATA) AND (ii) AS TO TECHNICAL SCOPE, ENCOMPASSES WITHIN ITS CONFINES THE PROPRIETARY SUBJECT MATTER OF THE PATENT DISCLOSURE. SUPPOSE, FURTHERMORE, THE SUBJECT MATTER FOUND ITS WAY INTO A JAPENSE PATENT APPLICATION BY MISTAKE OR ERROR IN JUDGMENT ON THE PART OF THE JAPANESE PARTY. THE JAPANESE PARTY MAY VERY WELL BE, OF COURSE, IN BREACH OF CONTRACT, BUT HAS IT VIOLATED ALSO 35 USC 184 IF THE HOST PARTY AT ITS SOLE DISCRETION LATER DECIDES TO FILE A U.S. APPLICATION ON ITS OWN? WHAT ABOUT THE HOST PARTY? DID IT "CAUSE" PREMATURE JAPANESE FILING AND, HENCE, FORFEIT ANY CHANCE OF EVER SECURING A RETROACTIVE PTO LICENSE? BEAR IN MIND THAT THE HOST PARTY, AT THE TIME OF FILING ITS U.S. APPLICATION, HAD NO KNOWLEDGE OF THE EARLIER FILED JAPANESE APPLICATION, THAT IT DID NOT AUTHORIZE ANY JAPANESE FILING, AND THAT THE JDA PROHIBITS SUCH FILING WITHOUT EXPRESS AUTHORIZATION OF THE HOST PARTY (APPENDIX B, SECT. 4).

SOME OF THESE QUESTIONS, AND RELATED ONES, THOUGH AROUND FOR ALMOST HALF A CENTURY[7], HAVE TROUBLED US A GREAT DEAL, LARGELY BECAUSE OF SOME PERSISTING CONFUSION BETWEEN THE EXPORT OF (POTENTIALLY PATENTABLE) TECHNICAL DATA, e.g., BY WAY OF A PATENT DISCLOSURE ON THE ONE HAND AND THE ACT OF PATENT FILING ABROAD ON THE OTHER. WITH THE PROLIFERATION OF INTERNATIONAL JDA'S AS HERE DISCUSSED TODAY, CLARIFICATION OF THE LICENSING AUTHORITY OF THE U.S. PATENT AND TRADEMARK OFFICE (PTO) CONCERNING THE EXPORT OF (POTENTIALLY PATENTABLE) TECHNICAL DATA HAS BECOME EVER MORE PRESSING: NO JDA IS LIKELY TO SURVIVE FOR LONG IF VIRTUALLY EVERY PROPRIETARY TECHNICAL DATA COMMUNICATION FROM A U.S. HOST ENGINEER OR SCIENTIST TO HIS JAPANESE COLLEAGUE, WHETHER LOCATED IN JAPAN OR, TEMPORARILY, IN THE UNITED STATES, (IT IS EXPORT IN BOTH CASES) HAS TO BE CLEARED BEFOREHAND BY WAY OF A PTO LICENSE IN EACH INSTANCE, A BURDENSOME REQUIREMENT THE GTDR LICENSE DOES IMPOSE.

MY COMPANY JOINED OTHERS IN VOICING AN URGENT NEED FOR DEFINING AND CLARIFYING THE EXPORT LICENSING AUTHORITY AND LIMITS OF PTO LICENSES. FORTUNATELY, THE RECENTLY REVISED PTO RULES, 37 CFR PART 5, - APPENDIX C -, BRING ABOUT THE MUCH NEEDED CLARIFICATION ASKED FOR BY THE PATENT AND BUSINESS COMMUNITIES OF THIS COUNTRY. AS SKETCHED OUT IN THE ENCLOSED APPENDIX D, THE REVISED RULES OFFER AN ATTRACTIVE FOREIGN PATENT/UM FILING ALTERNATIVE WHICH, I SUGGEST, PRUDENT PARTIES TO INTERNATIONAL JDA'S WERE RELUCTANT TO RESORT TO UNDER THE OLD PTO RULES.

THANK YOU.

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[7] C. C. Henry, License under Public Law No. 239, 23 JPOS 811 (1941).

APPENDIX A

OUTLINE
JOINT DEVELOPMENT AGREEMENT
BETWEEN
WESTINGHOUSE ELECTRIC CORPORATION
AND
COMPANY X

RECITALS

1 DEFINITIONS

PROJECT
W SCOPE...
CO.X SCOPE...
TECHNOLOGY
PATENTS AND INFORMATION...
PATENTS
INFORMATION (KNOW-HOW)...
BACKGROUND TECHNOLOGY
...OTHER THAN FOREGROUND
TECHNOLOGY, CONCEIVED OR DEVELOPED
BY, OR AVAILABLE TO, EITHER PARTY...
(WITH THE RIGHT TO DISCLOSE IT TO
OTHERS...)
FOREGROUND (PROJECT) INFORMATION
...DEVELOPED UNDER THE PROJECT...
FOREGROUND (PROJECT) PATENT
...ANY PATENT ON AN INVENTION CONCEIVED
REDUCED TO PRACTICE UNDER
THE PROJECT...
FOREGROUND TECHNOLOGY
FOREGROUND PATENTS AND FOREGROUND INFORMATION

2 JOINT DEVELOPMENT PROJECT

AIM AND SCOPE
MANAGEMENT, IMPLEMENTATION
BUDGETING, ACCOUNTING
BALANCING OF EFFORTS
...
...

3 INVENTIONS, INDUSTRIAL PROPERTY, INFORMATION

FOREGROUND INVENTIONS CONCEIVED IN _____
FOREGROUND INVENTIONS CONCEIVED IN THE U.S.
LICENSES GRANTED UNDER W FOREGROUND PATENTS
LICENSES GRANTED UNDER CO.X FOREGROUND PATENTS
WAIVER, ASSIGNMENTS
MUTUAL COOPERATION
INFORMATION, ACCESS AND USE RIGHTS
FOREGROUND INFORMATION...
BACKGROUND INFORMATION...
LICENSES UNDER BACKGROUND PATENTS
CONFIDENTIALITY
RESPONSIBILITIES: PATENT INDEMNITY
PATENT EXPENSE
...
...

4	SUBCONTRACTORS
5	OBLIGATIONS
6	SUSPENSION AND TERMINATION OF JOINT DEVELOPMENT TASKS
7	PARTICIPATION OF EMPLOYES AT OTHER PARTY'S FACILITIES
	...
	...
	APPENDIX I
	APPENDIX II
8	GOVERNMENT REGULATIONS; EXPORT CONTROL
9	ASSIGNMENT
10	ARBITRATION
11	TAXES AND OTHER CHARGES
12	TRADEMARKS
13	EFFECTIVE DATE
14	TERM OF AGREEMENT
15	APPLICABLE LAW
16	TERMINATION
17	NOTICES
18	ENTIRETY OF AGREEMENT
APPENDIX I	PATENT, PROPRIETARY INFORMATION AND WAIVER AGREEMENT (FOR PARTICIPATION IN CO.X WORK)
APPENDIX II	PATENT, PROPRIETARY INFORMATION AND WAIVER AGREEMENT (FOR PARTICIPATION IN W WORK)

APPENDIX B

INTERNATIONAL JOINT DEVELOPMENT AGREEMENT - INDUSTRIAL PROPERTY GUIDELINES

1. FOREGROUND INVENTIONS, IRRESPECTIVE WHETHER SOLE OR JOINT, CONCEIVED AT THE HOST PARTY'S FACILITIES ARE ASSIGNED TO THE HOST PARTY AND TREATED IN ACCORDANCE WITH THE HOST PARTY'S PROCEDURES;

   THE HOST PARTY HAS REASONABLE EFFORT OBLIGATION TO PROCESS FOREGROUND INVENTIONS TIMELY, TO GIVE TIMELY NOTIFICATION TO THE OTHER PARTY;

   THE HOST PARTY HAS INITIAL POWER TO DECIDE THE PATENT v. TRADE SECRET ISSUE;

   FOREGROUND INFORMATION DEVELOPED BY THE PARTY IS FURNISHED TO THE OTHER AS SOON AS "SUITABLE FOR TRANSMITTAL".

   RATIONALE: The host party is charged with managing and administering the development tasks within its assigned scope. Protecting the development results is but one element of managing the assigned development tasks.

2. THE FIRST FOREGROUND PATENT APPLICATION IS FILED BY THE HOST PARTY, IN ITS NAME OR ASSIGNED TO IT, IN THE HOME COUNTRY OF THE HOST PARTY.

3. THE HOST PARTY HAS THE RIGHT OF FIRST REFUSAL AS TO PARALLEL PATENT FILING/PROSECUTION/MAINTENANCE, IN ITS NAME, IN OTHER COUNTRIES.

4. THE OTHER PARTY HAS THE RIGHT TO TAKE OUT, IN ITS NAME, PARALLEL PATENTS IN ITS HOME COUNTRY AND IN ANY OTHER COUNTRY NOT TIMELY COMMUNICATED BY THE HOST PARTY;

   EXCEPT AS EXPRESSLY PROVIDED IN THE JDA, NEITHER PARTY SHALL, WITHOUT THE PRIOR CONSENT OF THE HOST PARTY, FILE, CAUSE TO BE FILED, OR AUTHORIZE THE FILING OF ANY PATENT/UM APPLICATION

DIRECTED TO OR INCORPORATING AN INVENTION (SOLE OR JOINT) OR OTHER PROPRIETARY INFORMATION OF OR COMMUNICATED BY THE HOST PARTY.

5. EACH PARTY BEARS ITS OWN PATENT FILING/PROSECUTION/MAINTENANCE EXPENSE;

   INVENTOR COMPENSATION AND INVENTION AWARDS, AS A RULE, ARE THE RESPONSIBILITY OF THE INVENTOR'S EMPLOYER PARTY.

6. UNDER SOME JDA'S OF OURS, A HOST PARTY FAILING TO COMPLETE (FIRST) PATENT FILING OR TO SHOW CAUSE (e.g., MAKE OUT A CASE FOR TRADE SECRET TREATMENT) IN A TIMELY FASHION, RELINQUISHES THE (FIRST) PATENT FILING RIGHT TO THE OTHER PARTY;

   THE HOST PARTY HAS A DILIGENT EFFORT OBLIGATION TO RENDER ACTIVE PATENT FILING ASSISTANCE AND TO PREVENT PREMATURE NOVELTY-DEFEATING PUBLICATION OR DIVULGATION OF THE INVENTION.

7. FOREGROUND PATENT APPLICATIONS OR PATENTS THE ORIGINAL FILING PARTY INTENDS TO DROP ARE OFFERED FOR ASSIGNMENT TO THE OTHER PARTY.

8. JOINT OWNERSHIP OF FOREGROUND PATENTS BY BIRTHRIGHT IS NOT FAVORED, AT LEAST NOT DURING THE PATENT FILING AND PROSECUTION PHASES;

   JOINT OWNERSHIP OF FOREGROUND PATENTS BY CONTRACT RIGHT, AS OPPOSED TO A BIRTHRIGHT STEMMING FROM CO-INVENTORSHIP, IS FAVORED EVEN LESS.

9. FOREGROUND TECHNOLOGY (PATENTS AND INFORMATION) OF EITHER PARTY IS LICENSED TO THE OTHER, GENERALLY WORLD-WIDE ON A NON-EXCLUSIVE BASIS;

THE LICENSED USE RIGHTS MAY BE BROADER IN SOME COUNTRIES THAN IN OTHERS, FOR EXAMPLE, THEY MAY BE "SOLE" IN THE LICENSED PARTY'S HOME COUNTRY;

AS A RULE, THE CROSS-LICENSES ARE ROYALTY-FREE IF THE PARTIES' RESPECTIVE CONTRIBUTIONS TO THE PROJECT AND THE EXPECTED BENEFITS THEREFROM ARE IN REASONABLE BALANCE.

10. JDA'S SETTING FORTH CROSS LICENSES UNDER FOREGROUND TECHNOLOGY WITHOUT SUBLICENSING RIGHTS, WHILE BALANCED IN FORM, MAY BE UNBALANCED IN EQUITY IF THE PARTIES' RESPECTIVE MODES OF DOING BUSINESS OR POTENTIAL MARKETS DIFFER SIGNIFICANTLY;

IN OUR JDA'S, THE FOREGROUND TECHNOLOGY LICENSES INCLUDE, THEREFORE, FREQUENTLY SUBLICENSING RIGHTS;

THIS RIGHT MAY BE QUALIFIED TO SUBLICENSE ONLY THIRD PARTIES TO THE EXTENT THEY HOLD LICENSES UNDER THE SUBLICENSING PARTY'S OWN RELATED TECHNOLOGY, INCLUDING ITS OWN FOREGROUND TECHNOLOGY;

THE SUBLICENSING RIGHT MAY NOT BECOME OPERATIVE UNTIL AFTER THE FIRST COMMERCIAL USE BY EITHER PARTY OF THE FOREGROUND TECHNOLOGY TO BE SUBLICENSED;

WE PREFER JDA'S WHICH CLEARLY SET FORTH THE RIGHT TO LICENSE/SUBLICENSE ANY JOINTLY OWNED FOREGROUND TECHNOLOGY BY EITHER PARTY WITHOUT THE PRIOR CONSENT OF THE OTHER (cf. 35 USC 262 ON THE ONE HAND AND ART. 73-3 OF THE JAPANESE PATENT ACT ON THE OTHER);

ROYALTY SHARING FROM SUBLICENSES MAY NOT BE APPROPRIATE UNLESS THE EXTENT OF COMMERCIAL USE BY THE LICENSED PARTY AND ITS SUBLICENSED LICENSEES COMBINED FAR OUTWEIGHS THAT OF THE OTHER PARTY.

11. BACKGROUND TECHNOLOGY OF EITHER PARTY IS ACCESSIBLE TO THE OTHER (ON REQUEST) WITH THE (ROYALTY-FREE) RIGHT TO USE IT FOR PERFORMANCE OF WORK UNDER THE PROJECT;
TO THE EXTENT REASONABLY NEEDED FOR COMMERCIAL USE OF THE LICENSED FOREGROUND TECHNOLOGY, BACKGROUND TECHNOLOGY OF EITHER PARTY IS AVAILABLE TO THE OTHER ON TERMS NEGOTIATED ON A CASE-BY-CASE BASIS,

[46 FR 29185, May 29, 1981, as amended at 47 FR 21753, May 19, 1982]

PART 2—RULES OF PRACTICE IN TRADEMARK CASES

EDITORIAL NOTE: Part 2 is placed in a separate grouping of parts pertaining to trademarks. It appears on page 134 of this volume.

PART 3 [RESERVED]

PART 5—SECRECY OF CERTAIN INVENTIONS AND LICENSES TO EXPORT AND FILE APPLICATIONS IN FOREIGN COUNTRIES

SECRECY ORDERS

Sec.
5.1 Defense inspection of certain applications.
5.2 Secrecy order.
5.3 Prosecution of application under secrecy orders; withholding patent.
5.4 Petition for rescission of secrecy order.
5.5 Permit to disclose or modification of secrecy order.
5.6 General and group permits.
5.7 Compensation.
5.8 Appeal to Secretary.

LICENSES FOR FOREIGN EXPORTING AND FILING

5.11 License for filing in a foreign country an application on an invention made in the United States or for transmitting international application.
5.12 Petition for license.
5.13 Petition for license; no corresponding application.
5.14 Petition for license; corresponding U.S. application.
5.15 Scope of license.
5.16 Effect of secrecy order.
5.17 Who may use license.
5.18 Arms, ammunition, and implements of war.
5.19 Export of technical data.
5.20 Export of technical data relating to sensitive nuclear technology.
5.25 Petition for retroactive license.

GENERAL

5.31 Effect of modification, rescission or license.
5.32 Papers in English language.
5.33 Correspondence.

AUTHORITY: 35 U.S.C. 6, 41, 181-188 and the Export Administration Act of 1979, as amended, the Arms Export Control Act, as amended, the Atomic Energy Act of 1954, as amended, and the Nuclear Non-Proliferation Act of 1978, and the delegations in the regulations under these acts to the Commissioner (15 CFR 370.10(j), 22 CFR 125.04, and 10 CFR 810.7), unless otherwise noted.

SOURCE: 24 FR 10381, Dec. 22, 1959, unless otherwise noted.

SECRECY ORDERS

§ 5.1 Defense inspection of certain applications.

(a) The provisions of this part shall apply to both national and international applications filed in the Patent and Trademark Office and, with respect to inventions made in the United States, to applications filed in any foreign country or any international authority other than the United States Receiving Office. The (1) filing of a national or an international application in a foreign country or with an international authority other than the United States Receiving Office, or (2) transmittal of an international application to a foreign agency or an international authority other than the United States Receiving Office is considered to be a foreign filing within the meaning of Chapter 17 of Title 35, United States Code.

(b) In accordance with the provisions of 35 U.S.C. 181, patent applications containing subject matter the disclosure of which might be detrimental to the national security are made available for inspection by defense agencies as specified in said section. Only applications obviously relating to national security, and applications within fields indicated to the Patent and Trademark Office by the defense agencies as so related, are made available. The inspection will be made only by responsible representatives authorized by the agency to review applications. Such representatives are required to sign a dated acknowledgement of access accepting the condition that information obtained from the inspection will be used for no purpose other than the administration of 35 U.S.C. 181-188. Copies of applications may be made available to such representatives for inspection outside the Patent and Trademark Office under conditions assuring that the confidentiality of the applications will be maintained, including the conditions that: (1) All copies will be returned to the Patent and Trademark

Office promptly if no secrecy order is imposed, or upon rescission of such order if one is imposed, and (2) no additional copies will be made by the defense agencies. A record of the removal and return of copies made available for defense inspection will be maintained by the Patent and Trademark Office. Applications relating to atomic energy are made available to the Department of Energy as specified in § 1.14 of this chapter.

(Pub. L. 94-131, 89 Stat. 685)

[43 FR 20470, May 11, 1978]

§ 5.2 Secrecy order.

(a) When notified by the chief officer of a defense agency that publication or disclosure of the invention by the granting of a patent would be detrimental to the national security, an order that the invention be kept secret will be issued by the Commissioner of Patents and Trademarks.

(b) The secrecy order is directed to the applicant, his successors, any and all assignees, and their legal representatives; hereinafter designated as principals.

(c) A copy of the secrecy order will be forwarded to each principal of record in the application and will be accompanied by a receipt, identifying the particular principal, to be signed and returned.

(d) The secrecy order is directed to the subject matter of the application. Where any other application in which a secrecy order has not been issued discloses a significant part of the subject matter of the application under secrecy order, the other application and the common subject matter should be called to the attention of the Patent and Trademark Office. Such a notice may include any material such as would be urged in a petition to rescind secrecy orders on either of the applications.

§ 5.3 Prosecution of application under secrecy orders; withholding patent.

Unless specifically ordered otherwise, action on the application by the Office and prosecution by the applicant will proceed during the time an application is under secrecy order to the point indicated in this section:

(a) National applications under secrecy order which come to a final rejection must be appealed or otherwise prosecuted to avoid abandonment. Appeals in such cases must be completed by the applicant but unless otherwise specifically ordered by the Commissioner will not be set for hearing until the secrecy order is removed.

(b) An interference will not be declared involving national applications under secrecy order. However, if an applicant whose application under secrecy order copies claims from an issued patent, a notice of that fact will be placed in the file wrapper of the patent. (See § 1.205(c).

(c) When the national application is found to be in condition for allowance except for the secrecy order the applicant and the agency which caused the secrecy order to be issued will be notified. This notice (which is not a notice of allowance under § 1.311 of this chapter) does not require response by the applicant and places the national application in a condition of suspension until the secrecy order is removed. When the secrecy order is removed the Patent and Trademark Office will issue a notice of allowance under § 1.311 of this chapter, or take such other action as may then be warranted.

(d) International applications under secrecy order will not be mailed, delivered or otherwise transmitted to the international authorities or the applicant. International applications under secrecy order will be processed up to the point where, if it were not for the secrecy order, record and search copies would be transmitted to the international authorities or the applicant.

(Pub. L. 94-131, 89 Stat. 685)

[43 FR 20470, May 11, 1978, as amended at 43 FR 28479, June 30, 1978]

§ 5.4 Petition for rescission of secrecy order.

(a) A petition for rescission or removal of a secrecy order may be filed by, or on behalf of, any principal affected thereby. Such petition may be in letter form, and it must be in duplicate. The petition must be accompanied by one copy of the application or an order for the same, unless a show-

ing is made that such a copy has already been furnished to the department or agency which caused the secrecy order to be issued.

(b) The petition must recite any and all facts that purport to render the order ineffectual or futile if this is the basis of the petition. When prior publications or patents are alleged the petition must give complete data as to such publications or patents and should be accompanied by copies thereof.

(c) The petition must identify any contract between the Government and any of the principals, under which the subject matter of the application or any significant part thereof was developed, or to which the subject matter is otherwise related. If there is no such contract, the petition must so state.

(d) Unless based upon facts of public record, the petition must be verified.

§ 5.5 Permit to disclose or modification of secrecy order.

(a) Consent to disclosure, or to the filing of an application abroad, as provided in 35 U.S.C. 182, shall be made by a "permit" or "modification" of the secrecy order.

(b) Petitions for a permit or modification must fully recite the reason or purpose for the proposed disclosure. Where any proposed disclosee is known to be cleared by a defense agency to receive classified information, adequate explanation of such clearance should be made in the petition including the name of the agency or department granting the clearance and the date and degree thereof. The petition must be filed in duplicate and be accompanied by one copy of the application or an order for the same, unless a showing is made that such a copy has already been furnished to the department or agency which caused the secrecy order to be issued.

(c) In a petition for modification of a secrecy order to permit filing abroad, all countries in which it is proposed to file must be made known, as well as all attorneys, agents and others to whom the material will be consigned prior to being lodged in the foreign patent office. The petition should include a statement vouching for the loyalty and integrity of the proposed disclosees and where their clearance status in this or the foreign country is known all details should be given.

(d) Consent to the disclosure of subject matter from one application under secrecy order may be deemed to be consent to the disclosure of common subject matter in other applications under secrecy order so long as not taken out of context in a manner disclosing material beyond the modification granted in the first application.

(e) The permit or modification may contain conditions and limitations.

§ 5.6 General and group permits.

(a) Organizations requiring consent for disclosure of applications under secrecy order to persons or organizations in connection with repeated routine operation may petition for such consent in the form of a general permit. To be successful such petitions must ordinarily recite the security clearance status of the disclosees as sufficient for the highest classification of material that may be involved.

(b) Where identical disclosees and circumstances are involved, and consent is desired for the disclosure of each of a specific list of applications, the petitions may be joined.

§ 5.7 Compensation.

Any request for compensation as provided in 35 U.S.C. 183 must not be made to the Patent and Trademark Office but should be made directly to the department or agency which caused the secrecy order to be issued. Upon written request persons having a right to such information will be informed as to the department or agency which caused the secrecy order to be issued.

§ 5.8 Appeal to Secretary.

Appeal to the Secretary of Commerce, as provided by 35 U.S.C. 181, from a secrecy order cannot be taken until after a petition for rescission of the secrecy order has been made and denied. Appeal must be taken within 60 days from the date of the denial, and the party appealing, as well as the department or agency which caused the order to be issued will be notified of the time and place of hearing. The

appeal will be heard and decided by the Secretary or such officer or officers as he may designate.

LICENSES FOR FOREIGN EXPORTING AND FILING

§ 5.11 License for filing in a foreign country an application on an invention made in the United States or for transmitting an international application.

(a) A license from the Commissioner of Patents and Trademarks under 35 U.S.C. 184 is required before filing any application for patent or for the registration of a utility model, industrial design, or model, in a foreign patent office or any foreign patent agency or any international agency other than the United States Receiving Office, if:

(1) An application on the invention has been on file in the United States less than six months prior to the date on which the application is to be filed, or

(2) No application on the invention has been filed in the United States.

(b) The license from the Commissioner of Patents and Trademarks referred to in paragraph (a) would also authorize the export of technical data abroad for purposes related to the preparation, filing or possible filing and prosecution of a foreign patent application without separately complying with the regulations contained in 22 CFR Parts 121-130 (International Traffic in Arms Regulations of the Department of State), 15 CFR Part 379 (Regulations of the Office of Export Administration, International Trade Administration, Department of Commerce) and 10 CFR Part 810 (Foreign Atomic Energy Programs of the Department of Energy).

(c) Where technical data in the form of a patent application, or in any form, is being exported for purposes related to the preparation, filing or possible filing and prosecution of a foreign patent application, without the license from the Commissioner of Patents and Trademarks referred to in paragraphs (a) or (b) of this section, or on an invention not made in the United States, the export regulations contained in 22 CFR Parts 121-130 (International Traffic in Arms Regulations of the Department of State), 15 CFR Part 379 (Regulations of Office of Export Administration, International Trade Administration, Department of Commerce) and 10 CFR Part 810 (Foreign Atomic Energy Programs of the Department of Energy) must be complied with unless a license is not required because a United States application was on file at the time of export for at least six months without a secrecy order under § 5.2 being placed thereon. The term "exported" means export as it is defined in 22 CFR Parts 121-130, 15 CFR Part 379 and 10 CFR Part 810.

(d) If a secrecy order has been issued under § 5.2, an application cannot be exported to, or filed in, a foreign country (including an international agency in a foreign country), except in accordance with § 5.5.

(e) No license pursuant to paragraph (a) of this section is required if:

(1) The invention was not made in the United States, or

(2) The United States application is not subject to a secrecy order under § 5.2, and was filed at least six months prior to the date on which the application is filed in a foreign country.

(f) A license pursuant to paragraph (a) of this section can be revoked at any time upon written notification by the Patent and Trademark Office. An authorization to file a foreign patent application resulting from the passage of six months from the date of filing of a United States patent application may be revoked by the imposition of a secrecy order.

[49 FR 13461, Apr. 4, 1984]

§ 5.12 Petition for license.

(a) Filing of an application for patent for inventions made in the United States will be considered to include a petition for license under 35 U.S.C. 184 for the subject matter of the application. The filing receipt will indicate if a license is granted. If the initial automatic petition is not granted, a subsequent petition may be filed under paragraph (b) of this section.

(b) Petitions for license should be presented in letter form and must include the required fee (§ 1.17(h)), if expedited handling of the petition is also sought, the petitioner's address, and full instructions for delivery of

the requested license when it is to be delivered to other than the petitioner.

(35 U.S.C. 6, Pub. L. 97-247)

[48 FR 2714, Jan. 20, 1983, as amended at 49 FR 13462, Apr. 4, 1984]

§ 5.13 Petition for license; no corresponding application.

If no corresponding national or international application has been filed in the United States, the petition for license under § 5.12(b) must be accompanied by the required fee (§ 1.17(h)), if expedited handling of the petition is also sought, and a legible copy of the material upon which a license is desired. This copy will be retained as a measure of the license granted. For assistance in the identification of the subject matter of each license so issued, it is suggested that the petition be submitted in duplicate and provide a title and other description of the material. The duplicate copy of the petition will be returned with the license or other action on the petition.

[49 FR 13462, Apr. 4, 1984]

§ 5.14 Petition for license; corresponding U.S. application.

(a) When there is a corresponding United States application on file, a petition for license under § 5.12(b) must include the required fee (§ 1.17(h)), if expedited handling of the petition is also sought, and must identify this application by serial number, filing date, inventor, and title, but a copy of the material upon which the license is desired is not required. The subject matter licensed will be measured by the disclosure of the United States application. Where the title is not descriptive, and the subject matter is clearly of no interest from a security standpoint, time may be saved by a short statement in the petition as to the nature of the invention.

(b) Two or more United States applications should not be referred to in the same petition for license unless they are to be combined in the foreign or international application, in which event the petition should so state and the identification of each United States application should be in separate paragraphs.

(c) When the application to be filed or exported abroad contains matter not disclosed in the United States application or applications, including the case where the combining of two or more United States applications introduces subject matter not disclosed in any of them, a copy of the application as it is to be filed in the foreign country or international application which is to be transmitted to a foreign international or national agency for filing in the Receiving Office, must be furnished with the petition. If however, all new matter in the foreign or international application to be filed is readily identifiable, the new matter may be submitted in detail and the remainder by reference to the pertinent United States application or applications.

(Pub. L. 94-131, 89 Stat. 685)

[43 FR 20471, May 11, 1978 and 49 FR 13462, Apr. 4, 1984]

§ 5.15 Scope of license.

(a) Grant of a license under § 5.12(a) authorizes the export and filing of an application in a foreign country or the transmitting of an international application to any foreign patent agency or international patent agency when the subject matter of the foreign or international application corresponds to that of the domestic application. This license includes authority

(1) To export and file all duplicate and formal papers to the foreign country or international agencies;

(2) To make amendments, modifications and supplements, including divisions, changes or supporting matter consisting of the illustration, exemplification, comparison, or explanation of subject matter disclosed in the application;

(3) To take any action in the prosecution of the foreign or international application; and

(4) To add subject matter or take any action under paragraphs (a) (1) through (3) of this section which does not change the general nature of the subject matter disclosed at the time of filing, unless the subject matter added involves technical data pertaining to:

(i) Defense services or articles designated in the United States Munitions

List applicable at the time of foreign filing, the unlicensed exportation of which is prohibited pursuant to the Arms Export Control Act, as amended, and 22 CFR Parts 121–130; or

(ii) Restricted Data, sensitive nuclear technology or technology useful in the production or utilization of special nuclear material or atomic energy, the dissemination of which is subject to restrictions of the Atomic Energy Act of 1954, as amended, and the Nuclear Non-Proliferation Act of 1978, as implemented by the regulations for Unclassified Activities in Foreign Atomic ...ergy Programs, 10 CFR Part 810, in ...fect at the time of foreign filing.

(b) Grant of a license under § 5.12(b) authorizes the export and filing of an application in a foreign country or the transmitting of an international application to any foreign patent agency or international patent agency. Further, this license includes authority to forward all duplicate and formal papers to the foreign patent agency or international patent agency and to make amendments, modifications or supplements to and take any action in the prosecution of the foreign or international application, provided subject matter additional to that covered by the license is not involved.

(c) A license granted under § 5.12(b) pursuant to § 5.13 or § 5.14 shall have the scope indicated in paragraph (a) of this section, if it is so specified in the ...ense. A petition, accompanied by ...e required fee (§ 1.17(h)), may also ... filed to change a license having the ...ope indicated in paragraph (b) of this section to a license having the scope indicated in paragraph (a) of this section. The change in the scope of a license will be as of the date of the grant of the change in scope.

(d) In those cases in which no license is required to file the foreign application or transmit the international application, no license is required to file papers in connection with the prosecution of the foreign or international application not involving the disclosure of additional subject matter.

(e) Any paper filed abroad or transmitted to an international patent agency following the filing of a foreign or international application which changes the general nature of the subject matter disclosed at the time of filing or which involves the disclosure of subject matter listed in paragraphs (a)(4) (i) or (ii) of this section must be separately licensed in the same manner as a foreign or international application. Further, if no license has been granted under § 5.12(a) on filing the corresponding United States application, any paper filed abroad or with an international patent agency which involves the disclosure of additional subject matter must be licensed in the same manner as a foreign or international application.

(f) Licenses separately granted in connection with two or more United States applications may be exercised by combining or dividing the disclosures, as desired, provided:

(1) Subject matter which changes the general nature of the subject matter disclosed at the time of filing or which involves subject matter listed in paragraphs (a)(4) (i) or (ii) of this section is not introduced and,

(2) In the case where at least one of the licenses was obtained under § 5.12(b), additional subject matter is not introduced.

(g) A license does not apply to acts done before the license was granted. See § 5.25 for petitions for retroactive licenses.

[49 FR 13462, Apr. 4, 1984]

§ 5.16 Effect of secrecy order.

Any license obtained under 35 U.S.C. 184 is ineffective if the subject matter is under a secrecy order, and a secrecy order prohibits the exercise of or any further action under the license unless separately specifically authorized by a modification of the secrecy order in accordance with § 5.5.

§ 5.17 Who may use license.

Licenses may be used by anyone interested in the export, foreign filing, or international transmittal for or on behalf of the inventor or the inventor's assigns.

[49 FR 13463, Apr. 4, 1984]

§ 5.18 Arms, ammunition, and implements of war.

(a) The exportation of technical data relating to arms, ammunition, and implements of war generally is subject to the International Traffic in Arms Regulations of the Department of State (22 CFR Parts 121-128); the articles designated as arms, ammunition, and implements of war are enumerated in the U.S. Munitions List, 22 CFR 121.01. However, if a patent applicant complies with regulations issued by the Commissioner of Patents and Trademarks under 35 U.S.C. 184, no separate approval from the Department of State is required unless the applicant seeks to export technical data exceeding that used to support a patent application in a foreign country. This exemption from Department of State regulations is applicable regardless of whether a license from the Commissioner is required by the provisions of §§ 5.11 and 5.15 (22 CFR 125.04(b), 125.20(b)).

(b) When a patent application containing subject matter on the Munitions List (22 CFR 121.01) is subject to a secrecy order under § 5.2 and a petition is made under § 5.5 for a modification of the secrecy order to permit filing abroad, a separate request to the Department of State for authority to export classified information is not required (22 CFR 125.05(d)).

[35 FR 6430, Apr. 22, 1970]

§ 5.19 Export of technical data.

(a) Under regulations (15 CFR 370.10(j)) established by the U.S. Department of Commerce, International Trade Administration, Office of Export Administration, a validated export license is not required in any case to file a patent application or part thereof in a foreign country if the foreign filing is in accordance with the regulations (37 CFR 5.11-5.23) of the Patent and Trademark Office.

(b) A validated export license is not required for data contained in a patent application prepared wholly from foreign-origin technical data where such application is being sent to the foreign inventor to be executed and returned to the United States for subsequent filing in the U.S. Patent and Trademark Office (15 CFR 379.3(c)).

(c) Inquiries concerning the export control regulations for the foreign filing of technical data other than patent applications should be made to the Office of Export Administration, International Trade Administration, Department of Commerce, Washington, D.C. 20230.

[45 FR 72654, Nov. 3, 1980]

§ 5.20 Export of technical data relating to sensitive nuclear technology.

(a) Under regulations (10 CFR 810.7) established by the United States Department of Energy, an application filed in accordance with the regulations (37 CFR 5.11-5.33) of the United States Patent and Trademark Office and eligible for foreign filing under 35 U.S.C. 184, is considered to be information available to the public in published form and a generally authorized activity for the purposes of the Department of Energy regulations.

(b) Inquiries concerning the export of sensitive nuclear technology other than related to the filing or prosecution of a foreign patent application should be made to the Attention: Secretary, United States Department of Energy, Office of International Security Affairs, Washington, D.C. 20858.

[49 FR 13463, Apr. 4, 1984]

§ 5.25 Petition for retroactive license.

(a) A petition of retroactive license under 35 U.S.C. 184 shall be presented in accordance with § 5.13 or § 5.14, and shall include:

(1) A listing of the foreign countries in which the patent application material was filed,

(2) The dates on which the material was filed,

(3) A verified statement containing:

(i) An averment that the subject matter in question was not under a secrecy order at the time it was filed abroad, and that it is not currently under a secrecy order,

(ii) A showing that the license has been diligently sought after discovery of the proscribed foreign filing, and

(iii) An explanation of why the material was inadvertently filed abroad

without the required license under § 5.11 first having been obtained, and

(4) The required fee (§ 1.17(h)).

The above explanation must include a showing of facts rather than a mere allegation of inadvertence. The showing of facts should include statements by those persons having personal knowledge of the acts regarding filing in a foreign country and should be accompanied by copies of any necessary supporting documents such as letters of transmittal or instructions for filing. The acts which are alleged to constitute inadvertence should cover the period from the time of filing until actual filing of the petition under this section.

(b) If a petition for a retroactive license is denied, a time period of not less than thirty days shall be set, during which the petition may be renewed. Failure to renew the petition within the set time period will result in a final denial of the petition. A final denial of a petition stands unless a petition is filed under § 1.181 within two months of the date of the denial. If the petition for a retroactive license is denied with respect to the invention of a pending application and no petition under § 1.181 has been filed, a final rejection of the application under 35 U.S.C. 185 will be made.

(c) The granting of a retroactive license does not excuse any violation of the export regulations contained in 22 CFR Parts 121 through 130 (International Traffic in Arms Regulations of the Department of State), 15 CFR Part 379 (Regulations of Office of Export Administration, International Trade Administration, Department of Commerce) and 10 CFR Part 810 (Foreign Atomic Energy Programs of the Department of Energy) which may have occurred because of the failure to obtain an appropriate license prior to export.

[49 FR 13463, Apr. 4, 1984]

General

§ 5.31 Effect of modification, rescission or license.

Any consent, rescission or license under the provisions of this part does not lessen the responsibilities of the principals in respect to any Government contract or the requirements of any other Government agency.

[24 FR 10381, Dec. 22, 1959. Redesignated at 49 FR 13463, Apr. 4, 1984]

§ 5.32 Papers in English language.

All papers submitted in connection with petitions must be in the English language, or be accompanied by an English translation and a translator's certificate as to the true, faithful and exact character of the translation.

[24 FR 10381, Dec. 22, 1959. Redesignated at 49 FR 13463, Apr. 4, 1984]

§ 5.33 Correspondence.

All correspondence in connection with this part, including petitions, should be addressed to "Commissioner of Patents and Trademarks (Attention Licensing and Review), Washington, D.C. 20231."

[49 FR 13463, Apr. 4, 1984]

PART 6—CLASSIFICATION OF GOODS AND SERVICES UNDER THE TRADEMARK ACT

EDITORIAL NOTE: Part 6 is placed in a separate grouping of parts pertaining to trademarks. It appears on page 180 of this volume.

PART 7—REGISTER OF GOVERNMENT INTERESTS IN PATENTS

Sec.
7.1 Requirements.
7.2 Assignments.
7.3 Licenses.
7.4 Abbreviated copy.
7.5 Instruments already on record.
7.6 Access to register.
7.7 Secret register.

AUTHORITY: E.O. 9424, Feb. 18, 1944, 9 FR 1959; 3 CFR 1943-1948 Comp.

SOURCE: 24 FR 10383, Dec. 22, 1959, unless otherwise noted.

§ 7.1 Requirements.

Executive Order 9424 (3 CFR 1943-1948 Comp.) requires the several departments and other executive agencies of the Government, including Government-owned or Government-controlled corporations, to forward promptly to the Commissioner of Pat-

the applicant's assignee or attorney or agent of record.

(Pub. L. 94-131, 89 Stat. 685; 35 U.S.C. 6, Pub. L. 97-247; 15 U.S.C. 1113, 1123)

[42 FR 5593, Jan. 28, 1977, and 43 FR 20462, May 11, 1978, as amended at 47 FR 41273, Sept. 17, 1982; 49 FR 552, Jan. 4, 1984]

§ 1.15 Requests for identifiable records.

(a) Requests for records not disclosed to the public as part of the regular informational activity of the Patent and Trademark Office and which are not otherwise dealt with in the rules in this part may be made by completing Form CD-244, "Application to Inspect Department Records," and submitting this form, in person or by mail, to the Commissioner of Patents and Trademarks, Washington, D.C. 20231. A nonrefundable application fee of $2 must accompany each application. Copies of Form CD-244 are available in the Central Reference and Records Inspection Facility, Room 2122, Department of Commerce Building, Washington, D.C. 20230, the search room of the Patent Reference Branch of the Patent and Trademark Office, the search room of the Trademark Examining Operation, and in many public information offices and field offices of the Department of Commerce. If the requested record is identifiable, the request will be reviewed by the appropriate official authorized to make an initial determination of the availability of the record. If it is determined that the material is not to be made available to the requesting person, said person shall be notified in writing of that fact and the reasons why the record will not be disclosed. If the record is to be made available, inspection will be permitted in the appropriate Patent and Trademark Office search room. Fees for copies of records and for searches and related services are payable in accordance with the schedule of fees and charges established in § 4.8 of Title 15, *Code of Federal Regulations*.

(b) Any person whose application to inspect a record has been refused may request a reconsideration of the initial denial by completing and submitting the appropriate section of the Form CD-244. The request for reconsideration should be made within 30 days of the date of the original denial. In submitting such request the party should include any written argument he desires to support his belief that the record requested should be made available. No personal appearance, oral argument, or hearing shall be permitted. The decision upon such request shall be made by the Commissioner of Patents and Trademarks and shall be based upon the original request, the denial, and any written argument submitted by the person seeking access to the record. The decision upon review shall be promptly made in writing and communicated to the person seeking access. If the decision is wholly or partly in favor of availability, the requested record to such extent shall be made available for inspection as described in paragraph (a) of this section. To the extent that the decision is adverse to the request, the reasons for the denial shall be stated. A decision upon review completed as provided herein shall constitute the final decision and action of the Patent and Trademark Office as to the availability of a requested record, except as may be required by court proceedings initiated pursuant to 5 U.S.C. 552(a)(3). Reconsiderations resulting in final decisions as prescribed herein shall be indexed and made available in the search room of the Patent Reference Branch.

(c) Procedures applicable in the event of a subpoena, order, or other compulsory process or demand of a court or other authority shall be those set forth in section 7 of Department Order 64 (32 FR 9734, July 4, 1967).

(Sec. 1, 66 Stat. 793, 81 Stat. 54; 5 U.S.C. 552, 35 U.S.C. 6)

[32 FR 13812, Oct. 4, 1967, as amended at 34 FR 18857, Nov. 26, 1969]

Fees and Payment of Money

§ 1.16 National application filing fees.

(a) Basic fee for filing each application for an original patent, except design or plant cases:	
By a small entity (§ 1.9(f))	$150.00
By other than a small entity	300.00
(b) In addition to the basic filing fee in an original application, for filing or later presentation of each independent claim in excess of 3:	
By a small entity (§ 1.9(f))	15.00
By other than a small entity	30.00

(c) In addition to the basic filing fee in an original application, for filing or later presentation of each claim (whether independent or dependent) in excess of 20 (Note that § 1.75(c) indicates how multiple dependent claims are considered for fee calculation purposes.):
- By a small entity (§ 1.9(f)) 5.00
- By other than a small entity 10.00

(d) In addition to the basic filing fee in an original application, if the application contains, or is amended to contain, a multiple dependent claim(s), per application:
- By a small entity (§ 1.9(f)) 50.00
- By other than a small entity 100.00

(If the additional fees required by paragraphs (b), (c) and (d) are not paid on filing or on later presentation of the claims for which the additional fees are due, they must be paid or the claims cancelled by amendment, prior to the expiration of the time period set for response by the Office in any notice of fee deficiency.)

(e) Surcharge for filing the basic filing fee or oath or declaration on a date later than the filing date of the application:
- By a small entity (§ 1.9(f)) 50.00
- By other than a small entity 100.00

(f) For filing each design application:
- By a small entity (§ 1.9(f)) 62.50
- By other than a small entity 125.00

(g) Basic fee for filing each plant application:
- By a small entity (§ 1.9(f)) 100.00
- By other than a small entity 200.00

(h) Basic fee for filing each reissue application:
- By a small entity (§ 1.9(f)) 150.00
- By other than a small entity 300.00

(i) In addition to the basic filing fee in a reissue application, for filing or later presentation of each independent claim which is in excess of the number of independent claims in the original patent:
- By a small entity (§ 1.9(f)) 15.00
- By other than a small entity 30.00

(j) In addition to the basic filing fee in a reissue application, for filing or later presentation of each claim (whether independent or dependent) in excess of 20 and also in excess of the number of claims in the original patent. (Note that § 1.75(c) indicates how multiple dependent claims are considered for fee purposes.):
- By a small entity (§ 1.9(f)) 5.00
- By other than a small entity 10.00

(Note, see § 1.445 for international application filing and processing fees.).

(35 U.S.C. 6; 15 U.S.C. 1113, 1123)

[47 FR 41273, Sept. 17, 1982]

§ 1.17 Patent application processing fees.

(a) Extension fee for response within first month pursuant to § 1.136(a):
- By a small entity (§ 1.9(f)) $25.00
- By other than a small entity 50.00

(b) Extension fee for response within second month pursuant to § 1.136(a):
- By a small entity (§ 1.9(f)) 75.00
- By other than a small entity 150.00

(c) Extension fee for response within third month pursuant to § 1.136(a):
- By a small entity (§ 1.9(f)) 175.00
- By other than a small entity 350.00

(d) Extension fee for response within fourth month pursuant to § 1.136(a):
- By a small entity (§ 1.9(f)) 275.00
- By other than a small entity 550.00

(e) For filing a notice of appeal from the examiner to the Board of Appeals:
- By a small entity (§ 1.9(f)) 57.50
- By other than a small entity 115.00

(f) In addition to the fee for filing a notice of appeal, for filing a brief in support of an appeal:
- By a small entity (§ 1.9(f)) 57.50
- By other than a small entity 115.00

(g) For filing a request for an oral hearing before the Board of Appeals:
- By a small entity (§ 1.9(f)) 50.00
- By other than a small entity 100.00

(h) For filing a petition to the Commissioner under a section of Part 1 or 5 listed below which refers to this paragraph $120.00
- —§ 1.47—for filing by other than all the inventors or a person not the inventor
- —§ 1.48—for correction of inventorship
- —§ 1.182—for decision on questions not specifically provided for
- —§ 1.183—to suspend the rules
- —§ 1.268—for late filing of interference settlement agreement
- —§§ 5.12, 5.13 & 5.14—for expedited handling of foreign filing license
- —§ 5.15—for changing the scope of a license
- —§ 5.25—for retroactive license

(i) For filing a petition to the Commissioner under a section of this part listed below which refers to this paragraph 60.00
- § 1.12—for access to an assignment record
- § 1.14—for access to an application
- § 1.55—for entry of late priority papers
- § 1.102—to make application special
- § 1.103—to suspend action in application
- § 1.177—for divisional reissues to issue separately
- § 1.268—for access to interference settlement agreement
- § 1.312—for amendment after payment of issue fee
- § 1.313—to withdraw an application from issue
- § 1.314—to defer issuance of a patent
- § 1.334—for patent to issue to assignee, assignment recorded late

(j) For filing a petition to institute a public use proceeding under § 1.292 ..... 750.00

(k) For processing an application filed with a specification in a non-English language (§ 1.52(d)) 20.00

(l) For filing a petition (1) for the revival of an abandoned application under 35 U.S.C. 133, or (2) for delayed payment of the issue fee under 35 U.S.C. 151:
- By a small entity (§ 1.9(f)) 25.00
- By other than a small entity 50.00

(m) For filing a petition (1) for revival of an unintentionally abandoned application or (2) for the unintentionally delayed payment of the fee for issuing a patent:
- By a small entity (§ 1.9(f)) 250.00
- By other than a small entity 500.00

(35 U.S.C. 6, Pub. L. 97-247; 15 U.S.C. 1113, 1123; 35 U.S.C. 6, 41, 181—188; Export Administration Act of 1979, as amended; Arms Export Control Act, as amended; Atomic Energy Act of 1954, as amended; Nuclear Non-Proliferation Act of 1978, and the delegations in the regulations under these acts to the Commissioner by regulations (15 CFR 370.10(j); 22 CFR 125.04, and 10 CFR 810.7))

[47 FR 41273, Sept. 17, 1982, as amended at 49 FR 13461, Apr. 4, 1984]

§ 1.18 Patent issue fees.

(a) Issue fee for issuing each original or reissue patent, except a design or plant patent:	
By a small entity (§ 1.9(f))	$250.00
By other than a small entity	500.00
(b) Issue fee for issuing a design patent:	
By a small entity (§ 1.9(f))	87.50
By other than a small entity	175.00
(c) Issue fee for issuing a plant patent:	
By a small entity (§ 1.9(f))	125.00
By other than a small entity	250.00

(35 U.S.C. 6; 15 U.S.C. 1113, 1123)

[47 FR 41273, Sept. 17, 1982]

§ 1.19 Document supply fees.

The Patent and Trademark Office will supply copies of the following documents upon payment of the fees indicated:

(a) Uncertified copies of Office documents:	
(1) Printed copy of a patent, including a design patent, or defensive publication document, except color plant patent	$1.00
(2) Printed copy of a plant patent in color	8.00
(3) Copy of patent application as filed, each 50 pages or fraction thereof	18.00
(4) Copy of patent file wrapper and contents, each 100 pages or fraction thereof	30.00
(5) Copy of Office records, except as provided in paragraphs (a) (1) through (4) of this section, per page	0.30
(6) Microfiche copy of microfiche, per microfiche	2.00
(b) Certified copies of Office documents:	
(1) For certifying Office records, per certificate	3.50
(2) For a search of assignment records, abstract of title and certification, per patent	12.00
(3) For comparing copies, made from Patent and Trademark Office records but not prepared by the Patent and Trademark Office, with the original, prior to certification of the copies, per page	0.10
(c) Subscription services:	
(1) Subscription orders for printed copies of patents as issued, annual service charge for entry of order and one subclass	4.00
(2) For annual subscription to each additional subclass in addition to the one covered by the fee under paragraph (c)(1) of this section, per subclass	0.40
(d) Library service (35 U.S.C. 13): For providing to libraries copies of all patents issued annually, per annum	50.00
(e) Lists of patents in subclass:	
(1) For list of all United States patents in a subclass, per 100 patent numbers or fraction thereof	2.00
(2) For list of United States patents in a subclass limited by date or patent number, per 50 patent numbers or fraction thereof	2.00

(35 U.S.C. 6, Pub. L. 97-247; 15 U.S.C. 1113, 1123)

[47 FR 41273, Sept. 17, 1982, as amended at 49 FR 552, Jan. 4, 1984]

§ 1.20 Post-issuance fees.

(a) For providing a certificate of correction of applicant's mistake (§ 1.323)	$40.00
(b) Petition for correction of inventorship in patent (§ 1.324)	120.00
(c) For filing a request for reexamination (§ 1.510(a))	1,500.00
(d) For filing each statutory disclaimer (§ 1.321):	
By a small entity (§ 1.9(f))	25.00
By other than a small entity	50.00
(e) For maintaining an original or reissue patent, except a design patent, based on an application filed on or after December 12, 1980 and before August 27, 1982, in force beyond 4 years, the fee is due by three years and six months after the original grant	200.00
(f) For maintaining an original or reissue patent, except a design patent, based on an application filed on or after December 12, 1980 and before August 27, 1982, in force beyond 8 years; the fee is due by seven years and six months after the original grant	400.00
(g) For maintaining an original or reissue patent, except a design patent, based on an application filed on or after December 12, 1980 and before August 27, 1982, in force beyond 12 years, the fee is due by eleven years and six months after the original grant	600.00
(h) For maintaining an original or reissue patent, except a design or plant patent, based on an application filed on or after August 27, 1982, in force beyond 4 years; the fee is due by three years and six months after the original grant:	
By a small entity (§ 1.9(f))	200.00
By other than a small entity	400.00
(i) For maintaining an original or reissue patent, except a design or plant patent, based on an application filed on or after August 27, 1982, in force beyond 8 years; the fee is due by seven years and six months after the original grant:	
By a small entity (§ 1.9(f))	400.00
By other than a small entity	800.00
(j) For maintaining an original or reissue patent, except a design or plant patent, based on an application filed on or after August 27, 1982, in force beyond 12 years; the fee is due by eleven years and six months after the original grant:	
By a small entity (§ 1.9(f))	600.00
By other than a small entity	1200.00

(35 U.S.C. 6; 15 U.S.C. 1113, 1123)

[47 FR 41274, Sept. 17, 1982]

§ 1.21 Miscellaneous fees and charges.

The Patent and Trademark Office has established the following fees for the services indicated:

(a) Registration of attorneys and agents:	
(1) For admission to examination for registration to practice, fee payable upon application	$75.00
(2) On registration to practice	50.00
(3) For reinstatement to practice	25.00
(4) For certificate of good standing as an attorney or agent	10.00
(b) Deposit accounts.	
(1) For establishing or reinstating a deposit account	10.00
(2) Service charge for each month when the balance at the end of the month is below $1,000	2.00
(c) Disclosure document: For filing a disclosure document	10.00
(d) Delivery box: Local delivery box rentals, per annum	24.00
(e) International-type search reports: For preparing an international-type search report of an international-type search made at the time of the first action on the merits in a national patent application	25.00
(f) Search of Office records: For searching Patent and Trademark Office records for purposes not otherwise specified, per one-half hour or fraction thereof	10.00
(g) Copy machine tokens: Token for copying machine, each	0.20
(h) Recording of documents:	
(1) For recording each assignment, agreement or other paper relating to the property in a patent or application	20.00
(2) Where a document to be recorded under paragraph (h)(1) of this section refers to more than one patent or application, for each additional patent or application	5.00
(i) Publication in *Official Gazette*: For publication in the *Official Gazette* of a notice of the availability of an application or a patent for licensing or sale, each application or patent	6.00
(j) For a duplicate or replacement of a permanent Office user pass (There is no charge for the first permanent user pass)	5.00
(k) For items and services, that the Commissioner finds may be supplied, for which fees are not specified by statute or by this section, such charges as may be determined by the Commissioner with respect to each such item or service	actual cost
(l) For processing and retaining any application abandoned pursuant to § 1.53(d) unless the required basic filing fee has been paid	100.00

(35 U.S.C. 6, Pub. L. 97-247; 15 U.S.C. 1113, 1123)

[47 FR 41274, Sept. 17, 1982, as amended at 49 FR 553, Jan. 4, 1984]

§ 1.22 Fees payable in advance.

(a) Patent and trademark fees and charges payable to the Patent and Trademark Office are required to be paid in advance, that is, at the time of requesting any action by the Office for which a fee or charge is payable with the exception that under § 1.53 applications for patent may be assigned a filing date without payment of the basic filing fee.

(b) All patent and trademark fees paid to the Patent and Trademark Office should be itemized in each individual application, patent or other proceeding in such a manner that it is clear for which purpose the fees are paid.

(35 U.S.C. 6, Pub. L. 97-247)

[48 FR 2708, Jan. 20, 1983]

§ 1.23 Method of payment.

All payments of money required for Patent and Trademark Office fees, including fees for the processing of international applications (§ 1.445), should be made in U.S. specie, Treasury notes, national bank notes, post office money orders, or by certified check. If sent in any other form, the Office may delay or cancel the credit until collection is made. Money orders and checks must be made payable to the Commissioner of Patents and Trademarks. Remittances from foreign countries must be payable and immediately negotiable in the United States for the full amount of the fee required. Money sent by mail to the Patent and Trademark Office will be at the risk of the sender; letters containing money should be registered.

(Pub. L. 94-131, 89 Stat. 685)

[43 FR 20462, May 11, 1978]

§ 1.24 Coupons.

Coupons in denominations of forty cents and one dollar are sold by the Patent and Trademark Office for the convenience of regular purchasers of U.S. patents and trademark registrations; these coupons may not be used for any other purpose. The 40-cent coupons are sold individually and in books of 50 with stubs for record for $20. The one dollar coupons are sold individually and in books of 50 with

APPENDIX D

PATENT FILING ABROAD ON INVENTIONS
CONCEIVED IN THE UNITED STATES
- NO PRIOR CORRESPONDING U.S. APPLICATION -

Step	Action	Old PTO Rules 37 CFR Part 5	Comment	New PTO Rules 37 CFR Part 5
1.	Host (U.S.) party secures PTO License on basis of foreground patent disclosure.	No official fee.	Scope of PTO License defined by patent disclosure.	Sect. 5.13 petition for PTO License subject to petition fee if expedited handling sought (currently $120.00).
2.	Host party forwards patent disclosure to other (Japanese) party together with authorization to file Japanese patent/UM appln. on the basis of patent disclosure.	Export of patent disclosure for purpose of evaluating Japanese pat./UM filing but no actual filing, without first securing PTO License, arguably risky: Conflicting opinions concerning export of technical data (e.g., by way of patent disclosure or patent application), subject to U.S. export controls on the one hand and foreign patent filing requirements of the 1951 Invention Secrecy Act and the subservient Patent Office Rules on the other. Lack of clearly defined technical data export licensing		No PTO License required for export of patent disclosure, under JDA complying with U.S. export control regulations, for purpose of Japanese patent/ U.M. filing evaluation or preparation but not actual Japanese filing; 37 CFR 5.11(c). Note: Absent any prior U.S. filing, actual Japanese filing still requires a PTO License; 37 CFR 5.11(a)(2).

Step	Action	Comment: Old PTO Rules 37 CFR Part 5	Comment: New PTO Rules 37 CFR Part 5
		authority of PTO in relation to other U.S. export regulations such as 15 CFR 379 under the jurisdiction of the DoC.	
3.	Other party prepares Japanese patent/U.M. application.		
4.	Japanese application, virtually identical in scope with granted PTO License, i.e., the patent disclosure, is filed.	In compliance with law.	
5.	Japanese application broader in scope.		
5.1	Other party files broadened-scope Japanese application.		Other party in breach of contract and, in case of subsequent U.S. filing on broad scope, conceivably, in violation of Invention Secrecy Act; Host party, conceivably, in violation of Invention Secrecy Act for causing unauthorized filing as to broadened scope; If scenario repeated, virtually no chance to secure retroactive PTO License.
5.1.1	Other party forwards copy of Japanese application to be filed to host party.		

Step	Action	Comment		
		Old PTO Rules 37 CFR Part 5		New PTO Rules 37 CFR Part 5
5.1.2	Host party secures Supplementary PTO License on basis of scheduled Japanese application plus complete English translation thereof.	No official fee.		Sect. 5.13 petiton for PTO License, subject to petition fee if expedited handling sought (currently $120.00)
5.1.3	Host party authorizes other party to file broadened scope Japanese application.			
5.2	Other party files broadened-scope Japanese application.		In compliance with law if both PTO Licenses, Steps 1. and 5.1.3, secured.	In compliance with law even though just one PTO License, Step 5.1.3, secured.

COLLABORATED DEVELOPMENT OF SOFTWARE

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I. BACKGROUND

As progress in online network systems and increased use of data base systems shows, computer use is rapidly achieving higher levels of sophistication and the work load and costs of systems development are becoming higher than ever before. Meanwhile, diffusion of Office Automation (OA) and Local Area Networks (LAN) and so on brings about faster enlargement and breakups of systems development and operations. Under that circumstances, to advance productivity and reliability of software, corporations in the electronics and telecommunications industry are inclined to research and develop software in collaboration with other corporations in the same industry those in the different industries such as equipment users and software houses by combining technologies and know-how each has.

II. FORMS OF COLLABORATED DEVELOPMENT

A. Objects of the Collaborated Development

Before we explain the objects, we have to give a difinition of the concept of software.

The word software generally means the programs that are used in electronic computers, but we will here use it which means all documents, knowledge and technology regarding information processing as well. As such, we can say that there are two major categories in the concept of software.

1. Programs such as control programs and application programs.

2. The design concepts connected with office automation systems, Local Area Networks (LAN), Value-Added Networks (VAN) and Factory Automation (FA) and so on.

B. Forms of the Collaborated Development

The general form of collaborated development is assumed that each party concerned is liable for a certain part in the collaborated development. But due to the peculiarities of software, its collaborated development may take on the following forms.

1. Collaborated development based on consignment-contract

The development of software is generally put in practice based on a contract. The client provides the specifications and data needed and the developer develops software based on those specifications and data.

However, it is very difficult to develop software just if all the developer has to go on are the specifications and data provided. Thus, both the client and developer have to work together closely in the exchange of information and the testing required to develop software. Formally the development is based on contract but in substance, this should be a collaborated development.

2. Collaborated development based on license-contract

Usually programs are supplied to users under a license-contract. However, that program is often further improved or combined with other programs. In that case, we have another form of a collaborated development that is based on the license-contract.

C. Forms of Collaborated Development in View of Client and Developer

Various types of collaborated development are developed due to the types of business of the parties concerned, objects of or method of practice of the development.

We explain below specific examples, which are classified in view of the objects of the development (programs and systems) and the types of business of the parties concerned, especially electrical and telecommunications manufacturers, users and other business types (Example: Software houses) (Table 1).

1. Programs

   a. Collaborated development between electrical and telecommunication corporations.
   Control programs, etc. Very few specific examples.

   b. Collaborated development between electrical and telecommunication corporations and customer-users.
   Application programs, etc. The most common cases.

   c. Collaborated development between electrical and telecommunication corporations and other corporations.
   Application programs, etc. Cases in which the electrical and communication corporations consign the development of programs for personal computers to software houses.

2. Systems

   a. Collaborated development between electrical or telecommunication corporations and users.
   Design systems according to the user's requirements such as office or factory automation systems, Local Area Networks (LAN), etc.

   b. Collaborated development between electrical or telecommunication corporations, users and other corporations.
   Value-Added Networks (VAN), banking systems, distribution and sales data systems, etc. Users and other corporations mainly are liable for providing informations required for the development of said systems.

III. DIFFERENCES IN LIABILITY FOR DEVELOPMENT AND FORMS OF CONTRACT

Although as stated above, the forms of collaborated software

development vary widely, the steps on which software development are based are the same.

Since Table 2 shows these development steps and the results for each of those steps, we will follow the sequence below in our explanation.

A. The Survey and Analysis of the Users' Needs for the Software

B. A Sheet of Requested Specifications

Systematize the requirements in forms the computer can realize and determine the parameters the computer can process. Usually, the client and developer work together to examine the client's requirements and draw up a list of required specifications based on those requirements.

C. Basic Design Specifications

Develop basic design specifications based on the required specifications. The basic design specifications are used to determine development time, hardware and language costs for development.

D. Detailed Design Specifications

Determine the parameters necessary for developing the entire system, its configuring subsystems, programs for screen displays, etc., and develop detailed design specifications.

E. Programs

Develop programs based on the detailed design specifications. Generally, the steps leading to program development are first, drawing flowcharts, second, coding flowchart, third, develop program, the programs developed by coding is called a source program. The source programs are eventually converted to object programs so that the computer can read them. The conversion process is called compiling.

After completing steps F to H and having passed the tests, the products are handed over to the client. Source and object programs are usually stored on floppy disk or magnetic tape for handling.

That is how the main steps in software development look from the standpoint of collaborated development. Except for B, C and E, each step is developed by one party. This is due to the difficulties in development since the characteristics of software are based on concepts and logic.

Generally, each party is liable for a certain step.

From the perspective established above, contracts to collaborated develop software can be classified as follows.

1. One-side development pattern

   The contract generally covers this pattern. The client is liable for steps A and B shown in Table 2 and the developer is liable for steps C to E.

   In this particular case, development usually proceeds according to the direction the developer provides, even though the development is considered a collaborated project. This feature is prevalent if the costs client pays to the developer for development are low. The contract must determine the following points.

   - Changes in development costs that the cliant pays the developer.
   - Changes in development schedule.
   - Warranty period and range
     Generally the developer warrants a program only before acceptance. After that a maintenance agreement covers the programs. In other words, the warranty covers only the correction of the program, but no bill for damages.

2. Systems engineering service pattern

   Contracts generally cover this pattern. The client is liable for steps A, B and E in Table 2, the developer is liable for only steps C and D. In the systems engineering service pattern the developer is liable only with constructing the system. The contract must determine the following points.

- Clarification of parameters that the client provides.
- Changes in development schedule and the date of delivery.
- Determine of the development cost.
- Select of the system engineers.

3. Program development pattern

Contracts generally cover this pattern. The client is liable for steps A to D in Table 2, the developer is liable for only step E.

In this pattern the developer develops the program only. The period and liability for warranty are the same as in the one-ride development pattern.

Table 3 shows the relationships between the partners involved in collaborated development based on the classification of contracts.

IV. COLLABORATED DEVELOPMENT RESULTS USAGE

The collaborated development results are the products brought up by performing the job steps shown in Table 2.

The results can be used in the ways as follows.

A. A Case where Only the Client Uses the Results:

This is the most common case in which the developer develops the program according to the client's request. The client can use the developed program for his own business and license it to the third parties.

All the fruits, in this case, have to belong to the client and the developer is usually prohibited from using the results without the client's consent in the collaborated development contract.

The amount of payment to the developer should be determined on the basis of the program developing cost.

B. A Case where Both the Client and Developer Use the Results:

Both the client and developer can use the developed program for their own business and have the right to license the program for a third party's use. In this results usage, the program development is accomplished in two cases; (1) the client designs the software system and the developer develops the program for the system, (2) both of them are liable through designing the system to developing the program.

These might be rather rare cases in developing programs. The program might be accomplished in the ways described above when its scale is too large for the client to bear its development expense and when the client and the developer are belonging to the different kind of business.

C. A Case where the In-house Program Developer Licenses to Third Parties:

The program developer provides the program products to many and unspecific users. This is performed with the usual program licencing contract in which the license, the program user, can be permitted to use it only for his own business. However, there exists an exception which the licensee sub-licenses the program improved or combined another program with the original program to third parties. Even in this case, the licensee is required to obtain the licenser's consent and the licensing conditions should be determined in the contract.

Through the development results usage could be categoried into three types shown in Table 4, the categorization might be more complicated, as a matter of fact, because the program can usually be improved or expanded according to users' needs.

The rights accompanied to the results are ① the right of using ② the right of distribution ③ the right of amendment or adaptation ④ the right of sub-licensing and so on.

The ownership of the rights should be expressed clearly in the contract.

The amendment to copyrights law has been established to protect the program in Japan.

Therefore, the development results described in this paper will be expecting to be used on the basis of the amended copyrights and problems in the program usage will be treated clearly on the pile of decisions.

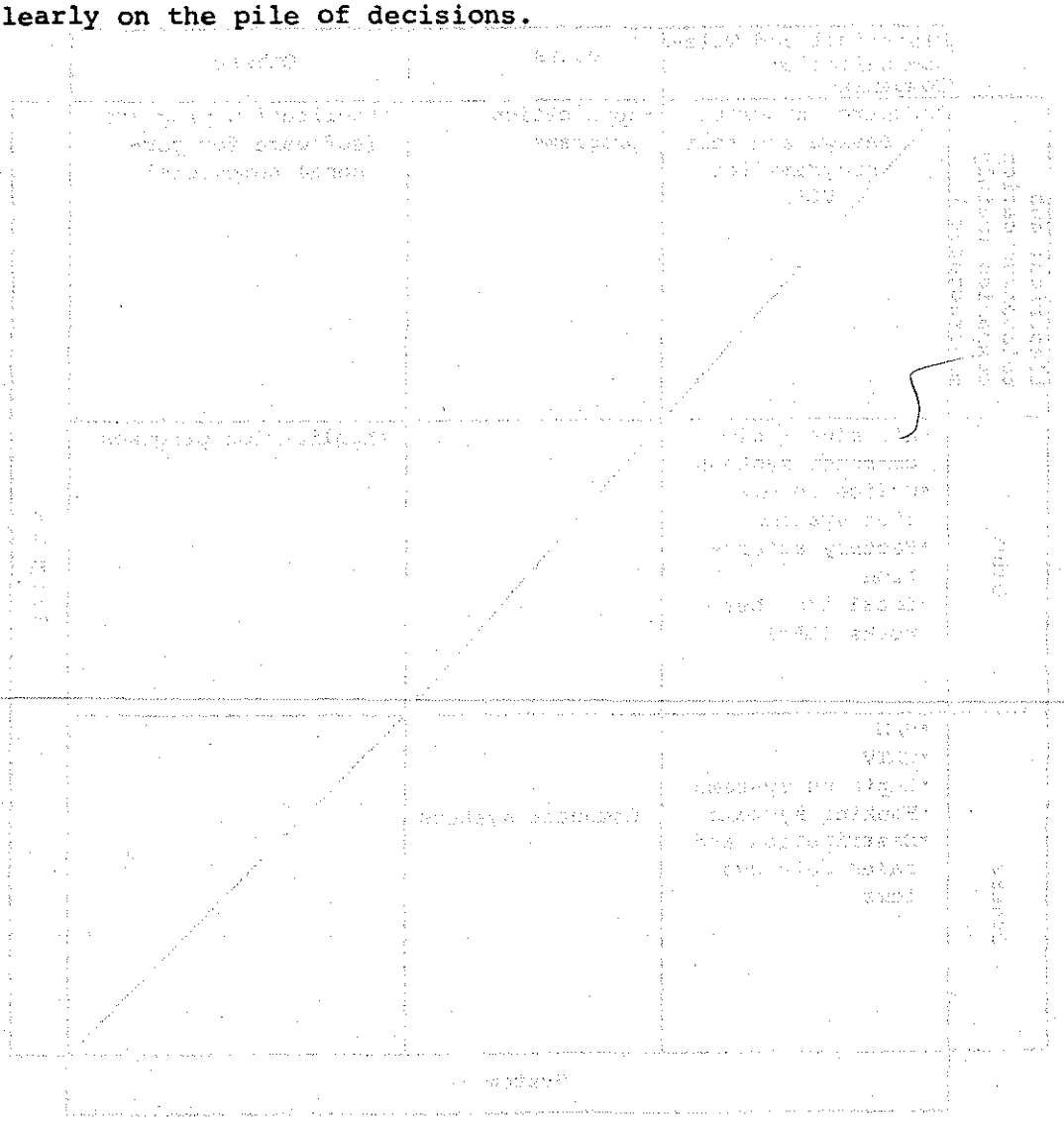


Table 1 Forms of Joint Development

Programs \ System	Electrical and Telecommunication Companies	Users	Others
Electrical and telecommunication companies (mainly manufacturers)	•Control programs, Design and test programs for VLSI	•Application programs	•Application programs (software for personal computers)
Users	•All electronic computer systems •Office automation systems •Factory automation •Local Area Networks (LAN)		•Application programs
Others	•VAN •CATV •Captains systems •Banking systems •Distribution and sales data systems	•Computer systems	

Table 2 Steps in Software Development Work

①	Survey and analysis of needs	
②	Deciding required specifications	List of required specifications
③	Basic design	List of basic design specifications
④	Detailed design	Detailed design
⑤	Development program	Flowchart
⑥	Test	Report on test results
⑦	Acceptance	
⑧	Delivery	Source program
	.....	Object program
	.....	Source list
	.....	Owners manual
	.....	Operations manual

Table 3 Forms of Collaborated Development

Forms of liability for development / Output	One-side development pattern		Systems engineering servical pattern		Program development pattern	
	Developer	Client	Developer	Client	Developer	Client
List of required specifications	← o		← o			o
List of basic design specifications	o →		o →		←	o
List of detailed design specifications	o →		o →		←	o
Flowchart	o		(o)	o	o	(o)
Source codes	o			o	o →	
Source list	o			o	o →	
Object codes	o →			o	o →	
Report on test results	o →			-	o →	
Owners manual	o →			o		o
Operations manual	o →			o	o →	

Note: o Indicates the output developer

→ Indicates the direction of supplying output product

Table 4 Forms of Collaborated Development and Handling of Results

Development process	Resulting product	Attributes of Resulting Product								
		One-side Development Pattern			Systems Engineering Service Pattern			Program Development Pattern		
		Dedicated product	Not dedicated product	Freely developed product	Dedicated product	Not dedicated product	Freely developed product	Dedicated product	Not dedicated product	Freely developed product
System analysis and system design	System design sheet	Client	Client and Developer	Developer	Client	Client and Developer	Developer	-	-	-
Basic program design	Basic program design sheet	Same as above	Same as above	Same as above	Same as above	Same as above	Same as above	-	-	-
Detailed program design	Detailed program design sheet	Same as above	Same as above	Same as above	Same as above	Same as above	Same as above	-	-	-
Developing program	Source program, object program and program manulas	Same as above	Same as above	License (Client and Developer)	-	-	-	Client	Client and Developer	License (Client and Developer)

Sep.6, 1985 (chemical, pharmaceutical G)

Japan-US Joint Research Works in Chemical and Pharmaceutical Industries

Yoshihisa Endo, Asahi Glass
Kotaro Hara, Teijin
Kazunori Okumura, Fujisawa
Yasunori Shirato, Mitsui Petrochem.
Zenichi Takayanagi, Ajinomoto
Juro Ichimura, Shin-etsu -- Speaker

Originally, chemical industry was a raw material manufacturing industry. It used to go in the direction of manufacturing a small number of products in massive quantities. In recent years, however, changes have been taking place in the business trend.

The reasons are,

(1) high performance raw materials which are not available in the market are asked for by users, such as electric, electronics and automotive industries, reflecting fierece competitions among them

(2) Now that so-called commodities do not have too much added values on them, profitability of the business is worsening, and the chemical industry wishes to deal with specialty items that have highest possible added value on them.

(3) Profitability of raw material sales is low. For this reason, the chemical industry wishes to sell ultimate products or near-ultimate products.

For these resons, joint research works by the chemical industry and the user are being actively conducted in Japan.

Before entering the main subject, I would like to touch briefly upon the difference between the Japanese chemical indsutry and its counterpart in the United States for our mutual understanding.

Difference between US chemical industry and Japanese counterpart:

	Japan	United States
1. Materials.	99% dependent on foreign materials. Energy cost is 4-5 times higher than than that in U.S.	Inexpensive abundant materials are available.
2. Production form.	Versatile kinds in small quantities. Single item is produced in many different types.	Mass production of single item.
3. Market.	Japan is the only market. No competitive edge over others in terms of price in Asia.	The market size is 4-5 times the Japanese market. Export markets are located in Latin America, Europe and others.
4. Business scale.	More than 10 manufacturers are competing with one another.	Oligopolized by 4 or 5 major manufacturers. Multinational-operations are in progress.
5. Demand from the military,	No demand from the military, and no aircraft industry.	The world's largest deamand from the military, and aircraft industry.
6. Other features.	High quality products. Fermentation industry.	

Current sitaution of Japan-US joint research works in high technology area and their future direction

Wherever there is a competition, there will be generated needs. So-called 'trade conflict' in the areas of automobiles and electronics equipment are much talked about these days. Once the product becomes a finished-good, what people are intererest in is the performance of the finished-good, but not the material from which it is made. We are proud, however, that the reason why Japanese cars and electronics equipment are holding strong positions in the world market is because we, the raw material manufacturers, are supplying the manufacturers with high performance materials.

For this reason, I think it's better for us to understand it this way that potentially we, the chemical industries in Japan and the United States, are engaged in fierece competitions, although we don't hear too often the cases of 'competitions between the chemical industries of the two countries'.

Joint research works conducted with users in Japan so far were not for development of new substances or new materials, but for minor changes or functional improvement of existing materials. In the eyes of the raw material manufacturer, many of them were just for applications and development of new applications.

Doing this type research works alone, neither the raw material manufacturers nor the users such as the automotive industry and the electronics equipment manufacturers won't be able to win

intensified competitions. For this reason, I believe that joint research works in the area of so-called high technologies will be conducted more aggressively in Japan in quest for new substances and new materials. Under the current circumstances, the number of joint research works conducted by Japan and United States in the area of chemical and pharmaceutical industry is very small. In particular, we have almost no such works conducted among the businesses in the same industry. The area where we can expect active joint works from now on will be among businesses of different trades and that will be in the high tech. area. In particular, their joint research efforts will be concentrated on development of new raw material, biotechnology and new pharmaceutical products, I suppose.

Selection of partner

(We are Japanese and American, but basically there is no yardstick available in selecting our partners. In short, whether you can expect merits from your would-be business partner or not is the only yardstick you can use, I suppose).

1) Universities and research_centers (research works by commissioning).

Introduction of basic technology and training of the company's own researchers are the objectives. Under the present circumstances, there are many cases in which Japanese enterprises commission American unviersities and research centers with their research works.

It is even said that prominent universities and research

centers in the United States always have some researchers dispatched from Japanese businesses or Japanese unviersities sponsoring particular Japanese businesses. In reverse sitaution, there is almost no researcher sent from American businesses to Japanese univerties or research centers.

2) Venture Capital.

Venture capital business was very actively operated during the last several years, especially in the area of biotechnology. From now on, its importance is considered to decrease, because researches and venture capital operations in the United States have not been successful. In this case also, they only catered to the needs of Japanese businesses on a commissioned basis. There was no reversal case. Because, there has been no venture capital operation in Japan.

3) Japanese businesses and U.S. businesses.

Exactly same standards as those used in selecting domestic partners for joint research works should be applied. Actually, however, businesses that have some kind of business relations with the selecting organization are selected:

(1) Companies in same trade (licensor and licensee).

(2) Companies in different trade (material maker and user).

70 to 80% of the Japanese chemical industry's products are sold through trading companies, and they don't have too much contact with American businesses. I suppose this is the major reason

why the number of joint research works conducted by the chemical industries of both countries is so small.

Conclusion

Chemical industries in both of our countries are at a turning point. The age in which businessmen were looking for merits of producing a few kinds of items in massive quantities has been finished. We are entering an age of high technologies. In the area of chemicals, what Japanese busiensses can offer in high tech. chemical area are the following 3 fields, namely

1) New materials (engineering plastics, fine ceramics, electronics raw materials and composite material).

2) Biotechnology.

3) New medicines.

We cannot cover all these vast areas alone. So, we would like to do some joint research works in these areas with American partners, regardless of whether they are in the same business as we are or in different busienss. We don't have too much experience of doing joint research works with American businesses, but the chemical and pharmaceutical industries in Japan have improved their standardards of technology. In particular, we are good at production of diversified type products in small quantities. For these reasons, we are looking forward to a major increase in the future in the number of joint research works.

- End -

COMMITTEE NO.3

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Some Views On the U.S. Patent System From Foreign Applicants

Japanese Group Committee No. 3

Mitsuo Taniguchi, Eisai Co., Ltd.
Kenzo Hayashi, Kanebo, Ltd.
Mamoru Takada, Mitsubishi Electric Corporation
Hirohisa Suzuki, Nippon Steel Corporation
Hidenori Inose, Fujitsu Limited
Keita Nakano, Fuji Xerox Co., Ltd.
Takeo Hamazaki, Mitsubishi Rayon Co., Ltd.
Zenjiro Nakamura, Takeda Chemical Ind. Ltd.

Introduction

A patent system is a basis of support and promotion for industry, technology and economy, and most of the countries of the world adopt this system. The patent system, however, has followed the uniquely different paths in countries and differs from country to country.

An invention is a product of brain activities and knows no national border. A superior invention which contributes to the welfare of mankind can be truly useful only after it is utilized extensively throughout the world for the development of international society, science and technology. Understanding and appreciating the industrial property system on the international scale has become extremely important in the face of rapid expansion in international trade.

The matter of unification or harmonization of the patent systems of the world is becoming increasingly

important in view of such a global trend. It is not desirable that one excellent invention is afforded protection in one country but not in another, or that the scope of protection varies from one country to another. It is particularly desirable that the tripartite parties of the United States, Europe and Japan with their great influence should review their patent systems and their operational management, and cooperate with each other to develop and expand the patent system into something more universal.

Overall review of the patent system in industrialized countries instantly reveals that the United States adopts a system uniquely different from other European countries and Japan. The US patent system is well known of its long history and tradition, and we have learned a lot from it. However, if viewed from the standpoint of world-wide harmonization of the patent systems, the US system is far different from others, particularly from that of Japan and Europe. The difference lies in various places; the most significant one which affects others is that the United States adopts the first-to-invent system under which the first inventor is granted the patent right. A majority of 120-odd countries of the world adopt the first-to-file system. Only the United States, Canada and the Philippines adopt the first-to-invent system.

First-to-invent system may conceivably be an idealistic system in theory, but in practice an extreme difficulty arises in judging who is the first inventor, and the interference proceedings impose a grave burden on foreign applicants including the Japanese. If the United States which occupies a significant position in the world patent systems were to replace its first-to-invent system with the first-to-file system, it would indeed remove a great obstacle in achieving a global harmonization.

We wish to discuss in this paper the problems in the United States accompanying the first-to-invent system, a proposal for the first-to-file system, problems concerning their handling of the applications claiming the right of priority and our request for reconsideration.

Part 1: Regarding First-to-Invent System

(1) Introduction

As is well-known, 35 USC 102(g) defines the first-to-invent system and says that consideration should be given to the conception and reduction to practice of the invention and the reasonable diligence therebetween in determining which of the identical inventions was made first.

There is a restriction concerning the proof of the invention date under 35 USC 104. It is not possible to rely on inventive activities outside the United States for proving the invention date. Therefore, if a patent

application was filed in the United States for an invention made in a country other than the United States claiming the priority of the patent application filed in that country, the applicant may not claim the invention date prior to the priority date.

It is true that no discrimination is made between the U.S. nationals and the foreign nationals regarding the inventions made in the United States and the law treats them equally in this respect. However, if we were to consider the fact that virtually all the inventions made by aliens for which patent applications are filed in the United States have been made not in the United States but in foreign countries, then this is nothing but the discrimination in fact.

This matter has been a point of controversy in Japan as well as in European countries as is well reflected in the result of a recent survey conducted by Japan Patent Association concerning US patent system. Respondents mentioned the first-to-invent system as the subject they most focused on.

Interference procedures and determination of first inventor are costly and complicated both for foreign nationals and U.S. nationals. Won't this problem be obviated by adopting the first-to-file system which in its turn will lead to international harmonization which is currently the focus of interest in the interntional patent society? The equal treatment for both the domestic and the foreign nationals forms the basic principle of

the Paris Convention and is clearly stipulated in Article 2 (1) thereof.

(2) Problems of First-to-Invent System of the United States

It is true that the US system we have just discussed does not make any distinction concerning the nationality of the inventors. The distinction is made regarding the place of inventive activity; that is, whether the invention was made in or out of the United States. Therefore, an inventor who is not a US national can rely on his actual invention date if the invention was made inside the United States. From this point of view, the law therefore does not discriminate foreign nationals from US nationals.

It may be true as far as the law is concerned. However, we need to take the actual situation into consideration. Those who actually enjoy the priviledge of proving the date of inventive activities inside the United States would be generally the U.S. nationals. It would be only in exceptional cases where foreign nationals would be able to enjoy this right.

This situation appears in focus in the interference procedures. When the foreign and the domestic applications were related to the identical invention and the convention date of the former was earlier than the filing date of the latter, Americans would often allege and atempt to prove that their invention date was earlier than the convention date of the foreign applicant. Since foreign

nationals have no other way to resort to under the US Law even if their invention date in foreign country was actually earlier than the invention date of the American inventor, they would have to sit and take the rejection of their application.

According to "Three Years of the Interference Statistics" by Ian A. Clevert and Michael Sofocleous (Journal of the Patent Office Society, Vol. 64, No. 12 (December, 1982), pp. 669 - 709), the statistics for the fiscal years 1980 - 1982 show that there were only 7 cases where the invention made by foreign applicants who were the junior parties were awarded as having been made earlier (winning cases), and 57 cases where it was not awarded (lost cases). On the contrary, as many as 54 cases with American nationals as junior parties had their claim of prior invention awarded, and 91 cases not recognized of their claim. The ratio of the American winners as against foreign counterparts far exceeds the reverse cases.

This demonstrates the inequity of the first-to-invent system for foreigners. Is is not the discrimination in fact?

Interference proceedings even between US applicants impose heavy burden on the parties involved. Is it not true that a considerable volume of resources is spent on the expense, labor, complexity of the interference proceedings actually initiated as well as on documentation and custody of proofs in their anticipation? This does

not sound productive. Is this first-to-invent system really idealistic?

(3) Proposal for the First-to-File System

In view of the problems mentioned just now as well as of the merits to which we shall later refer, we believe that adoption of the first-to-file system instead of the first-to-invent system will prove more practical. While there is a view which deems the first-to-invent system as theoretically ideal, we believe we should adhere to the reality and adopt the first-to-file system which actually insures the principle of the first-to-invent system without involving complex procedures.

When adopting the first-to-file system, an inventor who failed to be the first applicant in spite of having invented first would be sufficiently remunerated if he is afforded some legal protection. For instance, how about granting the free license to the first inventor within the scope of his invention? The Japanese Patent Law stipulates free non-exclusive license to a third party who was practicing or preparing the invention before a filing date of an application without knowledge of the contents of the invention. (See Article 79 of the Japanese Patent Law.)

There are indeed a great many discussions in the United States concerning the first-to-invent system as illustrated by the proposal made by "Reform of the Law on Interference: A new role for an ancient institution

in the context of a first-to-file system" by Robert A. Armitage (Journal of the Patent Office Society, Vol. 64, No. 12 (December, 1982), pp. 663 - 665). To wit,

> Further, in order to effectuate efficiently a statutory scheme of granting patents to applicant who is first to file, the following additional changes in the patent statues, not directly related to interference practice, are proposed;
>
> (1) the "prior art" generating provisions of 35 USC 102 would be separated from loss of right to patent provisions and only public knowledge, publications, or laid-open US patent applications would constitute prior art;
>
> (2) although novelty would be absolute in the sense that any of the acts of public disclosure set forth above would defeat novelty as of the date of public availability, applicants would be permitted expanded rights of priority (such rights are now limited to foreign patent applications), which would include the right to rely upon prior publications, in order to provide in effect a one year grace period;
>
> (3) patent applications would be laid open for public inspection not later than 18 months from the first asserted date of priority or benefit of a prior filed the U.S. patent application;
>
> (4) a term for patents measured from date of grant up to not more than 21 years from the

first asserted date of priority or benefit of prior filed the U.S. patent applications would be established; and

(5) pre-grant rights to a "reasonable royalty" for infringement after laying open of an application on which a patent was granted would be included in the patent grant.

(4) Merits of the First-to-File System

Adoption of the first-to-file system will remove various problems inherent to the first-to-invent system and also achieve the following advantages.

(1) International harmonization of the patent systems

Majority of the countries today adopt the first-to-file system. Countries which are newly establishing patent systems are all adopting the first-to-file system. The WIPO model law for developing countries is also based on the first-to-file system. Contrary to such general trend, only the United States, Canada and the Philippines adhere to the first-to-invent system. If the United States with its leading role in administration of the world patent systems were to adopt the first-to-file system, it would make a great step in international harmonization of the patent system.

(2) Disadvantages to American inventors in their foreign applications are removed

When filing in the first-to-file system countries claiming the priority of the U.S. applications, the U.S.

applicants would have their priority of inventions judged based only on the priority date (the U.S. filing date). The U.S. inventors must secure earliest possible the U.S. filing date in view of the fact that majority of the countries of the world adopt the first-to-file system. The first-to-invent system in the United States cannot be a key to securing an early the U.S. filing date in this respect. We hear that there are quite a number of cases where the U.S. applicants suffered disadvantages in obtaining patents in foreign countries because of their late filing dates despite early invention dates.

(3) Complex procedures of proving prior invention are excluded

Under the U.S. system, the interference procedures are taken in order to determine which was the first invention whether the case be between American nationals or between American national and foreign national. The procedures are extremely complex and both labor and time consuming.

There was introduced the arbitration clause into the United States interference procedures in order to do away with these complexities. Trying to remove the complexties of the interference procedures with arbitration would alone compromise the first-to-invent system.

We would like to ask then whether the first-to-invent system must be adhered and preserved at all costs.

Isn't the system of affording a certain legal right to the prior inventor and granting a patent right to the prior applicant more explicit and clearcut as a system?

④ Less need for documentation and custody of materials for proving invention date in R&D activities

We understand that much efforts are devoted to keep the results as reference materials in the daily research and development activities in the United States. These undoubtedly include data only necessary for proving the invention date in addition to those which are naturally required for research and development. These efforts would be reduced radically if the United States were to adopt the first-to-file system, and energy thus saved would be useful for the original purpose of research and development. The load of keeping such volume of materials for a long period of time would also be reduced.

⑤ Removing substantial discrimination between US nationals and foreign nationals in the procedure for proving invention date

In the interference proceedings between foreign nationals and the U.S. nationals, the U.S. nationals are substantially in advantageous position. It is not equitable that foreigners are not allowed to assert the benefit of the date on which their invention was made in the foreign country earlier than their U.S. counterpart's invention date. Statistically speaking, a greater number of foreign applicants lose the interference cases. The U.S. companies are becoming increasing multinational and many of their invention trend to be made in foreign countries. The first-to-file system would remove contradictions in such cases.

Thus, we would argue that adoption of the first-to-file system by the United States is desirable for herself in this age of fierce international competition of technology development.

Part II: Regarding the U.S. Treatment of Priority Applicaion

Usual practice we follow in filing patent application in the United States is to claim the priority right under the Paris Convention based on the application in the first country. Various decisions concerning the priority right rendered by the U.S. courts are based on extremely unique views concerning interpretation of the Paris Convention, placing foreign applicants disadvantageous position.

We would like to discuss two representative examples which affected the Japanese industry; Hilmer Case (149 USPQ 480, 165 USPQ 255) and Kawai Case (178 USPQ 158), their problems and reconsideration as we would like to see.

(A) Hilmer Case

1. This decision is significant in that it did not recognize the so-called "patent defeating effect" as the effect of the priority right.

> "Even when the priority claim was validity made under 35 USC 119, the United States patent comes to have the effect of causing other inventions to lose their novelty as provided in 35 USC 102(e) and (g) as of the actual filing date."

The patent defeating effect (effect to exclude others from obtaining patent) becomes valid on the actual filing date in the United States, not at the time of the foreign priority date.

2. This way of treatment clearly brings disadvantages to foreign applicants, and is significantly different from those in Japan or European countries.

3. For your reference, we would like to point out the provision of Article 29^{bis} of the Japanese Patent Law as a similar one to 35 USC 102(e). This provision concerns requirements for patentability; the invention of the patent application should not be described in the original specification or drawings of a prior application which has been published for opposition or laid open for public inspection after the filing date of application concerned; this is a so-called whole content approach of a prior application. In applying this provision, there arises a problem of whether a proper application has the patent defeating effect against a later application as of its filing date in the first country (i.e. foreign prior date under the Paris Convention) or as of its actual Japanese filing date. The prevailing theory in Japan is that the basis will be on the foreign filing date (priority date) in the light of the spirit of the Paris Convention. The Japanese Patent Office actually bases their treatment on the foreign priority date.

"Examination Guideline" 43.07 A of the Japanese Patent Office

43.07 A

How to apply Article 29^{bis} of the Patent Law to Applications claiming tne Convention Priority:

In the case where the "another application" referred to in Article 29^{bis} of the Patent Law claims the convention priority, the invention which is commonly described in the specification filed in the first country and also in the specification originally filed in this country shall be treated as having been filed in this country on the date of filing in the first country, if the application is filed within the period in which priority may be claimed and the certified priority document is submitted.

4. Although there may be controversy as to whether this Hilmer Decision is in violation of the Paris Convention or not, clearly it is contrary to the spirit of the Paris Convention.

Because of such a way of unique U.S. treatment, the Japanese companies are often compelled to file their patent applications in the United States as early as possible despite the convention period guaranteed under the Paris Convention. This poses a great burden on us.

Such treatment is not desirable in view of the international harmonization of the patent system, particularly in view of the unification of patent practices in tripartite

parties of US, Japan and Europe.

We therefore urge you to reconsider that "patent defeating effect" should accrue as of the foreign priority date.

5. According to Harold C. Wegner & Jochen Pagenberg: "Paris Convention Priority: A Unique American Viewpoint Denying "the Same Effect" to the Foreign Filing" IIC Vol. 5, No. 4/1974, pp. 361 - 381, and more in particular on page 362;

> Remedial legislation to overcome Hilmer I has been proposed. The Administration Bill introduced by Senator Scott, S. 2504, specifically provides in the proposed 35 USC Section 102(e) that the reference date of a United States patent with foreign priority would be the foreign priority date, thus legislatively overruling Hilmer I.

This indicates that S. 2504 was a bill which incorporated our request.

(B) Kawai Case

1. The decision in Kawai Case rendered by CCPA on July 21, 1973 held that for a patent application in the United States to fully enjoy the priority right under the Paris Convention, it is necessary for the specification filed in the first country to satisfy the requirements for a patent specification as provided in the first paragraph

of 35 USC 112.

2. In the Kawai Case, an interference was declared between a U.S. application filed on October 13, 1967 in the name of Kawai et al claiming the priority of a Japanese patent application filed on October 14, 1966 and a U.S. application filed on April 11, 1967 in the name of Metlesics et al, the two applications claiming an identical compound. Kawai et al's U.S. application was judged as not entitled to its Japanese priority since the specification of the original Japanese application did not satisfy the requirements of 35 USC 112, and the CCPA affirmed the decision of the U.S. Patent Office.

3. The basis for CCPA's decision is given below.

> "In summary, it is our view that the purpose of the Paris Convention was to have an application made in a foreign country treated as the equivalent of a domestic filing. We believe that equivalent treatment is accorded when the foreign application is weighed under the first paragraph of Section 112 in the same manner as would a United States application under Section 120."

4. In order to enjoy the benefit of the priority under the Paris Convention, the first application should have been filed regularly in a member country of the Paris Convention (see Article 4 A (2) and (3) of the

Convention below) and there should be a substantial identity between the first application and the later application claiming the priority of the first application.

Article 4 A

(2) Any filing that is equivalent to a regular national filing under the domestic legislation of any country of the Union or under bilateral or multilateral treaties concluded between countries of the Union shall be recognized as giving rise to the right of priority.

(3) By a regular national filing is meant any filing that is adequate to establish the date on which the application was filed in the country concerned, whatever may be the subsequent fate of the application.

A patent application in the second country directed to an invention which is identical in its gist to that of the patent application filed in the first country should be entitled to the priority of the first application, and the Paris Convention does not provide that the specification of the first country should satisfy the disclosure requirements as stipulated by the laws of the second country.

5. The above mentioned decision of CCPA, on the contrary, held that the second application is entitled to the priority right under the Paris Convention only

when the specification of the first application satisfies the disclosure requirements under 35 USC 112.

Interpretation and treatment of 35 USC 119 in such a way is extremely disadvantageous for a foreign national, and is quite advantageous for the U.S. nationals.

6. It is quite natural that the disclosure requirements should vary to a certain extent from country to country according to respective legal systems.

The priority filing under the Paris Convention aims at giving rise to the right of priority to an application regulating filed in a member country, and the judgement of "regular filing" should be based not on the domestic law of the second country but on that of the first country. Otherwise, this may lead to destruction of the priority filing system under the Paris Convention.

Conclusion

1. First-to-Invent System

Under the first-to-invent system in accordance with 35 USC 102(g), a foreign inventor, generally residing outside the United States, seems to be substantially discriminated against from the U.S. nationals (35 USC 104) and is obliged to be in a disadvantageous position. The system also requires burdensome interference procedures in order to determine the priority. Thus, the change from the first-to-invent system to first-to-file system is recommended to solve the above controversial points.

Even when the first-to-file system is adopted, an inventor, who invented first but failed to be the first applicant, would be remedied, for example, by an introduction of a provision to the effect that a person, who has made an invention earlier by himself without knowledge of the contents of an invention claimed in the earlier patent application filed by third person, shall have a non-exclusive license based on a prior use (See Article 79 of the Japanese Patent Law.)

2. Convention Priority

Even when the Applicant claims the benefit of the filing date of a prior foreign application under the Paris Convention, the prior one is useful only to overcome an intervening reference. The effective date of an issued patent for use as a prior art reference should be affected by the foreign filing date to which the patentee is entitled under 35 USC 119.

The benefit of a prior application is awarded only when its disclosure complies with the first paragraph of 35 USC 112. Just as a party in an interference can rely on a conception data if he deligently acted thereafter, the benefit should be awarded to a person whose later U.S. application meets the requirements.

PIPA CONGRESS

OCTOBER, 1985

CHICAGO, ILLINOIS

"THE FEDERAL CIRCUIT IS MAKING NEW LAW"

MAURICE H. KLITZMAN

THE FEDERAL CIRCUIT IS MAKING NEW LAW

Maurice H. Klitzman*

Introduction

The Court of Appeals of the Federal Circuit came into existence in October of 1982. Its purpose was to provide uniformity and certainty in the law of patents. In addition to creating uniformity, the Federal Circuit has also been making new law in basic conceptual areas which affect how a patent is evaluated both from the standpoint of a patentee as well as an alleged infringer. It is the substantive changes in the law that I want to focus on today in order to chart the direction the Federal Circuit is taking. The changes made by the Federal Circuit become even more important when you consider it is substantially a court of last resort for patents because so far the Supreme Court has refused to hear a patent case from the Federal Circuit.

My remarks will by in large be limited to cases decided in 1984.

Results Flowing From Changes In Law

Despite a dislike for statistics, they do reveal possible trends. For example, as result of the changes, the Federal Circuit has increased the percentage of validity holdings to over 60% for 1984. Prior to the formation of the Federal Circuit, the percentage of validity was in the 30% range. My guess is, that as time goes on, losing alleged infringers at the District Court level will not appeal as much to the Federal Circuit because the chances of reversal are much lower than they were previously. On the other hand, my guess is that appeals by losing patentees will increase.

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*The following are my personal views and don't necessarily represent the views of my client.

The statistics on reversals by the Federal Circuit of lower court decisions are revealing. In 1984, the Federal Circuit decided 52 patent cases, 32 of which were reversed, making a reversal rate of 61%. Where both validity and infringement issues were involved, the Federal Circuit reversed from invalidity to validity 15 times whereas it reversed from validity to invalidity 5 times. In addition, it reversed from non-infringement to infringement 6 times whereas it reversed from infringement to non-infringement 2 times. Thus, the Federal Circuit reversed 28 times in 1984 where both validity and infringement were involved, 21 times in favor of patentees and 7 times in favor of infringers (and 2 of those were for fraud).

Furthermore, when only infringement issues were involved, the Federal Circuit reversed 4 times in favor of patentees in the only 4 infringement cases it tried.

At least from the statistics, the Federal Circuit is establishing a reputation as being a patentee's court due in part to the changes in law it has made.

Presumption Of Validity Re Uncited Art Not Destroyed

One of the main changes has to do with the presumption of validity accorded a patent as against more pertinent prior art than that considered by the Patent Office. As you know, 35 USC §282 provides that a patent shall be presumed valid. The other Circuit Courts upheld the presumption when the prior art was the same or merely cumulative. However, they found the presumption was either dissipated, destroyed or weakened with respect to uncited better art and shifted the burden of persuasion to the patentee to establish otherwise. The Circuit Courts felt that their attitude toward the presumption of validity was justified because if the Examiner had the new art before him, the patent would not have issued. Accordingly, the other Circuits required the patent owner to establish that he was still entitled to the patent over the uncited art as if he were still prosecuting before the PTO.

The Federal Circuit on the other hand has now established that the presumption of validity is neither weakened nor destroyed no matter how good the uncited art may be and has held that the burden of proof remains with the party

challenging validity under 35 USC 282. The Federal Circuit has maintained this holding in numerous cases. SIHH Equipment S. A v. ITC, 718 F.2d 365, 218 USPQ 678 (Fed. Cir. 1983); Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530, 218 USPQ 871 (Fed. Cir. 1983); Hughes Aircraft Co. v. U.S., 717 F.2d 1351, 219 USPQ 473 (Fed. Cir. 1983); Medtronic v. Cardiac Pacemakers, Inc., 721 F.2d 1563, 220 USPQ 97 (Fed. Cir. 1983); American Hoist & Derrick, Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 220 USPQ 763 (Fed. Cir. 1984); Railroad Dynamics v. Stucki, 727 F.2d 1506, 220 USPQ 929 (Fed. Cir. 1984); and Redding & Bates Construction Co. v. Baker Energy Resources, 748 F.2d 645 (Fed. Cir. 1984). The important point is that even if the uncited art is admittedly more pertinent, this fact alone despite never having been previously considered does not rebut the statutory presumption of validity. Seattle Box v. Industrial Crating, 221 USPQ 568 (Fed. Cir. 1984).

The Federal Circuit requires that the Court begin by presuming that the patented invention has the presumption. It concludes that to do otherwise is to ignore the statute and to place on the patentee a non-statutory burden of proving validity. The court must be satisfied that the party challenging validity has carried its burden of overcoming the presumption. The Federal Circuit has said that a court need not declare a patent valid, but need only declare the party challenging validity has not carried that burden. Environmental Design v. Union Oil, 713 F.2d 693, 700; 218 USPQ 865, 871 f.n.9 (Fed. Cir. 1983); and Stevenson v. Sears, Roebuck, 218 USPQ 969 (Fed. Cir. 1983). What this means is that if a patent is not found invalid because a challenger did not carry his burden, another challenger may be able to meet that burden because of other considerations.

The difference in burden of proof, between an Examiner in the PTO on reexamination and an alleged infringer challenging validity in the Federal Circuit, was raised in a recent case by a patentee in litigation forced to consider reexamination. The patentee was concerned about the lesser burden of proof being placed on the Examiner and that he was losing his favored position that he would normally have in litigation. The court agreed with the patentee that reexamination should not be allowed to be used as a tool to avoid the burden of proof placed on an alleged infringer during litigation. However, because of

the closeness of the prior art, the Federal Circuit didn't see this as a danger in the case. In re Anderson, 743 F.2d 1528, 223 USPQ 378 (Fed. Cir. 1984).

Then, insofar as the Anderson case stands for the proposition that the presumption of validity applies to PTO reexamination proceedings, the Federal Circuit reversed itself in In re Etter, 756 F.2d 852, 225 USPQ 1 (Fed. Cir. 1985) in an en banc decision. It found the presumption does not apply to PTO proceedings.

An interesting point in the Etter case is a statement by the dissent that the Federal Circuit has acknowledged it intentionally gives patentees an advantage over infringers. This advantage exists even where new, more pertinent prior art may be insufficient to meet the clear and convincing standard but may be sufficient to meet the lower standard in the PTO, who might not have granted the patent based on that new art in the first instance. It would appear that the Federal Circuit is willing to hold an invention patentable over art for which the PTO is unwilling to grant a patent. It is merely a matter of who gets the uncited art first, the PTO or the Court.

Clear & Convincing Evidence Required

Not only has the Federal Circuit established that the burden of proof remains with the party challenging validity, but that party must establish invalidity by clear and convincing evidence even though the uncited art is admittedly more pertinent. Thus, a higher standard is required for a challenger to invalidate a patent than for an applicant to obtain a patent. For example, in American Hoist v. Sowa, 725 F.2d 1530 (Fed. Cir. 1984), the lower court had taken the position that if the prior art references were more pertinent than the art cited by the Examiner, then the presumption of validity disappears as to that issue of obviousness and the patentee has the burden of proof by preponderance of the evidence. But the Federal Circuit reversed putting the burden of proof on the defendant and raised the burden of proof to clear and convincing. The net effect is like establishing a rule of doubt in favor of the patentee with respect to uncited more pertinent art.

Although one may argue that the work product of the PTO Examiner is not entitled to such a high presumption when the best art was not considered, that

argument is not the law of the Federal Circuit. Connell v. Sears Roebuck, 220 USPQ 193 (Fed. Cir. 1983); SSIH v. ITC, 218 USPQ 678 (Fed. Cir. 1983).

Secondary Considerations Raised To Primary

An equally important change in the law is that District Courts must not only consider so-called "secondary considerations" but that these considerations must be weighed equally with the primary three-part test enunciated in Graham v. Deere, 148 USPQ 459 (S.Ct. 1966). Lindemann Machinen & Fabrik v. American Hoist & Derrick Co., 221 USPQ 481, 730 F.2d 452 (Fed. Cir. 1984). In this connection, the Federal Circuit found that a District Court committed error when it concluded that the invention was obvious based on prior art and that no amount of commercial success could save it. According to the Federal Circuit evidence of commercial success may be the most pertinent, probative, and revealing evidence available to aid in reaching a conclusion on the obvious/non-obvious issue. Stratoflex v. Aeroquip Corp., 713 F.2d 1530 (Fed. Cir. 1983). Evidence of secondary considerations is to be considered as part of all the evidence, not just when the decision-maker remains in doubt after reviewing the prior art. Jones v. Hardy, 727 F.2d 1524 (Fed. Cir. 1984).

In this same general connection, evidence indicating tremendous commercial success outweighed defendant's argument that there was no nexus between commercial success and the invention, and that some of the commercial success may have been due to elements in non-asserted claims. Rosemont v. Beckman, 221 USPQ 1, 7 (Fed. Cir. 1984).

There is even a suggestion that strong commercial success may be more important than the Graham primary considerations. For example, in Simmons Fastener v. Illinois Tool Works, 222 USPQ 744, the Federal Circuit agreed with the trial court that the teaching of the prior art prima facie would have suggested to one of ordinary skill in the art the claimed invention. However since the Federal Circuit concluded that the evidence of commercial success was extremely strong, great weight was given to the commercial success in reversing the lower court. Thus, it would appear that the Federal Circuit has "swung the pendulum" raising commercial success to even above primary considerations. Does this now

mean that strong commercial success can change an otherwise obvious invention into an unobvious invention? If so, it is a significant change from prior law.

What is interesting in the Simmons case was the Federal Circuit finding that the evidence of commercial success, was extremely strong. According to the Petitioner in his petition to the Supreme Court, the District Court didn't so hold, and that the Federal Circuit had to consider the factual evidence de novo to come to that conclusion--which means the Federal Circuit may sometimes not apply the clearly erroneous requirement, a requirement for an appeals court to reverse a lower court on the facts.

Is The Federal Circuit At Variance With Supreme Court Decisions?

The Federal Circuit may be at variance with several Supreme Court decisions. In Graham, the Supreme Court specifically held that long felt need in the industry together with wide commercial success could not tip the scales in favor of patentability where the claimed invention rested on exceedingly small and quite non-technical mechanical differences over the prior art. In Anderson's Black Rock v. Pavement Salvage, 163 USPQ 673, the Supreme Court took the position that if the Court determines from the three factual inquiries of Graham that a patent is obvious, secondary considerations cannot fill the gap. In contrast, the Federal Circuit has elevated secondary considerations to a primary status and above by its holding in Simmons.

In American Hoist v. Sowa, 725 F.2d 1350 (Fed. Cir. 1984), the lower court noted there was a body of law that a combination of old elements required a new and unexpected result due to their combination. Otherwise, such claimed combinations of old elements would merely "withdraw from the public's use that which was known before." The Federal Circuit regarded this notion as erroneous and held, the existence of a new and unexpected result or function is not required. The Federal Circuit concluded that a patentable invention may result even if the inventor has merely combined features, old in the art, for their known purposes, without producing anything beyond the results inherent in their use, which is at variance with Black Rock. This would give weight to good business acumen being an important factor in considering whether an invention has been made.

Prior case law permitted alleged infringers to focus on the difference over the prior art and then show that that difference alone would not have been unobvious. Graham v. Deere, 148 USPQ 459 (S.Ct. 1966). The Federal Circuit has found that approach improper under the "as a whole" requirement of 35 USC §103. Schenck v. Nortron, 218 USPQ 698, 700 (Fed. Cir. 1983).

In Paper Converting v. Magna-Graphics, 223 USPQ 591, the Federal Circuit avoided Deepsouth, 173 USPQ 769 (S.Ct. 1972) (a case holding shipping unpatented components abroad for combination abroad was not an infringement of a U.S. combination patent) by finding that the sale of an unassembled machine was tantamount to selling the patented machine even though the machine was assembled after the patent expired. The Federal Circuit also made an interesting comment that it must be cautious in applying 5 to 4 Supreme Court decisions like Deepsouth.

The Law Is Not Applied The Same For All Situations

The Federal Circuit does not intend the law to be applied in the same manner to different situations. With regard to a patent in litigation forced into reexamination, there is no presumption of validity to be overcome by the PTO regarding new prior art. On the other hand, the challenger in litigation must overcome the presumption by clear and convincing evidence with regard to that same admittedly more pertinent art. In re Etter, 225 USPQ 1, (Fed. Cir. 1985).

The PTO, and the Federal Circuit on appeal from the PTO, use a "point of novelty" approach to permit an applicant to distinguish over prior art when obtaining a patent. However, when the patent is challenged, an "as a whole" approach is required by the Court to determine obviousness, bringing into play such things as commercial success, etc. Jackson v. Plasser, 224 USPQ 1.

The Federal Circuit has given primary status to secondary considerations like commercial success, long felt need, copying, and acceptance by industry for finding non-obviousness. However, if secondary considerations are absent, it doesn't mean that the invention is necessarily obvious. Leinoff v. Milona, 220 USPQ 845; 726 F.2d 734 (Fed. Cir. 1983).

Requiring "synergism" as an element for patentability is highly improper. But if an invention is considered to have synergism, it is proper to find patentability based on synergism. Preemption Devices v. 3M, 221 USPQ 841 (Fed. Cir. 1984).

In Medtronic, 220 USPQ 97, 101 (Fed. Cir. 1983), the Federal Circuit noted in dicta that "essence of the invention" was improper to consider for determining obviousness (because that is a point of novelty approach). However, for infringement determination "essence" (or gist) was a proper consideration.

Validity Considerations Separated From Infringement?

There is an interesting case that makes me wonder whether the Federal Circuit is separating validity considerations from infringement. A common approach to non-infringement of a patent is that if the claims are interpreted broadly to read on an alleged infringing device, they read on the prior art.

In Thomas & Betts v. Litton Systems, 220 USPQ 1 (Fed. Cir. 1983) the Court seemingly segregated validity from infringement. Although not stated in the case as such, apparently the Federal Circuit feels that it is a "point of novelty" approach for anyone to assert that if the claims are interpreted so broad as to read on the alleged infringing device, they read on the prior art because secondary considerations are avoided. In the case, the Court first treated the claims "as a whole" in its broadened scope for validity purposes. The Court noted that validity should not be attacked in a backhanded way since validity was admitted which permits for greater freedom to apply the doctrine of equivalents. After finding validity, the Court then applied the doctrine of equivalents to find infringement. You may want to study the case to see what you conclude. I'm not sure that the Court separated validity from infringement, but I'm not sure that it didn't. But watch for further decisions on this issue.

Segregating validity from infringement perhaps accounts for Federal Circuit decisions favoring patentees where only infringement is involved because validity issues were not simultaneously considered in a narrowing way with respect to infringement. The lesson to be learned is don't admit validity.

Lost Profits As A Measure Of Damage Awards

The Federal Circuit has been affirming damage awards by District Courts in favor of patent owners on the basis of lost profits determination. Lam v. Johns-Mansville, 219 USPQ 670 (Fed. Cir. 1983); Paper Converting v. Magna-Graphics, 223 USPQ 591 (Fed. Cir. 1983); Railroad Dynamics v. Stucki, 220 USPQ 929 (Fed. Cir. 1984); Gyromat v. Champion Spark Plug, 222 USPQ 4 (Fed. Cir. 1984); and Biorad v. Nicolet, 222 USPQ 654 (Fed. Cir. 1984). Patent owner's damages were based upon lost profits for products outside of the patent grant but sold with the patented device because the patent owner would have made those sales but for the defendant. Lost profits on the basis of unpatented products can be much greater than lost profits on the patented items alone.

The scope of items which are outside of the patent grant, but included for the purpose of proving damages, is increasing. For example, In the Weinar case the Federal Circuit affirmed an award of damages to the patentee for lost profits and a like amount to National Gypsum for lost profits. In its petition to the Supreme Court, Rollform argued that National Gypsum was only a distributor for Weinar. It had no ownership interest in the patent, nor was it an exclusive licensee. At most it was an implied licensee. It would seem that an award of damages to a distributor expands what may be considered. Weinar v. Rollform, 744 F.2d 797, 223 USPQ 369 (Fed. Cir. 1984).

Although I've not seen it urged, might a constitutional law issue be raised at some point--i.e., providing a reward for unpatented articles? Should there be some limitation on the extent of unpatented products included for lost profits because under the antitrust laws it may be a tie-in to force a licensee to pay a royalty for some of the unpatented products? In other words, should a patent owner be able to include unpatented products for damages which the patent owner would not be able to license for a royalty? I'm not sure what the answer is, but it makes for an interesting topic to debate.

Conclusion

Since obviousness is an issue in most patent infringement suits where validity is challenged, giving secondary considerations primary status and above coupled with the challenger having to prove invalidity by clear and convincing evidence significantly increases the burden on alleged infringers to overcome the presumption of validity and enhances the patent owner's chances for success.

MHK:mmf
Prepared 9/27/85
PIPA Meeting 10/10/85

Information about the Patent Conditions in the People's Republic of China.

Japanese Group Committee No. 3

T. Akai, NEC Corporation
K. Komaki, Fujisawa Pharmaceutical Co., Ltd.
S. Tonouchi, Sekisui Chemical Co., Ltd.
K. Hasegawa, Mitsubishi Chemical Industries Ltd.
R. Hata, Ricoh Company, Ltd.
T. Matsumura, Mitsubishi Gas Chemical Company, Inc.

INTRODUCTION

The Chinese Patent Law was enacted aiming at promoting domestic production and stimulating technology transfer from abroad. The Law entered in effect on April 1, 1985.

From the Law enactment until the end of May 1985, patent applications reached 3,804 in number, out of which 2,254 were filed by the national and 1,550 were filed by the alien. The number of utility model applications is 1,876 (1,840 by the national and 36 by the alien) while the design applications are 204 in number (113 by the national and 91 by the alien).

Regarding the applications by the non-Chinese applicant, 628 applications were filed by Japanese applicants (560 to patent, 31 to utility model and 37 to design). The U.S. applicants filed 329 applications (328 to patent and 1 design). The West German applicants filed 189 applications. Following these major three foreign applicants are Netherlands, Great Britain, Switzerland and France.

Foreign applicants seem to prefer the filing through Hong Kong channel. According to the statistics, 300 applications were filed via the Beijing Agent and 2 applications via the Shanghai Agent while 700 applications were handled by the Hong Kong Agent (as of April, 1985).

As was announced during the PIPA 15th International Congress in Sendai, Japan, the PIPA Japanese Group jointly with the Japanese Patent Association made enquiries about the Patent Law and procedures. In reply to our enquiries,

the Chinese Patent Office answered that some of them were useful to clarify the matter and draft the Implementing Regulations of the Patent Law. The Patent Office also answered that remaining questions would be discussed directly.

In March, 1985, soon after the publication of the Implementing Regulations of the Patent Law, the Japanese Patent Association sent a delegate to China. While visiting the respective agents in Beijing, Shanghai and Hong Kong, the delegate had opportunities to discuss outstanding questions with Chinese officials.

This report summarizes these discussions with Chinese officials to answer the ambiguities and questions included in our report in the previous Sendai meeting. In this report, however, we do not make any reference to provisions which are clear in or self-explanatory from the Implementing Regulations of the Patent Law dated January 25, 1985.

For this paper, "the Law" means the Chinese Patent Law, and "the Regulations" means the Implementing Regulations of the Patent Law.

[I] Effects of Process Patent (Article 11 of the Law)

(1) The protection of a patent right granted for a process invention hereby to produce a substance does not extend to the same substance produced in a foreign country by using the same process and then imported into China.

This provision is to satisfy the China's desire that patented inventions should be worked in China as much as possible.

Nevertheless, China is willing to seek a measure to protect the interest of a process patent and reportedly has an intention of making relevant provisions within the scope of the "Technology Transfer Ordinance".

(2) Even though a patentee of a process patent or his/her licensee is actually producing and selling the substance in China by using the patented process, the process patent

has no effect on the same substance produced in a foreign country by using the same process and then imported into China.

COMMENT: This differs from what was reported in the previous Sendai conference.

(3) A patent right for a process invention has no effect either on the manufacture and sale of a matter (e.g. raw material, part) to be used solely for the patented process.

[II] License Contract for Expolitation (Article 12 of the Law, Rule 13 of The Regulations)

(1) When a license contract has been concluded, the contract document is required to be submitted to the Patent Office. However, the submission is only for the for-your-information purpose. No examination will be made, and no amendment instructions will be issued.

(2) The fee for the exploitating a patent as provided for in the Law can voluntarily be determined upon the parties' mutual agreement.

(3) the contract should be submitted to the Patent Office within three months from the effective date of the contract. In case of failure of submission within the period, later submission would be admissible.

[III] Protection under Patent of a Use Invention and a Composition Invention (Article 25 of the Law)

(1) An invention on the use of a chemical substance (use invention) is patentable and it can be protected under the patent for a method (method of use) unless the substance is used as pharmaceutical or food.

Example 1: An invention on the utilization or use of a novel chemical substance in a specific field:

"a germicide or insecticide comprising a novel chemical substance A as an active ingredient", is not allowed under the law. However "a method of killing germs or insects" can be protected under a patent.

Example 2: An invention on the utilization or use of a known chemical substance in a field in which the use of the substance is unknown:

The law does not allow a patent for "a dye the principal component of which is a chemical substance B known as an ingredient of a pharmaceutical". However, it can be protected under a patent for "a method of dyeing"

(2) An invention of a composition comprising a mixture of two or more chemical substances can be protected under patent if a synergistic effect is produced by admixing.

Example 1: An invention of a composition comprising a novel chemical substance and a known chemical substance and incapable of producing any synergistic effect as a result of the combination of both chemical substances:

A plant growth-regulating composition comprising a novel chemical substance C and a known conventional carrier D and producing its effect solely due to the chemical substance C cannot be protected under a patent since the carrier D is lacking in characteristic feature and synergistic effect.

Example 2: An invention of a composition comprising a novel chemical substance and a known chemical substance and capable of producing a synergistic effect as a result of the combination of both chemical substances:

A paint composition comprising a novel chemical substance E and a known chemical substance F can be

protected under a patent if excellent color development is attained only through the combination of both chemical substances.

Example 3: An invention of a composition in which two or more known chemical substances are used in combination and which produces a synergistic effect due to that specific combination:

An adhesive composition comprising a known chemical substance G in combination with a known chemical substance H can be protected under a patent if excellent adhesion is achieved only through the combination of both chemical substances.

(3) Others

1) An invention of an alloy can be protected under a patent.

2) An invention of a co-melted polymer mixture cannot be protected under a patent since such mixture itself is to be regarded as a chemical substance.

COMMENT: A co-melted polymer mixture may be regarded as a composition rather than a chemical substance. In spite of the answer from the Patent Office, it still has the likelihood of being a subject matter of a patentable invention. Therefore, watching over the future examination practice would be required.

3) The term "pharmaceutical products" as used in Article 25, item 5, of the Law means human and animal drugs but does not include agrochemicals. Therefore, an invention on the use as an agrochemical can be protected under a patent

for a method (method of use).

[IV] Protection under Patent of an Invention on Microorganisms (Rule 25 and Rule 26 of the Regulations)

While the Law does not contain any provisions concerning microorganisms, the Regulations have provisions for them.

(1) Subject matter of protection under patent

"An invention of a microorganism itself" cannot be protected under a patent, but the following inventions can be protected:

(i) An invention directed to a method of producing a microorganism.

(ii) An invention directed to a method of producing a substance under utilization of a microorganism.

(iii) An invention directed to a substance produced by a microbiological method (bioengineering technique).

COMMENT: It seems a Patent Office's opinion that since a microbiological process is not regarded as a chemical process as provided for in Article 25, item 5, of the Law, an invention of a substance produced by the former process (e.g. recombinant DNA, etc.) can be a subject matter of a patent. At the present moment, however, we refrain from asserting that the future examination practice will surely follow such way of thinking.

(iv) An invention of a process for producing a substance by microbiological process.

Example 1: A process for preparing a desired

compound by using a transformat.

Example 2: A process for preparing a desired monoclonal antibody by using a hybridoma.

However, a diagnostic process invention as given below cannot be protected under a patent in view of the provision of Article 25, item 3, of the Law.

"Immunoassay using one or more monoclonal antibodies"

(2) Deposit of microorganisms:

Where an invention relates to a novel microbiological process or a product thereof and where a microorganism to be used for the invention is not available to the public, it is necessary to deposit the microorganism with one of the following depositary institutions designated by the Patent Office before or, at the latest, on the filing date of the patent application for the invention.

(i) Center for General Microbiological Culture Collection, China Committee for Culture Collections of Microorganisms
Zhongguanchun, Beijing (c/o Center for General Microbiological Culture Collection, Institute of Microbiology, ACADEMIA SINICA, ZHONGGUANCHUN)

(ii) Chinese Type Culture Collection Center (c/o Wuhan University, Department of Microbiology)

Since the China is not a Budapest Treaty member, deposit with foreign depositary institutions avails nothing.

[V] Submission of reference materials cited in the corresponding foreign applications (Article 36)

(1) When the reference materials are documents concerning

any search, it is enough to simply submit a copy of the documents or identify the documents (If those are possessed by the Patent Office).
When the references are documents cited during any examination, it is necessary to attach the comments on them.

(2) Only upon the request of the examiner, it is necessary to translate these references into the Chinese language.

(3) Even after the request for examination, it is necessary to submit these references without delay.

(4) The force majeure comes under the justifiable reason prescribed in Article 36.

[VI] Renewal of the duration of the patent right for utility model or design (Article 45)

The renewing the duration of the patent right for utility model or design is allowed on the patentee's application unless there is a violation of the law.

[VII] Compulsory License (Article 52 of the Law)

(1) The act of importing a patented product does not constitute the exploitation of the patent within the meaning of Article 52 as well as Article 11.

(2) Regarding a substance patent, the Patent Office is to apply the Law in a such manner that a compulsory license should not be granted to a person who does not actually produce the substance within the territory of China but only uses or sells the substance imported from foreign country.

(3) Regarding a process patent, the Patent Office is to apply the Law in a such manner that a compulsory license should not be granted to a person who only imports and sells the product produced abroad by the process in question.

(4) Failure of the obligation prescribed in Article 51 because of difficulty in obtaining the raw material or because of poor economy can be justifiable under Article 52. Thus a compulsory license can be prevented from being granted.

(5) It suffices if the patented product have been made or the patented process have been used once for the three-year period from the date of patent grant.

In the meanwhile, the Patent Office suggested that a patentee should make the patented product or use the patented process in China as far as possible since the Patent Office has a hesitation of instituting a compulsory licenses.

[VIII] Request for Examination (Article 35 of the Law)

The initial date in reckoning the three-year period for filing a request for examination of an application claiming a Convention date (or dates) is the earliest Convention date. If the priority right has been abandoned or has been declared invalid after application, the initial date is of course the actual filing date in China.

In case of failure to file a request for examination within the three-year period, the applicant can be relieved only for reasons of force majeure.

A request for examination by a third party cannot be accepted. However, the Patent Office may, on its own initiative, proceed with substantially examining a patent application when it deems to be necessary (e.g. when the invention is important to China and may affect China's interests) (Article 35, paragraph 2 of the Law). The Patent Office shall, when proceeding to examine such application, notify the applicant accordingly (Rule 50 of the Regulation).

[IX] Amendment of Application Documents (specification, claims. etc.) (Article 33 of the Law)

The period for acceptable amendments is set force in

Rule 51 of the Regulations. Whether the amendment is made before or after announcement of a decision that there is no cause for rejection, would not affect the scope of the amendment.

When the amendment is partial, it is sufficient to submit a replacement sheet or sheets.

When an applicant is notified of some or other reasons for rejection, the applicant can make an amendment in response to the reasons of rejection (e.g. restriction of the scope of claim) according to the Patent Office, however, he cannot make an amendment at his own discretion.

[X] Responding to Action issued by the Patent Office

The term of response may be extended. When the term of response has expired, a justifiable reason is required for the extension.

The statutory terms that cannot be extended even when there is a justifiable reason are as follows:

(1) the term during which an invention does not lose its novelty (Article 24 of the Law),

(2) the period of the priority right (Article 29 of the Law),

(3) the period for filing an opposition (Article 41 of the Law),

(4) the duration of the patent right for inventions (Article 45 of the Law), and

(5) the term of prescription for instituting legal proceedings concerning the infringement of the patent right (Article 61 of the Law).

Other statutory terms (e.g. the term of submitting the certificate of a Convention application, term of instituting legal proceedings in the people's court, etc.) may all be extendable only if there is a justifiable reason. The extension is determined by the examiner.

In principle, all proceedings should be conducted in a written form (Rule 3 of the Regulations). However, in some particular cases, when agreed upon by the examiner, an interview by the attorney for the applicant or by the applicant accompanied by the attorney is admissible.

[XI] Opposition (Article 41 of the Law)

For a patent for invention or utility model, an opposition based on identity with a senior application (Article 9 of the Law) cannot be filed since Rule 54 of the Regulations does not provide for such case. In case of a patent for inventions, any person may submit to the examiner observations on the application in question under Rule 48 of the Regulations. However this article is not applicable to a patent for utility model application which is never published. The Patent Office will do its best avoid double patenting and will give careful consideration to this point on the future occasion for amending the Regulations.

Evidences for supporting an opposition have to be submitted within three months from the date of announcement (Article 41 of the Law). According to the Patent Office, however, even after the time limit, submission of a supplementary evidence or evidences may be admissible if the reasons for opposition are not altered thereby. The extent to which such supplement is admissible is not clear.

The opposition does not conform to the prescribed requirements (Rule 57 of the Regulations) if it contains no reason for oppositions or nor evidence, or if the opposition paper is not in the prescribed form, or if the three-month period for opposition has elapsed.

The applicant can respond to the opposition many times if necessary. However, if the time limit for making the written response is not met, the application is deemed to have withdrawn his opposition (Article 41 of the Law).

If insignificant or good for nothing, the opposition will be declared to be unacceptable under Rule 57 of the Regulations, so that, in such case, the applicant will not be involved in an undue trouble.

When the applicant amends the claim or claims at the time of responding, the opponent is given an opportunity of refutation. The opposition cannot be withdrawn since there are not provisions therefor.

PIPA CONGRESS

OCTOBER 1985

CHICAGO, ILLINOIS

COUNTERFEITING - A GLOBAL PERSPECTIVE

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COUNTERFEITING - A GLOBAL PERSPECTIVE

I WOULD LIKE TO SHARE WITH YOU SOME GENERAL COMMENTS AND OBSERVATIONS CONCERNING THE INCREASINGLY IMPORTANT ISSUES OF COUNTERFEITING AND INTELLECTUAL PROPERTY AS THEY RELATE TO INTERNATIONAL TRADE AND RELATIONSHIPS BETWEEN THE DEVELOPED, DEVELOPING AND LESS DEVELOPED COUNTRIES.

THE ENGLISH WORD "COUNTERFEITING" IS DEFINED AS "SOMETHING MADE TO IMITATE ANOTHER THING WITH A VIEW TO DEFRAUD" AND BRINGS FORTH VISUAL IMAGES OF CROOKS WHO EXIST BY FRAUD, DECEIT AND DECEPTION. "PIRACY" IS ANOTHER TERM THAT IS OFTEN USED IN PLACE OF OR IN CONJUNCTION WITH "COUNTERFEITING" AND BRINGS TO MIND ROBBERY ON THE HIGH SEAS BY BANDS OF CUT THROATS AND THIEVES WHO KILL AND STEAL. "COUNTERFEITING" AND "PIRACY" ARE EMOTIONAL WORDS AND REFLECT AN EMOTIONALISM THAT IS QUITE ALIEN TO THE QUIET, CONSERVATIVE AND GENERALLY MISUNDERSTOOD WORLD OF INTELLECTUAL PROPERTY PROTECTION. CERTAINLY THE TERMS PATENT INFRINGEMENT, TRADEMARK INFRINGEMENT AND THE LIKE THAT WE USE AND DEAL WITH EVERY DAY DO NOT HAVE THE NEGATIVE CONNOTATIONS OR EXCITE THE GENERAL PUBLIC AND GOVERNMENTS AS DO THE TERMS "COUNTERFEITING" AND "PIRACY".

BUT, IN FACT, COUNTERFEITING AND PIRACY ARE BASICALLY ACTS WHICH ARE PROHIBITED AND PUNISHABLE UNDER THE ESTABLISHED INTELLECTUAL PROPERTY AND RELATED LAWS OF A DEVELOPED COUNTRY, SUCH AS JAPAN OR THE UNITED STATES. COUNTERFEITING AND PIRATICAL ACTIVITIES ARE NORMALLY PATENT INFRINGEMENT, TRADE MARK INFRINGEMENT, MISAPPROPRIATION OF TRADE DRESS, COPYRIGHT INFRINGEMENT, MISAPPROPRIATION OF TRADE SECRETS OR SIMILAR TORTS OR WRONGS UNDER INTELLECTUAL PROPERTY LAWS FOR WHICH REDRESS CAN BE OBTAINED. IT IS ALSO IMPORTANT NOT TO OVERREACT TO THE BROAD EMOTIONAL APPEAL OF THE TERMS AND ALLOW THEM TO BE EXTENDED TO LEGITIMATE ACTIVITIES SUCH AS REVERSE ENGINEERING AND COST CUTTING COMPETITION IN SITUATIONS WHERE NO VIOLATION OF INTELLECTUAL PROPERTY RIGHTS ARE INVOLVED.

COUNTERFEITING IS THE PRIME EXAMPLE OF HOW NON-EXISTENT OR DEFICIENT PROTECTION OF INTELLECTUAL PROPERTY DIRECTLY AND NEGATIVELY HAS AN IMPACT ON TRADE. PATENT, TRADEMARK, COPYRIGHT AND OTHER FORMS OF INTELLECTUAL PROPERTY INFRINGEMENT, HAVE A SIMILAR NEGATIVE IMPACT ON TRADE. IN EACH CASE, THE INNOVATOR IS DENIED THE RIGHT TO REAP THE ECONOMIC BENEFITS OF HIS OWN INVENTION OR EXPRESSION OF IDEAS, THUS REDUCING TRADE AND INDIRECTLY REDUCING INCENTIVES TO INVEST AND INNOVATE. OVER THE LONGER TERM, PROTECTION OF INTELLECTUAL PROPERTY RIGHTS WILL SERVE THE BROADEST INTERESTS OF THE WORLD ECONOMY BY IMPROVING THE INDUSTRIAL BASE OF MOST COUNTRIES. SUCH PROTECTION NOT ONLY

STIMULATES CREATIVITY AND THE ENTREPENEURAL SPIRIT, IT ALSO PROVIDES THE INVESTMENT INCENTIVES ESSENTIAL TO BRING NEW IDEAS AND INNOVATIONS TO THE MARKET PLACE IN THE VERY COUNTRIES WHERE THEY ARE NEEDED THE MOST.

INTELLECTUAL PROPERTY PROTECTION IS ONE OF THE MOST IMPORTANT EMERGING TRADE ISSUES OF THIS DECADE. BUSINESS NOW COMPETES IN A WORLD MARKETPLACE AND FACES STRONG COMPETITION ON A MULTI-NATIONAL BASIS. THIS APPLIES NOT ONLY TO ESTABLISHED BASIC INDUSTRIES, BUT ALSO TO THOSE CONCERNED WITH ADVANCED TECHNOLOGY SUCH AS BIOTECHNOLOGY, COMPUTER SOFTWARE AND SEMICONDUCTORS.

TRADE BARRIERS WHEN COUPLED WITH INEFFECTUAL INTELLECTUAL PROPERTY PROTECTION ARE ALSO SIGNIFICANT FACTORS IN CREATING AN ENVIRONMENT IN WHICH PIRACY AND COUNTERFEITING FLOURISH. THESE BARRIERS INCLUDE QUOTAS, HIGH DUTIES, SPECIAL AND DISCRIMINATORY TAXES, LOCAL OWNERSHIP REQUIREMENTS, FORCED SUBSIDIES TO LOCAL INDUSTRY, CURRENCY CONTROLS, ETC. WHEN A COMPANY IS NOT ABLE AS A RESULT OF THESE BARRIERS TO MAKE LEGITIMATE PRODUCTS AVAILABLE IN CERTAIN COUNTRIES, IT USUALLY FINDS THAT PIRATES FILL THE GAP IF THERE ARE NO EFFECTIVE INTELLECTUAL PROPERTY PROTECTION. IF THESE TRADE BARRIERS ARE PARTICULARLY ONEROUS OR WHERE THE GOVERNMENT ATTITUDE AND POLICES ENCOURAGE PIRACY, EVEN IMPROVED INTELLECTUAL PROPERTY PROTECTION WILL NOT REDUCE LOSSES. THIS SITUATION

PERTAINS, FOR EXAMPLE, IN KOREA FOR THE MOTION PICTURE INDUSTRY AND IN BRAZIL FOR COMPUTER SOFTWARE. IN THIS RESPECT, MARKET ACCESS AND INTELLECTUAL PROPERTY PROTECTION ARE CLOSELY INTERTWINED.

A FURTHER FACTOR WHICH HAS CONTRIBUTED TO PIRACY AND COUNTERFEITING IS THE IMPROVEMENT THAT HAVE OCCURRED IN THE ABILITY TO TRANSFER TECHNOLOGY, INCLUDING HIGHLY ADVANCED TECHNOLOGY, AROUND THE WORLD. GEOGRAPHICAL SEPARATION AND TECHNICALLY DEFICIENT WORK FORCES ARE NO LONGER THE BARRIERS THEY ONCE WERE TO THE ILLEGAL DUPLICATION OF PRODUCTS AND TECHNOLOGY. FURTHER, MANY OF THE NEW TECHNOLOGIES DO NOT REQUIRE LARGE CAPITAL INVESTMENT TO DUPLICATE EXISTING PRODUCTS. COMPUTER SOFTWARE AND OTHER COPYRIGHTED WORKS ARE EXCELLENT EXAMPLES OF SUCH PRODUCTS.

THE COUNTERFEITING OR PIRACY ISSUE IS PRIMARILY AN ISSUE BETWEEN DEVELOPED COUNTRIES, SUCH AS THE U.S, JAPAN AND THE MEMBER STATES OF THE EUROPEAN COMMON MARKET, AND THE NEWLY INDUSTRIALIZED COUNTRIES (KNOWN AS THE NIC'S), THE DEVELOPING COUNTRIES AND THE LESS DEVELOPED COUNTRIES. WHEN CONSIDERING PIRACY, THE COUNTRIES THAT ARE MOST OFTEN CITED ARE LOCATED ABOUT THE RIM OF THE PACIFIC BASIN AND INCLUDE TAIWAN, SINGAPORE, HONG KONG, INDONESIA, KOREA, PHILIPPINES, MALAYSIA, AND THAILAND. OTHER COUNTRIES WHERE PIRACY IN ONE FORM OR ANOTHER IS SUBSTANTIAL INCLUDE BRAZIL, INDIA,

MAINLAND CHINA, AND VARIOUS ARABIC STATES IN THE MIDDLE EAST.

WE CAN NO LONGER ALLOW IMITATORS TO FLOURISH AND PROFIT THROUGH INADEQUACIES OF INTERNATIONALLY ACCEPTED RULES. FOR EXAMPLE, THE U.S. INTERNATIONAL TRADE COMMISSION CURRENTLY ESTIMATES THAT U.S. COMPANIES LOSE OVER $8 BILLION DOLLARS EACH YEAR IN FOREIGN SALES DUE TO PIRACY. A RECENT REPORT BY THE INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE ESTIMATED THAT LOSSES FROM PIRACY TO THE U.S. COPYRIGHT INDUSTRY EXCEED $1.3 BILLION ANNUALLY AS A RESULT OF FAILURE TO PROVIDE ADEQUATE AND EFFECTIVE PROTECTION TO U.S. COPYRIGHTED WORKS. THE ALLIANCE IS AN UMBRELLA ORGANIZATION OF EIGHT UNITED STATES TRADE ASSOCIATIONS REPRESENTING SIGNIFICANT SEGMENTS OF THE COPYRIGHT INDUSTRY INCLUDING BOOK PUBLISHERS, FILM MAKERS, COMPUTER SOFTWARE PUBLISHERS AND MUSIC PUBLISHERS. A CHART SHOWING THE BREAKDOWN OF THESE ESTIMATED LOSSES FOR THE TEN COUNTRIES CONSIDERED IS ATTACHED AS AN APPENDIX. BOTH FIGURES ARE ESTIMATES AND MAY NOT BE ACCURATE SINCE COUNTERFEITING IS A CLANDESTINE ACTIVITY BUT BY ANY MEASURE THE MONEYS AND THE LOSSES INVOLVED ARE VERY LARGE. WHEN EXTRAPOLATED ON A GLOBAL BASIS, THE SUMS ARE EVEN GREATER.

THE MAJOR STEPS REQUIRED FOR REDUCING AND EVENTUALLY ELIMINATE COUNTERFEITING AND PIRACY ARE: (1) THE ENACTMENT OF ADEQUATE INTELLECTUAL PROPERTY LAWS IN COUNTRIES WHERE

SUCH LAWS ARE DEFICIENT OR DO NOT EXIST AT THE PRESENT TIME; (2) CREATING A CLIMATE AND LEGAL SYSTEM IN THESE COUNTRIES THAT RESPECTS AND ENFORCES INTELLECTUAL PROPERTY RIGHTS; (3) ENCOURAGING NON-MEMBER COUNTRIES TO ADHERE TO INTERNATIONAL CONVENTIONS SUCH AS THE PARIS CONVENTION, THE BERNE CONVENTION AND THE UNIVERSAL COPYRIGHT CONVENTION; AND (4) PROVIDING EXPERT ADVICE AND ASSISTANCE IN THE INTELLECTUAL PROPERTY AREA ON BOTH PRIVATE SECTOR AND GOVERNMENTAL LEVELS. AS TO THE LATTER POINT, THE WORK AND EXCHANGE PROGRAMS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE AND THE JAPANESE PATENT OFFICE HAVE BEEN MOST HELPFUL AND ARE HAVING AN IMPACT.

WE SHOULD NOT UNDERESTIMATE THE DIFFICULTY OR THE TIME REQUIRED TO ACCOMPLISH THE ABOVE BUT PROGRESS IS BEING MADE. IT IS INTERESTING TO RECALL THAT A MAJOR REASON FOR THE FORMATION OF THE BERNE CONVENTION IN THE EARLY 1800'S WAS THE FLAGRANT AND UNAUTHORIZED COPYING OF THE WORKS OF CHARLES DICKENS AND OTHER FAMOUS ENGLISH AUTHORS IN THE UNITED STATES WHICH, AT THAT TIME, WAS A DEVELOPING NATION. ALSO, THE UNIVERSAL COPYRIGHT CONVENTION CAME INTO BEING ONLY AFTER WORLD WAR II. JAPAN ITSELF HAD A REPUTATION FOR COPYING AND LOW QUALITY GOODS AS IT BEGAN TO RE-INDUSTRALIZE AFTER THE WAR. BUT THIS HISTORICAL PERSPECTIVE DOES NOT ALTER THE FACT THAT INTELLECTUAL PROPERTY PROTECTION ISSUES ARE MORE SIGNIFICANT THAN AT ANY PREVIOUS TIME AND ARE CREATING FRICTION BETWEEN TRADING PARTNERS. THEIR INCREASED

IMPORTANCE MAY WELL GENERATE BETTER AND MORE TIMELY SOLUTIONS THAN MIGHT OTHERWISE OCCUR. FOR EXAMPLE, THERE IS VERY STRONG PRESSURE TO INCLUDE INTELLECTUAL PROPERTY PROTECTION ISSUES, INCLUDING MINIMUM STANDARDS OF PROTECTION, IN THE PROPOSED FORTHCOMING ROUND OF GATT (GENERAL AGREEMENT ON TRADE AND TARIFFS) NEGOTIATIONS. IT IS INCREASINGLY APPARENT THAT THESE PROBLEMS WILL BE DISCUSSED AND RESOLVED ON A GOVERNMENT-TO-GOVERNMENT BASIS OR THROUGH NEGOTIATIONS IN TREATY AND OTHER MULTI-NATIONAL FORUMS. THE PRIVATE SECTOR HAS AN IMPORTANT PART TO PLAY AS IT HAS IN THE PAST, BUT THE ISSUE IS BECOMING MUCH MORE A POLITICAL ISSUE.

I MIGHT ADD THAT THE INTERNATIONAL CONVENTIONS AND THE HARMONIZATION EFFORTS ARE EXTREMELY IMPORTANT IN ESTABLISHING MINIMUM STANDARDS OF INTELLECTUAL PROPERTY PROTECTION. BUT THE CONVENTIONS DO NOT GO BEYOND ESTABLISHING MINIMUM STANDARDS. WHAT THE GATT AGREEMENTS OFFER, IS A WELL ESTABLISHED MECHANISM FOR ENFORCEMENT OF AGREEMENTS AND FOR RESOLVING DISPUTES BETWEEN GOVERNMENTS. SIMILAR ENFORCEMENT POWERS DO NOT EXIST UNDER THE INTERNATIONAL CONVENTIONS. SOME 90 NATIONS ARE PARTIES TO THE GATT AGREEMENTS, AND THESE INCLUDE TAIWAN AND OTHER COUNTRIES ASSOCIATED WITH COUNTERFEITING THAT ARE NOT MEMBERS OF THE INTERNATIONAL CONVENTIONS.

WITH ABOVE AS BACKGROUND, LET'S REVIEW THE CURRENT STATUS OF THE INTELLECTUAL PROPERTY LAWS AND THE PROGNOSIS FOR FAVORABLE CHANGES IN THESE LAWS IN THE COUNTRIES AROUND THE PACIFIC BASIN WHICH ARE CLOSELY ASSOCIATED WITH COUNTERFEITING AND PIRACY. WE WILL DISCUSS TAIWAN, KOREA, SINGAPORE, MALAYSIA, THAILAND AND INDONESIA.

I. TAIWAN

TAIWAN HAS THE UNENVIABLE AND WELL DESERVED REPUTATION OF BEING THE MAJOR SOURCE OF THE WORLD'S COUNTERFEIT PRODUCTS. INDUSTRY HAS LONG CRITICIZED TAIWAN FOR ITS INADEQUATE LEGAL PROTECTION OF INTELLECTUAL PROPERTY RIGHTS AND FOR ITS WEAK ENFORCEMENT OF EXISTING REGULATIONS.

THE TAIWAN GOVERNMENT IS INCREASINGLY AWARE OF THE NEGATIVE EFFECT THAT COMMERCIAL COUNTERFEITING AND OTHER ABUSES OF INTELLECTUAL PROPERTY HAS ON TAIWAN'S TRADE RELATIONS AND INVESTMENT CLIMATE. A NEW TRADEMARK LAW WHICH PROVIDES STIFFER SANCTIONS FOR INFRINGEMENT WAS PROMULGATED IN JANUARY 1983 AND A REVISED COPYRIGHT LAW HAS JUST BEEN ENACTED INTO LAW. A NEW PATENT LAW AND TAIWAN'S FIRST UNFAIR COMPETITION LAW ARE PRESENTLY BEING DRAFTED.

TAIWAN HAS ALREADY MADE SUBSTANTIVE IMPROVEMENTS IN ITS INTELLECTUAL PROPERTY RIGHTS CLIMATE -- PARTICULARLY IN COMPARISON WITH OTHER KNOWN COUNTERFEITING NATIONS -- AND

HAS DEMONSTRATED ITS COMMITMENT TO ELIMINATING COMMERCIAL COUNTERFEITING PRACTICES. HOWEVER, MAJOR PROBLEMS REMAIN.

TAIWAN'S DIPLOMATIC ISOLATION DOES NOT PERMIT IT TO ADHERE TO ANY INTERNATIONAL INTELLECTUAL PROPERTY TREATIES. JAIL SENTENCES FOR CONVICTED INFRINGERS ARE CONVERTED TO MINIMUM FINES WHICH ARE TOO LIGHT TO PROVIDE ANY INCENTIVE NOT TO COUNTERFEIT. POLICE COOPERATION IS INCONSISTENT AND OFTEN INADEQUATE. OTHER PROBLEMS INCLUDE INADEQUATE PATENT PROTECTION FOR CHEMICALS AND PHARMACEUTICALS, A COMPLICATED REGISTRATION SYSTEM FOR COPYRIGHTS AND PROVISIONS WITHHOLDING EXCLUSIVE TRANSLATION RIGHTS FOR FOREIGN WORKS.

HIGH LEVEL OFFICIALS TO UNDERSTAND THE IMPORTANCE OF ELIMINATING COUNTERFEITING ON TAIWAN BUT ARE ENCOUNTERING STRONG OPPOSITION FROM THE BUSINESS COMMUNITY IN THEIR ATTEMPTS TO IMPLEMENT ANTI-COUNTERFEITING POLICIES. BUT UNLESS ADDITIONAL ACTION IS TAKEN, SUCH AS DENIAL OF EXPORT PERMITS FOR COUNTERFEIT OR PIRATED GOODS, IT WILL RETAIN ITS REPUTATION.

II. KOREA

THE INADEQUACY OF PROTECTION AFFORDED INTELLECTUAL PROPERTY RIGHTS IN KOREA HAS BECOME A MATTER OF INCREASING CONCERN IN RECENT MONTHS. THE ABSENCE OF COPYRIGHT PROTECTION FOR FOREIGN AUTHORS AND CREATORS UNDER EXISTING AND PROPOSED

LEGISLATION, LACK OF PATENT PROTECTION FOR CHEMICAL AND PHARMACEUTICAL PRODUCTS AND RESTRICTIVE REGULATIONS GOVERNING TRADEMARKS ARE PROBLEMS.

THE AREA OF GREATEST CONCERN IS COPYRIGHT PROTECTION. AT PRESENT, PROTECTION OF FOREIGN COPYRIGHTS IS NON-EXISTENT AND THE ISSUE IS BOUND TO GROW INCREASINGLY SENSITIVE AS KOREA'S BURGEONING COMPUTER INDUSTRY GENERATES GREATER DEMAND FOR APPLICABLE SOFTWARE.

IN THE PATENT AREA, KOREA JOINED THE PARIS CONVENTION IN 1980. FOREIGN FIRMS CAN APPLY FOR PATENTS IN KOREA AND GENERALLY ADEQUATE ENFORCEMENT AND LEGAL SANCTIONS EXIST AGAINST INFRINGEMENT. THE PATENT LAW IS WEAK, HOWEVER, WITH RESPECT TO THE SCOPE OF PROTECTION AFFORDED CHEMICALS AND PHARMACEUTICALS.

THE OVERALL CLIMATE FOR PROTECTION OF INTELLECTUAL PROPERTY IN KOREA WILL IMPROVE SLOWLY. THE COMBINED PRESSURES OF ITS LARGE FOREIGN DEBT, ITS NEED TO REMAIN COMPETITIVE VIS-A-VIS OTHER NEWLY INDUSTRIALIZING COUNTRIES, AND ITS NEED TO ATTRACT FOREIGN CAPITAL AND TECHNOLOGY SHOULD WORK IN FAVOR OF STRONGER PROTECTIVE MEASURES. PROGRESS WILL BE SELECTIVE AND SLOW, HOWEVER, GIVEN KOREA'S TENACIOUS RELIANCE ON THE ARGUMENT THAT, SINCE PROTECTION OF INTELLECTUAL PROPERTY IS A FUNCTION OF THE LEVEL OF DEVELOPMENT, KOREA CANNOT BE

EXPECTED TO AFFORD PROTECTION AT THE LEVEL THE DEVELOPED NATIONS DESIRE.

III. SINGAPORE

AS A RESULT OF WEAK LAWS AND LIMITED ENFORCEMENT EFFORTS, THE VIOLATION OF COPYRIGHTS, PATENTS AND TRADEMARKS IN SINGAPORE IS WIDESPREAD. AUDIO AND VIDEO CASSETTE PIRACY AND THE LACK OF COPYRIGHT PROTECTION FOR COMPUTER SOFTWARE ARE PARTICULAR PROBLEMS. COUNTERFEITED COMPUTERS AND PHARMACEUTICALS ARE OTHER PROBLEM AREAS. MOST OF THE ILLEGAL GOODS ARE EXPORTED.

SINGAPORE IS FACING INCREASED PRESSURE FROM DOMESTIC AND FOREIGN COMPANIES, AS WELL AS FROM FOREIGN GOVERNMENTS, TO UPDATE ITS PATENT AND COPYRIGHT LAWS AND ENFORCE THEM MORE VIGOROUSLY.

IV. MALAYSIA

IN MALAYSIA INFRINGEMENTS OF INTELLECTUAL PROPERTY RIGHTS ARE PREVALENT ALTHOUGH TO A LESSER EXTENT THAN IN SOME OTHER COUNTRIES IN ASIA. PIRATING AND COUNTERFEITING OF VIDEOTAPES, BOOKS, RECORDS, CASSETTES AND MICROCOMPUTER SOFTWARE BY MALAYSIAN MANUFACTURERS ARE SIGNIFICANT. RETAILERS ALSO IMPORT A LARGE AMOUNT OF COUNTERFEITED GOODS FROM COUNTRIES SUCH AS HONG KONG, SINGAPORE, AND INDONESIA.

MALAYSIA HAS FOUR ACTS RELATED TO INTELLECTUAL PROPERTY RIGHTS: THE COPYRIGHT ACT OF 1969, THE TRADE DESCRIPTION ACT OF 1972, THE TRADEMARK ACT OF 1976, AND THE PATENT ACT OF 1983. THE GOVERNMENT HAS PREPARED A DRAFT FOR A NEW COPYRIGHT ACT. SOME REVISIONS ARE EXPECTED BEFORE IT IS PROMULGATED. THE PATENT ACT OF 1983 HAS NOT BEEN FULLY IMPLEMENTED. THIS MAY TAKE A YEAR OR MORE. MALAYSIA IS NOT A SIGNATORY TO ANY OF THE INTERNATIONAL CONVENTIONS ON PATENTS, TRADEMARKS, OR COPYRIGHTS.

V. THAILAND

THE INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS -- PARTICULARLY THE COUNTERFEITING OF LIGHT CONSUMER GOODS SUCH AS CLOTHING AND ACCESSORIES--IS WIDESPREAD IN THAILAND, ALTHOUGH THE PROBLEM IS MUCH SMALLER IN MAGNITUDE THAN IN TAIWAN OR KOREA. AMONG THE MOST TROUBLESOME PROBLEMS AT PRESENT ARE: (1) THE PRODUCTION OF COUNTERFEIT PHARMACEUTICALS, INVOLVING ELEMENTS OF "PASSING OFF" AND, IN SOME CASES, DIRECT TRADEMARK INFRINGEMENT; (2) VIDEOTAPE PIRACY; AND (3) PIRACY OF COMPUTER SOFTWARE, INVOLVING THE SUPPLYING OF SOFTWARE FREE OR AT LOW PRICES AS AN INDUCEMENT TO PURCHASE COMPUTER HARDWARE (ITSELF EITHER LEGITIMATE OR COUNTERFEIT).

SOME OF THE WEAKNESSES IN THE PATENT AND TRADEMARK LAWS ARE OFFSET TO SOME DEGREE BY THAILAND'S CONSUMER PROTECTION LAW, WHICH EMPOWERS THE CONSUMER PROTECTION BOARD TO TAKE ACTION, INCLUDING SEARCH AND SEIZURE, IN CASES INVOLVING COUNTERFEIT PRODUCTION OF FOOD AND PHARMACEUTICALS.

VI. INDONESIA

THE PROBLEM OF INTELLECTUAL PROPERTY RIGHTS PROTECTION IN INDONESIA IS POTENTIALLY A LARGE ONE. COUNTERFEITING IN INDONESIA APPEARS TO FOCUS MAINLY ON GARMENTS (COUNTERFEITING OF BLUE JEANS SEEMS TO BE THE MAJOR PROBLEM), ACCESSORIES, AND SOME CHEMICAL PRODUCTS, INCLUDING PHARMACEUTICALS. COPYRIGHT PROBLEMS EXIST IN THE AREAS OF PUBLISHING, AND AUDIO- AND VIDEOCASSETTES. SOME OF THE COUNTERFEIT PRODUCTS AVAILABLE IN INDONESIA HAVE BEEN IMPORTED FROM OTHER ASIAN COUNTRIES, BUT IT ALSO EXPORTS ITEMS SUCH AS JEANS AND AUDIOCASSETTES TO OTHER COUNTRIES IN THE REGION.

THE LEGAL SYSTEM IS RELATIVELY UNDEVELOPED. THERE IS NO PATENT LAW, FOR EXAMPLE. IN THE PAST, INDONESIAN LAW WAS BASED ON DUTCH LAW. HOWEVER, THE GOVERNMENT IS GRADUALLY ELIMINATING MANY DUTCH STATUTES AND REPLACING THEM WITH INDONESIAN LAWS. AN ADDITIONAL PROBLEM WITH OBTAINING LEGAL REDRESS IS CORRUPTION WHICH IS RAMPANT THROUGHOUT THE GOVERNMENT, INCLUDING THE POLICE AND COURTS.

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AS YOU CAN SEE FROM THIS BRIEF REVIEW, MUCH REMAINS TO BE DONE TO OBTAIN THE ENACTMENT AND EFFECTIVE ENFORCEMENT OF INTELLECTUAL PROPERTY LAWS IN COUNTRIES WHERE COUNTERFEITING AND PIRACY EXIST. HOWEVER, SUCH ENACTMENT AND ENFORCEMENT ARE IN THE LONG TERM INTERESTS AND PARTICULARLY THE TRADING INTERESTS OF ALL PARTIES.

THANK YOU.

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APPENDIX

ESTIMATED LOSSES FROM PIRACY
OF COPYRIGHTED WORKS
IN TEN SELECTED COUNTRIES[1/]
(In millions)

	Records/ Tapes	Motion Pictures	Books	Software	Total
Singapore	$220[3/]	$ 11	$107[3/]	$ 20	$358[3/]
Taiwan	$ 9	$ 25	$118[4/]	$ 34	$186[4/]
Indonesia	$180[5/]	$ 17	$ 6	$ 3	$206[5/]
Korea	$ 40	$ 16	$ 70	$ 20	$146
Philippines	$ 4	$ 19	$ 70	$ 4	$ 97
Malaysia	$ 33	$ 13	$ 20	$ 7	$ 73
Thailand	$ 13	$ 12	$ 7	$ 2	$ 34
Brazil	$ 19	$ 13	$ 8	$ 35	$ 75
Egypt	$ 5	$ 5	$ 10	$ 3	$ 23
Nigeria	$120	6/	$ 11	6/	$131
TOTAL	$643	$131	$427	$128	$1,329[7/]

1/ Estimated losses reflect sale of pirated works in the domestic economy, except for Singapore, Taiwan and Indonesia where the figures include losses resulting from export of pirated works.

2/ While exports of software are known to occur from some countries, we have been unable to estimate such losses; these figures reflect domestic piracy only.

3/ Records/Tapes: domestic $50 and export $170; Books: domestic $7 and export $100; Total: domestic $88 and export $270.

4/ Books: domestic $8 and export $110; Total: domestic $76 and export $110.

5/ Records/Tapes: domestic $80 and export $100; Total: domestic $106 and export $100.

6/ Because there are no available data on VCR penetration in Nigeria, it is not possible to estimate losses. No estimate is available for software piracy.

7/ Domestic $849 and export $480.

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Recent Developments in Industrial Property Fields in Asian Countries

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Abstract

Since the Sendai PIPA meeting, there have been distinct movements in Industrial Property Fields, especially in Korea,Malaysia and Taiwan.

This report introduces the recent developments in Industrial Property Fields in Korea, Malaysia, Taiwan and some other Asian countries.

KOREA

1. Introduction

Trade conflicts between industrialized countries have been increasing in recent years as a consequence of the rapid growth of world-wide industrialization. These conflicts have raised the consciousness among industrialists in Korea with regard to the importance of protection of industrial property rights. As a consequence, there appears to be keen interst in the improvement of industrial property rights in Korea. Also, the rate of patent application filings have been increasing steadily in recent years. Particularly, it increased 35 percent in 1984.

This report introduces briefly the recent movement within Korea for revision of the laws and regulations relating to industrial property rights, the 1985 office plan of the Korean Patent Office, and shows some of the latest statistics on patent and utility models as an Annex.

2. Development of laws and regulations

(1) Amendment of Patent Law

The Korean Patent Office is planning to amend a part of the present Patent Act (Law No. 3566) to facilitate modernization and internationalization of the patent system in Korea which are one of the objectives for the office in 1985. An amendment bill is scheduled to be submitted to the 1986 Congress. The amendments will focus on the simplification of the present trial system which at present takes more than one year of considerable effort. The major points of the amendments are as follows.

(a) Improvement of trial system for obtaining a license (Art. 59)

The time consuming trial for the permission of an exclusive or non-exclusive license, when a patent holder refused to grant a license, will be abolished. In place of the trial, a mediation system will be introduced for making quick decisions.

(b) Elimination of the restrictions on qualification for the parties demanding trial (Art. 97-3)

The applicant of a trial for invalidation of patent and confirmation of scope of a patent is limited at present to the parties interested. This limitation will be abolished to save time and effort for the examination with regard to the parties interested.

(c) Improvement of examination procedure at the appeal trial against final rejection (Art. 126-2, 3, 4)

The examiner who rejected the original application will examine the case again in the appeal trial against final rejection if the application is amended.

(d) Harmonization with the Paris Convention, PCT (Art. 42, Art. 157-22)

(2) Amendment of MCI Ordinance was partially amended on and after February 8, 1985, to simplify current practices. The major points of the amendments are as follows.

(a) Elimination of the requirement for filing an assignment at the time of filing an application (Art. 4)

(b) Simplification of the requirements for filing amendments for divisional application. (Art. 37)

(c) The date of request for examination in case of a divisional application or a conversion of application will be the same as the date for the original application. (Art. 41-2)

(3) Introduction of product patent

Rapid developments are being made toward introduction of a product patent right as a result of strong pressure from the United States and other countries. The Korean Patent Office is actively studying the issue as one of the major themes of the 1985 office plan. However, there is still strong opposition to the introduction of product patents in Korea which makes it difficult to identify a timetable for the introduction. Although the proposed amendments to the Patent Act to be submitted to the 1986 Congress do not include the introduction of a product patent right, it is expected to be realized at the latest within the coming two to three years.

(4) Introduction of use invention

Use inventions are not patentable at present with very limited exceptions under Art. 4-5 of the Patent Act. Establishing patents for use inventions appears to be under study with the proposal for the introduction of product patents. It is quite probable that the timetable for the introduction of use patents will be the same as for the introduction of product patents.

(5) Protection of software

In November, 1984, the Korean Patent Office put into effect an examination standard for computer related inventions. The examination standard was drafted based on the U. S. MPEP, and the Japanese examination standard for inventions relating to

computer programs and micro-computer applications. Limited protection for the domestic software industries was established by a presidential decree entitled "Regulations concerning Introduction and Utilization of Computer System" which was introduced under the sponsorship of the Korean Institute of Science and Technology (KAIST). The regulation authorizes the registration of software developed by local manufacturers, and it is aimed to promote the marketting of software and the protection of registered software. At present, other than the above, there are no further official developments in this area.

It is becoming the world tendency to protect software by the copyright law. As will be described later, an amendment to the Korean Copyright Law was submitted to the Congress in 1984, but no action was taken during its session. The draft bill of amendments, however, did not include any provision with regard to the protection of software.

(6) Semiconductor chip protection

The government is aware of the importance of the reciprocity requirement under the U. S. Semiconductor Chip Protection Act. Although there has been no movement yet, it is expected that the enactment of similar legislation will be realized in the near future.

(7) Amendment of Copyright Law

A draft bill for the amendment of the Copyright Act, as originally enacted in 1957, was submitted to the 1984 Congress. However, it was not examined during that session. The bill is to be resubmitted to the Congress. The major points of amendment seem to be as follows.

(a) Introduction of provision for copyright registration.

(b) Extension of the protection term from 30 years to 50 years.

(c) Strengthening of protection of foreigners' copyrights.

(d) Introduction of provision for neighboring right.

As stated before, the bill to amend the Copyright Act did not seem to include any provision relating to software. The government is reportedly planning to complete the amendment of Copyright Act within 1985 and to become a member of the Berne Convention for the protection of copyright by 1988. In addition, in the near future it is likely to amend Korean copyright law to provide for protection of software.

(8) Amendment of the Unfair Competition Prevention Law

The government is studying the amendment of the Unfair Competition Prevention Act. Although no announcement has been made public yet, the following contents are likely to be included.

(a) Expansion of the scope of unfair competition.

(b) Prohibition of import/export of counterfeit products and demand for disposal of counterfeit products.

(c) Increase of penalties

(d) Illustration by examples of trademarks which are widely known in Korea.

(9) Amendment of the procedure for the deposition of microorganisms

From February 26, 1985, the international depository organizations authorized by WIPO according to the Budapest Treaty have been added as a depository organizations to the Korean Institute of Science and Technology and the Korea

Federation of Culture Collection of Microorganism. However, depositions before the new depository organizations are only effective in the period before laying open. Accordingly, after laying open deposition is again required at one of the domestic depository facilities.

3. Korean Patent Office's plan for 1985

As shown in Figs. 1 and 2, the numbers of patent and utility model applications have been increasing very rapidly. As a result of the increase in applications, an increase in the backlog and consequent delays in examination are anticipated. The number of industrial property right related applications in 1984, including patents, utility models, designs and trademarks, was 64,032, as compared with only 34,839 in 1979. The number is expected to exceed 100,000 in 1988. The Korean Patent Office is reportedly studying a long term plan for patent administration including personnel and computerization plans to prevent delays in examination.

The following are the main items of the Korean patent Office's plan for 1985.

(1) The Patent Law amendment explained in 2-(1).

(2) Improvement of efficiency by the introduction of office automation.

(3) Improvement of quality of examination together with that of examiners.

(4) Study on the introduction of product patent.

(5) Establishment of an order for industrial property rights.

It is expected to increase the number of dispositions of examinations in 1985 by 11 percent over that in 1984.

ANNEX

Patent and Utility Model Statistics

1. Filings of applications

The number of patent application filed increased 35 percent in 1984 as shown in Fig. 1 and Table I. The increase was caused mostly by an increase in applications from foreigners. The foreigners hold an overwhelming majority in the number of applications filed. Particularly, the applications from Japan and the United States account for about 70 percent of the applications by foreigners. This trend is continuing in 1985.

On the contrary, the vast majority of the utility model applications are made by Koreans. Japan files a majority of those filed by foreigners. The United States, having no utility model system, files few utility model applications.

Table I Patent and Utility Model Applications

		1983	1984	1985 (Jan-Jun)
Patent	Total	6394	8633	4797
	Korean	1599	1997	1112
	Foreigner	4795	6636	3685
	Japanese	1844	2454	1705
	American	1586	2178	1010
Utility Model	Total	11485	14765	8052
	Korean	10345	13760	7557
	Foreigner	1140	1005	495
	Japanese	913	793	398
	American	106	102	49

2. Registrations

The number of patent registrations has been decreasing since 1982 as shown in Fig. 1 and Table II. The decrease was not caused by the tightening of examination standards but by the shortage of examination capacity. The decrease in registrations at a time of increase in applications predicts the rapid increase in the backlog and a further prolonging of the term of examination.

Foreigners account for 41 percent of the regiastations of utility models despite filing only 6.8 percent of the applications. Such high ratio is probably attributable to differnces in the quality of the applications between foreigners and Koreans and the inflow of converted patent applications.

Table II Patent and Utility Model Registration

		1983	1984
Patent	Total	2433	2365
	Korean	245	297
	Foreigner	2188	2068
	Japanese	1039	954
	American	657	614
Utility Model	Total	2079	2360
	Korean	1225	1817
	Foreigner	854	543
	Japanese	669	440
	American	81	53

3. Rates of Registration (1984)

Providing:

$$\text{Rate of registration} = \frac{\text{Number of decisions for registration}}{\text{Total number of examination disposals}} \times 100\%$$

The average rate of registration for foreigners was 62 percent in 1984. The rate of registration shown in Table III does not include the results of appeal trial against final rejection and opposition, however, their influence to the final rate would not be large.

Table III Rate of Patent and Utility Model Registrations

	Patent	Utility Model
Average	55.6%	38.7%
Foreigner	61.6	70.1
Korean	33.8	35.5

4. Oppositions (1984)

Providing:

$$\text{Rate of opposition} = \frac{\text{Number of oppositions filed}}{\text{Number of decision for registration}} \times 100\%$$

The average rate for patents opposed is shown in Table IV.

Table IV

	Number of oppositions	Rate of opposition
Patent	41	5.4%
Utility Model	56	9.9

5. Appeal trial against final rejection (1984)

Providing:

$$\text{Rate of appeal trial against final rejection} = \frac{\text{Number of appeal trials filed}}{\text{Number of final rejections}} \times 100\%$$

Table V

	Patent		Utility Model	
Filed	221		182	
Disposed	296	(100.0)%	163	(100.0)%
Accepted	121	(40.9)	62	(38.0)
Not accepted	152	(51.4)	89	(54.6)
Dismissed	14	(4.7)	8	(4.9)
Withdrawn	9	(3.0)	3	(1.8)
Rate of appeal trial against final rejection	15%		4.5%	

6. Trials for invalidation of patent (1984)

Table VI

	Patent		Utility Model	
Filed	33		102	
Disposed	43	(100.0)%	115	(100.0)%
Accepted	20	(46.5)	42	(36.5)
Not accepted	16	(37.2)	52	(45.2)
Dismissed	-		6	(5.2)
Withdrawn	7	(16.3)	15	(13.0)

7. Trials for confirmation of scope of a patent (1984)

Table VII

	Patent		Utility Model	
Filed	36		101	
Disposed	42	(100.0)%	106	(100.0)%
Accepted	13	(31.0)	56	(52.8)
Not accepted	1	(2.4)	8	(7.5)
Dismissed	22	(52.4)	25	(23.6)
Withdrawn	6	(14.3)	17	(16.0)

8. Average term for prosecution of patents

(1) From request for examination to start of substantive examination

2 - 3 years

The term is counted from filing of request for examination and not from the filing of an application . Up to one year of the period relates to the difference of examiner's individual burden, rather than from the differnce of technical field. There are no cases still waiting the start of examination which were filed under the old law.

(2) From start of examination to grant of patent, excluding appealed and opposed cases

6 - 9 months

This includes the term for publication.

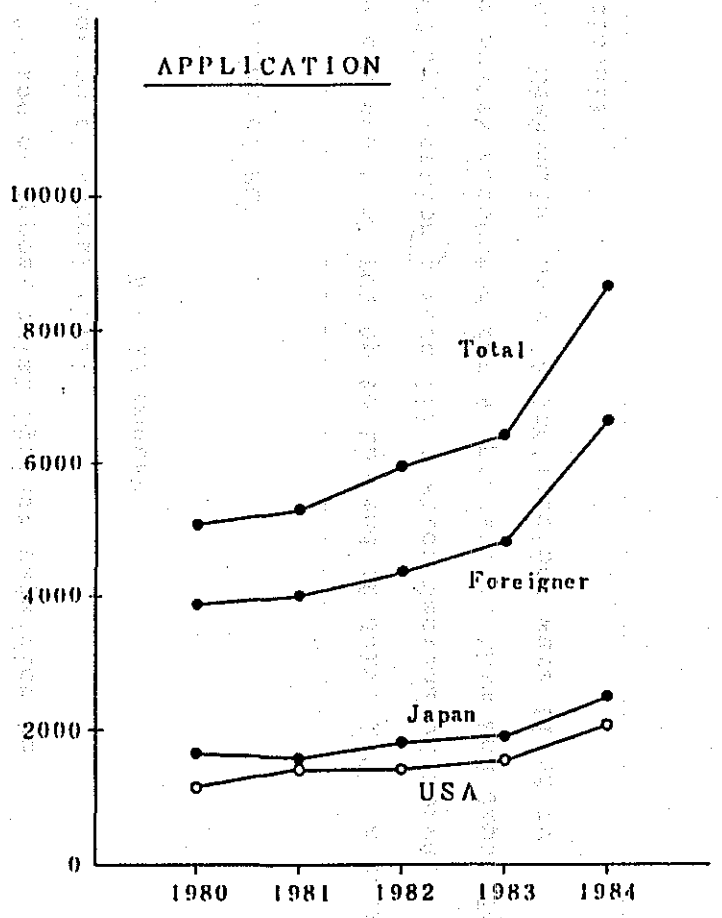
(3) From filing of appeal trial against rejection to completion of appeal trial

8 - 12 months

9. Utilization of PCT

Since the start of PCT up to the end of July, 1985, a total of 1088 PCT applications were filed which designated Korea. The United States accounted for 47 percent of them and Japan for 13 percent. Meanwhile, only 28 applications were filed by Korean nationals.

Fig 1 PATENT


APPLICATION
10000
8000
6000
4000
2000
0
Total
Foreigner
Japan
USA
1980
1981
1982
1983
1984

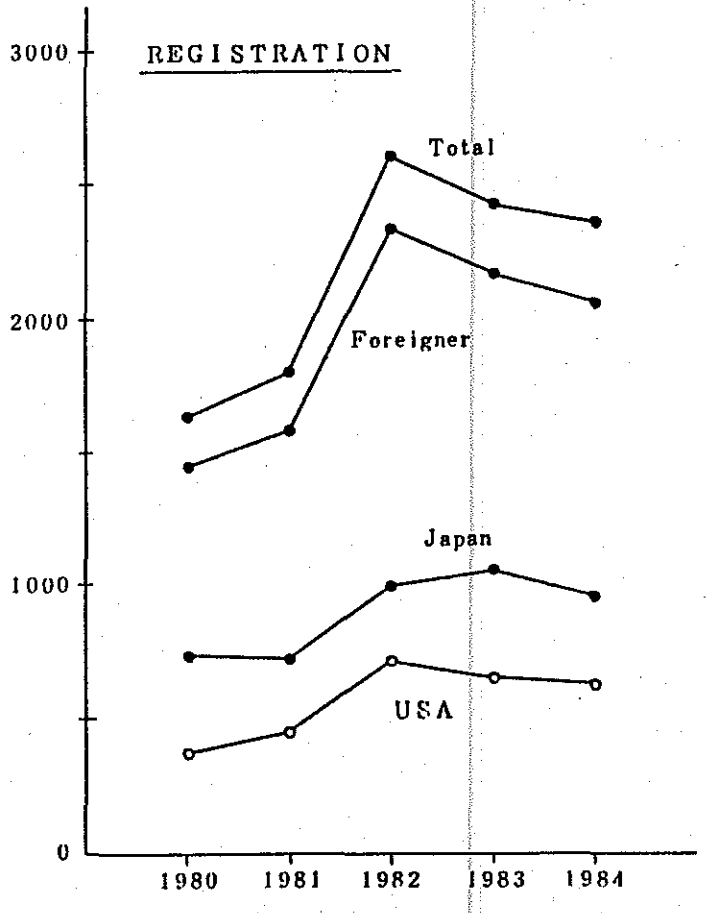
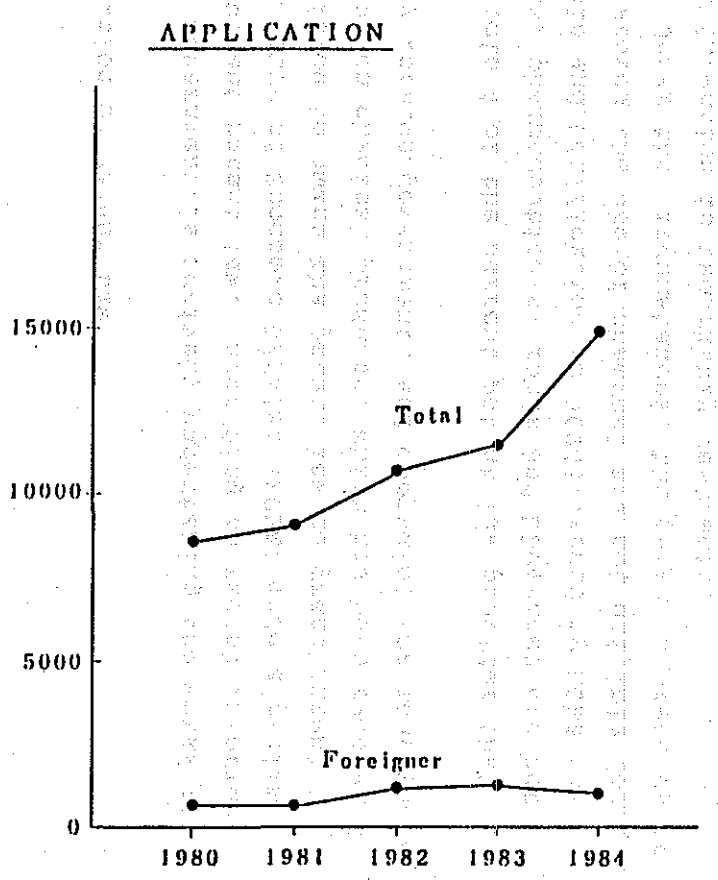
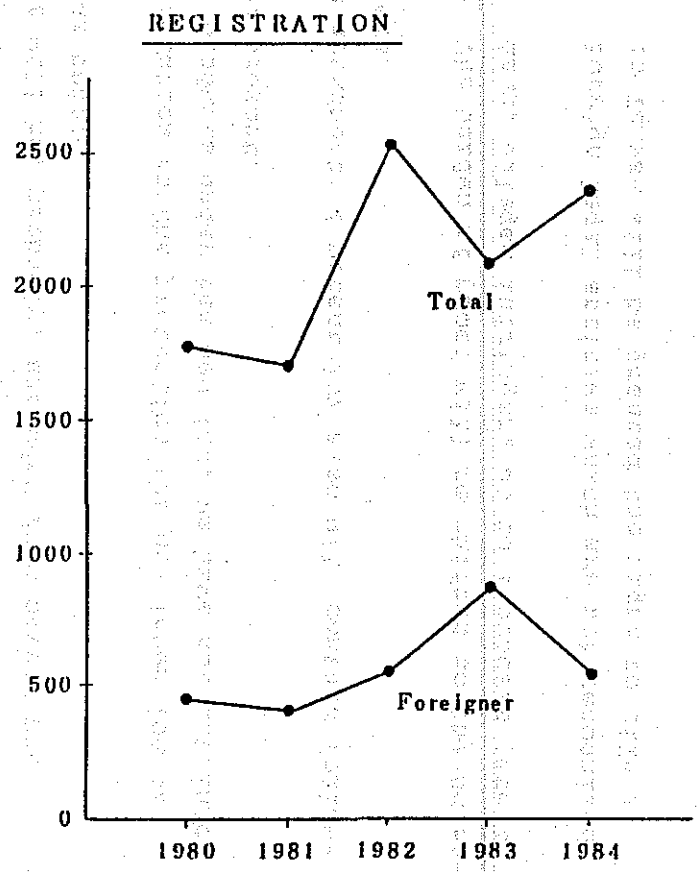

REGISTRATION
3000
2000
1000
0
Total
Foreigner
Japan
USA
1980
1981
1982
1983
1984

Fig 2 UTILITY MODEL





TAIWAN

1. Revision of Patent Law

The government is actively undertaking the works to revise current patent law. According to recent information, Ministry of Economic Affairs (MOEA) made a preliminary decision to amend the patent law to grant patent protection on chemical products, which has been requested keenly by foreign governments and companies for many years.

Article 4 of the current patent law provides that chemicals, pharmaceuticals, foods and beverages are not patentable and Notification No.06845 issued by MOEA expressly states the use of chemical are not eligible for patent. Under the circumstances, the patent protection on chemical invention is remarkably restrected.

Under the revised patent law, the chemical product patent system will be introduced and chemical substances will be patentable. However, pharmaceuticals, foods and beverages will be, probably, excluded from patent protection as before.

In relation to the protection for use invention of chemical products under the new law, we have not any information at present.

The amendment of patent law also will contain following matters;

(1) The burden of proof will be shifted to the defendant, alleged infringer, as to a process patent.

(2) Foreign legal entities which are not recognized in Taiwan will be granted the right to file a

criminal action.

(3) Penalties for infringement will become more severe.

In any event, we presume the draft of this revision will not be legislated near future, since it shall subject to the Legislative Yuan's approval.

2. New Copyright Law

New Copyright Law became effective on July 12, 1985. Major changes by the new legislation are summarized below.

(1) Works capable of copyright protection are expanded to include the following categories;

Literary works, verbal works, translated literary works, translated verbal works, collective works, artistic works, pictorial works, musical works, motion pictures, sound recordings, audiovisual works, photographic works, speeches, recitals, dramatic works, choregraphic works, computer programs, maps, technical or engineering drawings.

It should be noted that computer programs and various magnetic media are officially included in the list of copyrightable subject matters.

(2) A domestic author may enjoy copyright protection upon completion of his work. Registration with the Copyright Office becomes optional.

(3) However, foreign parties' works should be registered with the Copyright Office.

(4) Even if a foreign company has not recognized by

MOEA, the foreign party shall be entitled to institute a criminal action for infringement.

(5) Protection period for the following works is extended to 30 years; edited works, motion pictures, sound recordings, audiovisual works, photographs, and computer programs.

(6) It is not an infringement for a ligitimate computer program owner to revise the program for the purpose of compatibility with his machine, or to reproduce the program for the purpose of preservation and security.

(7) The damages awarded to the copyright owner shall be at least 500 times the selling price of the infringed work.

(8) A more severe punishment is imposed on infringers.

3. Draft of Fair Trade Law

An draft of "Fair Trade Law" has been completed by the government and the draft law sill be soon submitted to Legislative Yuan.

The draft bill contains legal provisions for preventing of unfair competition practices and also contains anti-trust provisions. The unfair competition prevention provisions, Chapter 5 of the draft law, makes false presentation and passing-off illegal. It should be noted that Article 19 (3) in Chapter 5 of the draft provides a legal protection of famous foreign trademarks which are not registered in Taiwan.

The Ministry of Economic Affairs also has reviewed current provisions of Trademark Law and draft of the proposed amendment has been completed.

We are expecting that these legislative changes will be effective to prevent counterfeitings.

ANNEX

The Trend of Patent, Utility Model, Design and Trademark in Taiwan

Statistical data on industrial properties during 1980 - 1984 are shown in Tables 1 - 3. It is apparent from the Tables 1 and 2 that the number of patent, utility model, design applications has grown every year during the past five year. About 80 percent of patent applications have been filed by foreigners, particularly U.S. and Japanese applicants account for about 60 percent of the total. On the contrary, more than 80 percent of applications for utility model and design have been filed by Taiwanese. Table 3 shows statistics for trademark applications and registrations. The number of trademark applications also, in general, has been increasing. The statistics indicates that number of trademark applications by Taiwanese is about 90 percent of the total number of applications.

Table 1: Number of Applications for Patent, Utility Model and Design filed during 1980 - 1984

	Year	Number of Applications				
		Residents	%	Non-Residents	%	Total
Patent (Invention)	1980	833	23%	2839	77%	3672
	1981	846	22%	3026	78%	3872
	1982	772	18%	3483	82%	4255
	1983	937	20%	3829	80%	4766
	1984	916	17%	4590	83%	5506
Utility Model	1980	5478	82%	1205	18%	6683
	1981	6297	85%	1114	15%	7411
	1982	6104	80%	1484	20%	7588
	1983	7533	83%	1496	17%	9029
	1984	8693	83%	1733	17%	10426
Design	1980	2179	82%	482	18%	2661
	1981	2989	80%	762	20%	3751
	1982	3649	81%	836	19%	4485
	1983	4703	83%	949	17%	5652
	1984	4921	81%	1140	19%	6061

Table 2: Number of Patents, Utility Models and Designs granted during 1980 - 1984

	Year	Number of granted				
		Residents	%	Non-Residents	%	Total
Patent (Invention)	1980	131	5%	2295	95%	2426
	1981	150	7%	1925	93%	2075
	1982	156	7%	2063	93%	2219
	1983	114	7%	1597	93%	1711
	1984	178	9%	1892	91%	2070
Utility Model	1980	2019	63%	1164	37%	3183
	1981	1950	67%	952	33%	2902
	1982	2467	70%	1080	30%	3547
	1983	2578	68%	1213	32%	3791
	1984	3145	70%	1348	30%	4493
Design	1980	620	61%	404	39%	1024
	1981	797	62%	491	38%	1288
	1982	1161	68%	535	32%	1696
	1983	1013	64%	581	36%	1594
	1984	1314	65%	715	35%	2029

Table 3: Number of Trademark Applications and Registrations during 1980 - 1984

Year	Number of Applications					Number of Registrations
	Residents	%	Non-Residents	%	Total	
1980	26739	83%	6387	17%	32127	20483
1981	37071	85%	6563	15%	43634	19038
1982	36615	86%	6204	14%	42819	34760
1983	46575	87%	7066	13%	53641	30587
1984	56142	89%	6826	11%	62968	39236

MALAYSIA

1. Introduction

There was a strong tendency to establish the modern patent system independently of the so-called confirmation type patent system under the old British Commonwealth Government, and the new Patent Act (Law No.291) was established and promulgated in 1983. However, since transient measures, procedure provisions, and provisions for utility models are not completed, the law has not gone into effect. Its final revision was drafted based on opinions and requests both domestic and overseas, and it will be deliberated and approved by the National Assembly this Autumn. In this opportunity, the highlight of the drafted revision and problems on new patent system will be discussed here.

2. Highlight of Drafted Revision

Major revised points include transient measures for the protection of British patentees and patent applicants' vested rights, the enlargement of the protection of applicants and patentees, and the clarification of the utility model system, all of which are preferable revisions.

(1) Transient Measures

(a) British patents which have already been registered on the enforcement of the new law (including European Patents designating the U.K.).

(i) Period

Application filed within one year after the enforcement of the new law based upon a British patent registered within two years

prior to the enforcement of the new law.

(ii) Effect

Confirmation type patent under the old law is granted.

(b) British applications or European applications designating U.K. pending at British or European Patent Office when the new law is enforced.

(i) Period

Application filed within one year after the enforcement of the new law

(ii) Effect

The data of British or European application is deemed as the date of application.

(2) Provisions of Protection of Applicants Patentees

(a) Introduction of the system for the division and amendment of applications

(b) Switching of burden of proof in the infringement of patents on Manufacturing methods

(c) Working of inventions by Government with monetary considerations

(3) Clarification of the utility model system

(a) Subjects of utility innovation

Products and processes for manufacturing such products whose shapes, structures, arrangements or constituents are of practical values, and are domestically novel.

(b) Right and period for the duration

Exclusive right similar to patent right is vested for 5 years from the date of grant. Extension for 5 years can be made.

(c) Cancellation on non-use

If the registered product is not manufactured, or the registered process is not used in the country within two years from the date of grant, the right may be cancelled.

3. Problems on New Patent Act

Although many problems may be solved by the revision, further improvement is desired in the following aspects:

(1) Foreigners' rights

The enjoyment of rights by overseas residents should be explicitly provided in this law. (According to a local agency, they have the rights.)

(2) Compulsory licensing to the Government (Article 84 a)

Compulsory license to Government should be authorized only for some limited purposes.

(3) Prior user's right (Article 38)

The acts of import should also be included in the cause for prior user's right.

(4) Requirements of compulsory license (Article 49)

The acts of imports should be regarded working of invention, as in domestic manufacturing.

(5) Duty of examiners to observe secrecy

Any person appointed by the Board can be engaged in examination. Provisions for duty of observing secrecy should be included in the law.

4. Conclusion

The new Patent Act solves pending problems in South-Eastern Asian countries such as the introduction of the substance patent system, the switching of burden of proof and the elimination of imitations through the investigation and seizure of products of suspect by the authorities, to protect patentees. Although there are some minor problems as described above, the early enforcement of the new law is desired.

INDIA

In order to review the present patent act, a working group was constituted in the beginning of 1984. The convener of the group is Mr. B. Sahay (Jt. Secretary, Dept. of Industrial Development) and the group comprises nine members selected from various government offices.

The main proposals before the group are:

1. to increase the term of food/drug/medicine patents to 14 years,
2. to give "product-by-process" protection to chemical inventions, and
3. to introduce a two-tier fee system as in U.S.A. (small entities and others)

Presently, the term of a food/drug/medicine patent is only for five years from the date of sealing of the patent or seven years from the date of the patent (normally the date of filing of the complete specification), whichever period is shorter. Moreover, in the case of any chemical invention, neither the product per se claims nor the product-by-process claims are allowable. Even if the amendment to the patent act which will include the main proposals mentioned above is carried out, it will need for a fairly long time.

PHILIPPINES

1. Compulsory License

In Philippines, any person may apply to the Director for the grant of a license after the expiration of two years from the date of the grant of the patent. The amendment to the term (that is, to shorten two years from three years) was carried out by Presidential Decree No.1263 effective as from January 14, 1978. It is said that opinions of Philippine pharmaceutical companies had a great influence on the amendment. The two year period applies in all cases even if an invention patented is worked or now worked.

From 1975 to the present time (July, 1985), the number of applications for the grant of a license is about 60 and most of the applications belong to pharmaceutical cases.

2. A single applications for patent of related inventions made by different inventors

In Phillipines, differently from the U.S.A., when a combined invention is made by different inventors, they can not apply for a patent as a group of inventions so linked as to form a general inventive concept. Also, there is not trend of revision of the patent law along the similar line in the U.S.A.

THAILAND

1. Recent Development of Thai Patent Law:

Thai Patent Law came into force in September 1979. Summary of the patent Law has already been reported in the previous PIPA meeting in 1984. Since then, as far as we know, there are no indications of a revision of the Patent Law and practice.

2. Statistics of Applications and Patents:

(1) Applications:

	1979-'80	1981	1982	1983	1984	1985
Inventions	323	421	558	832	979	426 (Jan.-May.)
Designs	86	89	187	272	312	126

(2) Patents:

	1979-'80	1981	1982	1983	1984	1985
Inventions	-	-	4	20	20	9 (Jan.-May.)
Designs	-	25	45	38	44	55

Note:
Since examination is based on foreign examination results, patent grant delays as shown above increases gradually.

(3) Distribution by Field:

The patent office ;has not classified the applications by technical field but our own analysis of all published applications for inventions in 1984 show the following distribution:

(a) Chemical and Chemical Engineering --- 292
(b) Mechanical ---------- 246
(c) Electrical ---------- 17
(d) Computer ---------- 16

(4) Pending Duration:

It takes from seven months to two years for a patent application to be published and then about one year from the time examination is requested (after publication date) for the patent to be granted (assuming evidence of foreign grant is submitted with the request for examination).

3. Rules of Licensing:

Rules on licensing are expected to be published within the next six months. Until the licensing regulations are issued, there is complete freedom for patent and licensing contracts. Royalties are subject to a 25% withholding tax but this is limited to 15% under the Double Taxation Treaty between Thailand and Japan. The rate of royalty for remittance is foreign exchange is subject to Bank of Thailand approval but unless it is unjustifiably high approval is given.

N.B. Patent Licensing is covered by Section 38 to 41 of the patent law.

COMMITTEE NO.4

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TECHNICAL SCOPE OF A PATENTED INVENTION, THE CLAIM OF WHICH CONTAINS NUMERICAL DEFINITION

Japanese Group, Committee No. 4
Subcommittee No. 2

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Masao SHIMOKOSHI, Ajinomoto Co., Inc.
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Abstract

We studied Japanese court decisions to obtain findings on how the boundary of numerical definition is judged in interpreting the technical scope of a patented invention the claim of which contains a numerical definition, particularly on whether the technical scope is extendable beyond the range of the numerical definition or not. In interpreting the patent claims, the decisions applied the principles of considering the Detailed Description of the Invention (Specification), of considering the examination procedure of the Application, and of considering the pulic knowledge. Concerning the inventions with numerical definitions which are of the improvement invention type, these decisions suggest a higher possibility of strictly interpreting the range of numerical definition by taking into consideration the prior art and technical standard prevailing at the time of filing, but extending the technical scope beyond the numerical definitions is inconceivable. It is expected that there is hardly any possibility of extended interpretation of the technical scope by applying the doctrine of equivalency to the outside of the scope of numerical definition. The scope of numerical definition is extended by the so-called margin of numerical errors, or by the very slight margin which is rounded to a digit of a numerical value, if this was indeed to be called extension.

Introduction

An invention which contains some sort of numerical definition in its claim is generally called the numerically defined invention. In the alleged infringement of such invention, how much should the defendant's exhibit A deviate from the numerical definition in order not to be held as an infringememnt of the invention? In other words, at what point of deviation from the numeric definition the right begin to be regarded as being infringed?

Supposing a patented invention claims "a composition comprising a polymer and a filler which is 40 - 60% in weight of the polymer", will a filler 39% in weight be held outside the scope? What about 39.4% in weight?

We have studied decisions in order to find answers to various questions such as: How is the right near the boundary of the numerical definition judged in the invention?; Does the technical scope of an invention with the numerical definition extend beyond the range thus defined?; How far beyond the range of the numerical definition does the right extend, if it does?; Is there a possibility of the doctrine of equivalents being applied to thus extended area? We shall now introduce several cases.

1. Definition of a numerically defined invention

A numerically defined invention is an invention which contains some numerical values among components of its claim, and which usually specifies a range by numerical values. In order to simplify the discussion, we shall deal only with those of which claim explicitly contains a numerical definition, and exclude those of which claim defines, for instance, "an insecticidal composition containing a specific compound" since it does not explicitly refer to a numerical value although the insecticidal composition is considered to cover those

containing the specific compound at above a certain percentage.

As numerical values appearing in claims, we can envisage comparatively simple ones such as those concerning temperature, pressure, composistion ratio, etc., and those which somewhat vary depending on the measurement conditions such as thermal conduction, elasticity, etc.

2. How the invention with the numerical definition was made and how to interpret its technical scope

Following three reasons are conceivable as having caused the applicants to numerically define their invention in the claims.

The reason 1 is applicable to many instances; it distinguishes the invention over the prior art, demonstrates its remarkably better operational effect, particularly a critical significance in effect, in comparison with the prior art in order to satisfy the requirement for inventiveness (Article 29, Para. 2 of the Patent Law).

In this case, interpretation of the numerically defined range by extending it to the scope of disclosure of the prior art should naturally not be permitted. It should be interpreted strictly limited to the scope where a distinctive difference in the operational effect resides compared to the prior art, and the assertions made by the applicant during the examination of the application should also be taken into consideration.

The reason 2 is probably applicable to a less number of cases; this concerns an invention of which claim contains a numerical definition because the inventor filed his application only for the scope the invention was completed, or the scope of which effect was confirmed by experiments. This is quite conceivable in countries like Japan which adopt the first-to-file system where the applicants would accelerate filing of an incomplete invention rather than delaying filing until all the

data are obtained. Therefore, they may initially file broad claims, but subsequently reduce them in scope lacking adequate suppport by disclosure in the specification. Thus, the claim patented may contain numerical definitions.

We believe that interpretation of such claim with numerical definition does not have to be so strict compared to the reason 1.

The reason 3 may be found only in rare cases. Despite sufficient disclosure in the specification, an applicant may have included numerical definition in the claim by error and voluntarily reduced the scope of his right. An example of this case is where an applicant specifies the technical field of the prior art in the preamble of a Jepson type claim by numerical definition and voluntarily narrows down the scope of his right.

It is said that inventions related to chemical matters often contain numerical definitions. This is because chemical inventions are considered to be complete only when supported by experiments because their remarkable and synergistic effects are not easily anticipated by the general public and must be proven by experiments..

Thus, there are various reasons for introducing numerical definitions into the claims, and the technical nature of the numerical values which are thus defined vary in their relation to the invention. Under such a situation, the technical scope of such invention must at times be interpreted on a case-by-case basis.

3. Cases where the technical scope of a patented invention of which claim contains a numerical definition became the point of dispute

In many of the decisions introduced here, the dispute between the patentee and the infringer arose because of ambiguities in the claim or specification. Judgment given by the court in such decisions will be useful also to claims which

are clearly written.

1. "Melamine" Case (Toyama District Court Desicion Showa 41 (WA) 30 rendered on September 7, 1970)

The dispute in this case concerned interpreting the technical scope since its claim lacked description of the upper limit of temperature, and the temperature of the defendant's Exhibit A was judged to be within the scope by taking the detailed description of the invention into consideraton.

The plaintiff's claim (Japanese Patent Publicaiton No. 26-4374) reads

> "a method of producing melamine characterized in that urea and(or) ammonium cyanate and(or) guanylthiourea and(or) a product of thermal decomposition of these substances are heated to at least 270°C, particularly to 300°C, under the presence of ammonium",

and does not define the upper limit of the reaction temperature.

The defendant's Exhibit A method employed the temperature ranging from 390°C to 400°C. The defendant asserted that the claim language of "to at least 270°C, more particularly to 300°C, should be interpreted to read in such a way that the upper limit thereof would be 350°C at most, and description elsewhere in the specification of the temperature above this temperature was irrelevant."

The court found that it was difficult to understand the claim as containing the upper limit of the temperature from the claim language alone, and that "it is reasonable to understand that the maximum temperature is not less than 600°C" by considering the detailed description of the invention.

Since the claim in this case defined "not less than 270°C", the higher temperature covered by this would be the temperature generally considered acceptable, if not limitless. Since the claim included a phrase of "more particularly 300°C",

a question arises whether this should be considered in interpreting the upper limit of the temperature. While it is not known how this "300°C" has come to be included in the claim, the present practice would certainly recommend non-inclusion in the claims. Under the present law of multiple claims, such ambiguous language would not be used in the claim.

In the Detailed Description of this Invention, there is an example with the range of 300 - 500°C and further the description that it is better to operate under the temperature of about 350 - 600°C, and therefore consideration to the detailed description of the invention was given the priority. Without description of such high temperature, interpretation of the technical scope of the claim would have been different.

2: "Acrylamide" Case (Tokyo District Court Decision Showa 44 (WA) 12615 rendered on May 26, 1976)

The court held that if the reason for including numerical definition in the claim was to distiguish the invention from the prior technology (the reason 1), the requirement for defining the numerical value cannot be considered as not important. The court compared the defendant's Exhibit A with the requirement for numerical definition in judging whether the defendant's method belonged to the technical scope of the patent invention or not and held that the mode of "17 - 18°C" in the Exhibit A did not fall subject to "not less than 20°C" of the patented invention.

The plaintiff's patent right (Japanese Publication Sho 35-1229) concerns a method of collecting acrylamide from sulfate acrylamide, and its claim contained several conditions including numerical definition. The dispute in this case concerned

"..... characterized in that ammonium sulfate is precipitated, a slurry of dissolved acrylamide and

crystalline ammonium sulfate is obtained, and then thus precipitated ammonium sulfate is separated at a temperature of at least 20°C."

The defendant's method used the temperature of 17 -18°C for separating ammonium sulfate. The plaintiff asserted that the defendant's method belonged to the technical scope of the patent invention since the former employed other important conditions of the patent invention even if the separation temperature used was 17 - 18°C.

The court, on the other hand, did not recognize difference in importance of the components of the claims, and took into consideration the process in which the present patent invention was made; namely the invention was based on a new discovery that the difference between the mutually saturated solution of ammonium sulfate and acrylamide becomes increasingly remarkable as the temperature rises above 20°C although there are known many methods of separating two substances utilizing the difference in solubility. Therefore, the court recognized the numerical limitation of "at least 20°C" was also a component of the claim having compared the two inventions stringently.

In the case of an invention which defined the numerical values in order to overcome the prior art, the possibility of its technical scope being extended outside the scope thus defined is quite limited.

3: "Onion Bag" Case

(i) Osaka District Court Decision Showa 50 (WA) 4888 and Showa 50 (WA) 3890 rendered on March 2, 1977

(ii) Osaka High Court Decision Showa 52 (NE) 459 rendered on November 30, 1979

The present case interpreted an ambiguous numerical definition of the claim by considering the description in the Detailed Description of the Invention. The reason why the

numerical definition is contained in the claim of the present utility model was for distinguishing the invention from the conventionally known technology in the course of examination (The reason 1). The present case concerns the litigation for confirming non-presence of a utility model registration (i) and its appeal (ii).

The claim of the utility model registration (UM Publin. Sho 46-30617 owned by the defendant of the first instance (appellant of the appeal) comprises components (A) through (E) shown on the left side of the table, while the plaintiff of the court of the first instance (the appllee of the appeal court) was manufacturing as the vegetable bags those listed under 1 through 4 in the catalogue which was cited as the Exhibit A.

As shown in the Table, the UM claims use ambiguous words; in (A) "around" 400 d, and (b) "about" 420 and (c) "substantially equal".

Claim	Exhibit A			
	Catalog 1	Catalog 2 (withdrawn in appeal)	Catalog 3	Catalog 4
(A) Polyethylene monofilament of around 400 denir	300 - 350 d	240 - 300 d	240 - 300 d	300 d
(B) Circular knitting machine of 36 cm diameter and about 420 needles	36 cm 260-300 needles	36 cm 260-300 needles	36 cm 260-300 needles	36 cm 420 needles
(C) Numbers of warps and wefts per unit area are substantially equal	substantially equal	warps ≫ wefts	warps > wefts	substantially
(warps pcs/1 cm^2 / wefts)	5.5 6	8 4 (twice as much)	7 5 (30% more)	4 3.5
(D) By broad stitch	whole stitch	broad stitch 1:1	broad stitch 1:1	broad stitch 1:1
(E) To form a net-like cylindrical bag	-ditto-	-ditto-	-ditto-	-ditto-
Onion bag	Vegetable sack	Vegetable sack	Vegetable sack	Vegetable sack
Decision by Osaka District Court	Lacks conditions (A), (B) & (D)	Lacks conditions (A), (B) & (C)	Lacks conditions (A), (B) & (C)	Lacks condition (A)
Decision by Osaka High Court	Those with condition (A) and above 320 d fall inside the technical scope		Lacks conditions (A) & (B)	Lacks condition (A)

The lower court (Osaka District Court) attached importance to the fact that this definition of "around 400 denir" was added during examination for overcoming the prior art, and therefore the word "around" should automatically be understood in its narrow sense. The court held that it was added with an intent to designate those "within 10% above and below". Therefore, "around 400 denir" was deemed to mean the range of 400 ± 40 d, and the vegetable bags of Exhibit A were all held to be outside the scope. Similarly, 10% margin above and below the component (B) of "around 36 cm" and "about 420 needles" were recognized in rendering judgments shown in the table.

The appellate court (Osaka High Court), on the other hand, took the Detailed Description of the Invention into consideration in interpreting "around 400 denirs" which mentioned that threads of 480 denirs and 300 denirs were economically disadvantageous, and held that 20% above and below the figure, or 400 ± 80 denirs, were within the scope, holding those above 320 denirs of Exhibit A in Catalog 1 to be within the technical scope.

As mentioned above, although the present patent concerns an invention with numerical definition, its numerical definition is quite ambiguous, and the Court was compelled to set the range of 10 or 20% of the figure quoted. That is, however, an isolated case not applicable to the ordinary type of inventions with clear-cut numerical definition.

4: "Vinyl Polymer" Case

(i) Tokyo District Court Decision Showa 47 (WA) 4205 on November 16, 1979

(ii) Tokyo High Court Decision Showa 54 (NE) 2813 rendered ond July 16, 1984

The patent invention concerns a method of so-called high-impact polystyrene resin (Japanese Patent Publication Sho

41-16185), and more particularly it concerns a method of manufacturing aromatic vinyl polymer composition having high impact resistance obtained by polymerizing monovinyl aromatic monomer under the presence of 1,4-polybutadiene of 1 to 20% in weight of the total polymer, said 1,4-polybutadiene being 1,4-polybutadiene containing at least 25% but less than 90% of cis, and "less than 10% vinyl".

The specification, however, does not describe quantitative analysis of vinyl content.

The plaintiff (patentee) asserted that the vinyl content in this case was not a figure defined in relation to any specific analytical method and that any method could be employed so long as it was an objectively accurate method, and also that since the vinyl content in polybutadiene of the defendant's Exhibit A was 8.7% when analyzed by NMR, the defendant's Exhibit A infringed their right.

The defendant (party practicing the Exhibit A) asserted that those skilled in the art at the time of filing would have to select polybutadiene which meets the numerical definition of the present invention if they were to practice the present invention. Therefore, the analytical method for vinyl content in the present case had to be infrared spectrophotometer which those skilled in the art usually employed at the time of filing, the vinyl content analyzed by an infrared spectrophotometer was 11.4%, and therefore this did not constitute an infringement.

They further asserted that the reason why the vinyl content was limited to less than 10% in the claim was because polybutadiene with 8.9 - 16% vinyl content (Italian Patent No. 592477) or that with 10.3 - 13.6% (UK Patent No. 817693) was already known before filing of this patent. Therefore, the applicant separated many known polybutadienes with proximate numerical values into two groups using the reference of less than 10% vinyl content and requried the use of one of the

groups to emphasize the difference from the prior patents cited during examination. The defendant asserted that the plaintiff's allegation that the numerical definition for the vinyl content was not related to any specific analytical method should be rejected in view of how the present patent became granted.

The court of the first instance (Tokyo District Court) considered the publicly known technology at the time of filing, and held that "the vinyl content of less than 10% should be understood as being numerical value based on a specific analytical method", that the analytical method "should be understood as being an ordinary method easily employable by those skilled in the art at the time of filing", that therefore it had to be the infrared spectrophotometry, and consequently there was no infringement.

The appellate court (Tokyo High Court) rendered the decision substantially the same as that of the lower court and further recognized that "since there was no method of objectively determining the vinyl content at the time of filing, there is no means to determine 10% in the patent invention which did not even mention what measurement method was employed to achieve the 10% content, and therefore the present invention was an impracticable invention and not qualified to exercise its right", thus rendering a severe judgment on the patentee.

5: "Sorbic Acid" Case

Kobe District Court Itami Branch Decision Showa 54 (WA) 33 rendered on March 19, 1981

The present patent related to a preservative for fish paste products (Japanese Patent Publication Sho 45-14104), and its claim read "sorbic acid preservative for use in fish paste products comprising sorbic acid particles of 300 - 50 u diameter coated with a coating agent of more than 1.5 times in

volume of which main ingredient is a stiffening agent having the melting point of 40 to 90°C."

The defendant's Exhibit A is "coated with a coating agent in an amount equal to sorbic acid", and the defendant's product contains less than 10% of particles which contains a coating agent in an amount 1.5 times more than sorbic acid.

The plaintiff (patentee) asserted that the present invention concerned "a thing", and the expression of "coated" is directed to the particle structure of the product, "coating agent in an amount of more than 1.5 times" means "content" in the product, further that "the content of 1.5 times" does not necessarily mean that it should never be less than that amount, and the defendant's Exhibit A method simply replaced the requirement of "more than 1.5 times" with "equal amount" which is of a relatively less importance in view of the operational effect; and the plaintiff further asserted that the product having 1.5: 1 ratio and the product having 1:1 ratio of raw materials are substantially the same in operational effects aimed by the present invention and falls within the scope of equivalency.

The defendant, on the other hand, asserted that the limitation of "1.5 times" was added during the appeal trial in order to overcome the final rejection and the patentee stated in their "argument" during examination that the requirement of "1.5 times" was to be understood as indicating the amount of coating agent used, and therefore the technical scope should be recognized by taking into consideration the examination of the application.

The court considered the Detailed Description of the Invention and the examination procedure (the argument), held that "more than 1.5 times" was the amount actually used, and further held that the amount of coating agent which was equal to sorbic acid did not satisfy the requirement of "1.5 times" of the present patent, and therefore it did not belong to the

technical scope. In view of popular demand for decreasing use of coating agents in the fish paste products, to define the amount of coating agent to "equal amount" was held to have the technical significance, thus rejecting the assertion of incomplete use and the doctrine of equivalents.

6: "Diamond Synthesis Method" Case

Tokyo District Court Decision Showa 45 (WA) 428
Showa 48 (WA) 1538
Showa 48 (WA) 6965 (counter-claim)

In the present case, the reason for numerically defining the pressure range in the claim was not for overcoming the prior art. In defining the numerical value of "at least about 75,000 atmospheric pressure", the term "about" was interpreted to mean the significant digits and the equivalent range obtained by rounding off.

The portion relevant to the numerical definition of the pressure range is introduced below.

The claim (Patent Publn. Sho 37-8358) of the patentee (plaintiff) reads

> "A method of synthesizing diamond characterized in that a carbonaceous substance is exposed to at least about 75,000 atm and about 1200 - 2000°C in the presence of a catalyst selected from metals such as iron, cobalt, nickel.....and in the diamond forming region, and collecting the formed diamond is collected". The defendant asserted that they employed the pressure conditions of 69,000 to 72,000 atm. The plaintiff then asserted that "at least about 75,000" as used in the claim allowed ± 10% margin for the pressure in view of the technical standard prevailing at the time of filing, and therefore the pressure ranged from 17,500 to 82,500 atm.
>
> The measurement of such high pressure is conducted, as

mentioned in the specification of the present patent, relative to changes in the electronic resistance of some elements as published by P. W. Bridgeman. This Bridgeman scale determines barium transition point at 80,000 kg/cm^2 (77,400 atm), and computes the pressure from this relation.

The defendant, on the other hand, asserted that the values of pressure in the specification are based on the minimum unit of 1,000 atm and on the premise that the minimum difference of 1,000 atm is readable, and further that since the specification of the related patent filed on the same date as the plaintiff's patent gives similar pressure indication and is based on the premise that the minimum of 500 atm is readable, the present patent should be interpreted as being capable of reading the minimum difference of 500 atm.

The court interpreted the term "about" as used in the numerical definition in the following manner. Since the lower limit for pressure is explicitly given by "at least", the margin of "about" should be interpreted strictly so as not to disrupt the intent of "at least". Therefore, it is understood that "about 75,000 atm" has the margin for the figures which becomes 75,000 by rounding. The significant digits for numerical values should be determined rationally based on the whole of the specification, and in the present case, the minimum order unit of 1000 atm is significant digits. Based on the above recognition, "about 75,000 atm" means a figure which becomes 75,000 by rounding in the order of 100 atm, or from 74,500 atm to 75,600 atm, or "74,500 atm or more" as mentioned in the claim. Thus, the defendant's method was deemed to be outside the technical scope of the patent invention.

Arguments on numerical definition other than that explained above was also exchanged in the present case, but its conclusion was reasonable having adopted the significant digits and rounding off. Irrespective of whether the term "about" was used or not, it is highly possible that the significant digits

of a value is rationally induced and similar interpretation made.

4. Conclusion

In interpreting the technical scope of a patent invention which includes numerical definition, the usual standards for interpreting the technical scope of patent inventions are naturally applied; that is in addition to the standards of relying on the patent claims, there will be applied the principles of considering the specification, of the examination procedure of the application, and of the publicly known facts.

Concerning the inventions with numerical definitions which are of the improvement invention type, possibility of considering the presence of the prior art and the technical standard at the time of filing and of strictly interpreting the scope of the numerical definition is quite high, and in such a case it is inconceivable to extend the technical scope outside the numerical definition.

Even in the other cases, possibility of applying the doctrine of equivalents outside the range of numerical definitions, extending and interpreting the technical scope is hardly expected. The range of numerical definitions is extended to the so-called errors in the numerical values or the slight margin which becomes equal to the significant digit of the numerical value when applied to the rounding up of the figures.

RECENT COURT DECISIONS IN JAPAN RELATING TO DOCTRINE OF EQUIVALENTS

Japanese Group, Committee No. 4
Subcommittee No. 1

H. Kaneko, Teijin Ltd.
N. Kyomoto, NEC Corp.
S. Yanagihara, Fujikura Ltd.
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Abstract

As a result of the recent increase in the number of patent applications filed, patent infringement suits have also been increasing. While the doctrine of equivalents is claimed in quite a number of such suits, there are hardly any recent decisions in the lower courts which approved the infringement based on equivalency. We have therefore studied those court decisions in patent infringement suits. Our study revealed the following tendency in interpreting the patent scope. (i) In determining whether an accused device or composition infringes a valid patent, overwhelming number of cases construed the matter following the words of claim as provided in Article 70 of the Patent Law. (ii) There are a large number of cases where "the object of the invention" and "operational effects" as described in the specification barred assertion of the doctrine of equivalents, thereby limiting the patent scope.

Introduction

The history of the doctrine of quivalents in Japan is still very young compared to its counterpart in the U.S. For this reason, only a limited number of decisions have dealt with the issue of the doctrine of equvalents, and no decision has been handed down yet by the Supreme Court on that issue. Patent infringement suits tend to increase with the increase of the number of patent applications filed.

Although the doctrine of equivalents was claimed in many cases among those sutis, hardly any of the recent decisions in the lower courts approved the infringement based on the reason of equivalency.

Conceivable reasons for this are:

(i) Defendant tends to settle the matter or obtains a license if he is likely to lose, and the litigation very rarely reaches the final stage of the decision;

(ii) Japanese patents mainly concern improvements and there are very few pioneer patents, thus limiting the room where the doctrine of equivalents may be applied.

This paper will mainly be devoted to discussing the status quo of application of the doctrine of equivalents in Japan through a comparison of some court decisions in both Japan and the U.S.

1. Grounds for Doctrine of Equivalents

- Grounds for which equivalency is approved in infringement suits

Although no decision has been handed down by the Supreme Court concerning the doctrine of equivalents in Japan, there are a number of decisions in the lower courts which referred to this doctorine. According to these decisions, the court affirms the doctrine per se, and cites substantially the same requirements for adopting this doctrine except for slight differences in expressions used. However, there are hardly any judgments which held the accused device or composition as "being an infringement of what has been claimed because of its equivalency to an object or method.

We shall now introduce a famous decision which referred to the basis of the doctrine of equivalents in Japan.

"An equivalent object or method of a patented invention is generally held as a mode of

infringement for said patent mainly because of the following reason. The patent system aims at protecting and utilizing the creative achievement made by an inventor by giving him an exclusive right to the technology published as the compensation for disclosing new technology to the public, thereby to contribute to the development of the industry. Therefore, the scope of protection afforded by the patent right should coincide with the scope of technology published. The public desclosure of the technology under the patent system is made in the patent specification, and in prticular in the scope of patent claims, and this is the reason why Article 70 of the Patent Law defines that "The technical scope of a patented invention shall be determined on the basis of the description in the scope of demand for patent in the specification attached to the application document." Therefore, the scope of protection afforded by the patent right is limited to the technical thought clearly described in the patent claims and does not extend beyond this scope as a rule.

However, the description in the patent claim is not always accurately and completely written and it is clear in the light of the provision of Article 36, Para. 4 of the Patent Law that the disclosure of the invention in the patent specification is made not to the general public but to those having the ordinary skill in the technical field to which the invention belongs. Thus, even though the technical thought not clearly described in the Scope of Patent Claim should be construed as falling subject to protection under the patent right by having been disclosed to the public, so long as it can be easily judged as clearly and undoubtedly contained in the

specification by those with an expertise and knowledge in the art as a result of having reasonably understood the whole specification in the light of the prior technology which was publicly known at the time of filing of the subject patent. For this reason, protection by the patent right is held extendable to the equivalent object and/or method.

("Polyester" Case; Osaka District Court Showa 37 (WA) 130)

The doctrine of equivalents in Japan intends to complement slight errors in preparation of the specification and determine the substantial scope of the claims.(1) Therefore, the doctrine of equivalents is not a technique for expanding the content of the patent invention by posterior interpretation, but is an empirical rule to deduce the technical thought which already resides in the invention through the expressions used in the claim.(2)

2. Requirements for Finding of Equivalents

The doctrine of equivalents is a legal concept for determining an object as falling within the protective scope of the patent by evaluating the object as substantially the same as the invention recited in the claim even when the elements of the object differ in claim language from the elements of the patent claim. Therefore, the doctrine of equivalents on one hand assures the protection of the patentee, and yet if the range of equivalents were expanded too much, it may create difficulties for the third parties in anticipating the scope of patent claim, and consequently may hamper the legal stability. Therefore, it is necessary to precisely determine the conditions for applying the doctrine of equivalents to the patent infringement litigation and to decide the matters with prudence weighing the merits of the

patentee against the merits of the third parties in the event the doctorine is actually applied.(1)

We shall now discuss a few examples of well-known decisions which discussed conditions for applying the doctrine of equivalents.

a) "Polystyrol" Case; Osaka District Court Decision dated May 4, 1061

> The doctrine of equivalent object or method is a concept which acknowledges the identicalness with the patent invention when an object or method has the same functions with the technical elements of the patented invention and generates the identical operational effect if the two are replaced, i.e., the replaceability, and when this is easily surmisable by those having the average skill in the art at the time of filing fo the patent application.

b) "Polyester" Case; Osaka District Court Decision dated October 24, 1967

> "It is reasonable to understand the equivalent method of the patent invention not as a method of using substantially identical (substantially the same) raw material, performing the identical method, and forming a substantially identical object (totally equal in its effects) as asserted by the plaintiff, but as a method which has the same functions as the technical elements of the patented invention as viewed from the technical thought of the patented invention, generates the identical operational effects if replaced (replaceability), and this is easily surmisable by those having the average skill (surmisability) in the art at the time of filing of the patent application (or at the time of the original filing for which the convention

claim is made).
The same kind of definitions are repeatedly found in many other decisions.(2)

We shall now summarize the conditions for holding the doctrine of equivalents as shown in the above decisions.

(1) The elements or ingredients of the accused device have the same function as those of the element of the patent claim and the accused device demonstrates the same effects as the patented invention, or in other words, it operates in the same way to achieve the same result. (possibility of interchange).

(2) The accused device is such that said possibility of interchange was easily surmisable or could be anticipated by any person having common knowledge in the technical field to which such invention belongs at the time of filing (or of the convention date). (Easiness of interchange-ability).

To discuss these points in further detail;

i) Possibility of Interchange or Substitution

This requirement is for comparing the patented invention with the accused device to verify the identity of the effects. What this requirement means is quite close to the Graver tank test. (The accused device or activities use substantially the same means which operates in substantially the same way to achieve substantially the same result). It is our impression, however, that the Japanese court seems to be extremely strict in recognizing this requirement. The reason is given below. Article 36, Para. 4 of the Japanese Patent law defines that "In the patent claim, only the matter indispensable to the construction of the invention described in the specification shall be described." Therefore, the

interpretation at the court attaches a similar, if not less, importance to judgment of the construction or structure and the identity in effect. Therefore, in the case where the difference in the construction or structure of the two objects is comparatively large, the court tends to judge that "the effect cannot be the element of the patent claim" or "the patent is not granted on the effect per se"(3) even if the plaintiff asserted that the effects were the same.

ii) Easiness of Interchange-ability

According to the interpretation in Japan, the scope of the patent is held not to extend to matters beyond those disclosed in the patent document. Thus, in order to successfully assert that Exhibit A is equivalent to the patent invention, it is necessary for Exhibit A to be in a status equal to a disclosure in the patent text.(4) In other words, the patent text should read in such a way that Exhibit A also achieves the same purpose as the patent invention with an equivalent means and that it is plainly understandable for a person skilled in the art with his/her common knowledge and ability that Exhibit A achieves substantially the same results as that claimed.(5) A condition to test if the invention is in such a state or not is this easiness of interchange-ability. This is quite close to a U.S. decision described below.

> "Equivalency is established where a person reasonably skilled in the art would have known of the interchange-ability of an ingredient not disclosed in the patent with one that was disclosed. (Lockheed Air Corp. v. United States, 190 U.S.P.Q. 134, 146 (Ct. C. 1976).

(iii) When is Equivalency Measured?

Equivalency is measured on the patent filing date as

commonly discussed by the decisions mentioned above. There is a view that an equivalency should be acknowledged if the condition for interchange-ability is met at the time the infringement activity was started.(6) The reason given is that "if the patent filing date was always used as the standard, the infringer could be allowed to easily copy an inventive concept by employing the equivalents based on the technology which developed subsequently."

However, the Japanese Patent Law adopted the first-to-file system under which the patent invention is determined with respect to the state of the art as it existed on the patent filing date. Therefore, the concept that the filing date should be made the basis as mentioned in the above decision is reasonable.(7) Regarding this point, a US decision states that "Equivalency would be measured at least with respect to the state of the art as it existed on the patent issue date, rather than on its filing date".(8) (Laser Alignment, Inc. V. Woodruff Sons, Inc. 491 F. 2nd 866,873, 180 U.S.P.Q. 609, 613 (7th Cir. 1974)) This sounds quite different from Japan. In its recent decision in the Atlas Power case, the C.A.F.C. stated that "It is not a requirement of equivalency, however, that those skilled in the art know of the equivalence when the patent application is filed or the patent issues. That question is determined as of the time infringement takes place." In Hughes Aircraft Co. v. United States, 717 F. 2d 1351, 1365, 219 USPQ 473, 483 (Fed. Cir. 1983), this court held that devices changing the patented invention with advances developed subsequent to the patent could infringe under the doctrine of equivalents. See also American Hosp. Supply Corp. v. Travenol Labs., Inc., 745 F. 2d 1, 9, 223 USPQ 577, 583 (Fed. Cir. 1984) However, this concept has not at all been established in Japan. We believe that such an expansion is likely to create uncertainty in the future in determinig the scope of patent claims.

3. Recent Decisions concerning the Doctrine of Equivalents

We shall now summarize very recent decisions concerning the doctrine of equivalents and examine the trend.

No. 1: "Decoration for Doorknob" Case (Tokyo District Court Decision Showa 54 (WA) 11214 rendered on July 16th, 1983)

(Summary of Invention)

A piece of pouch-shaped, fabric decoration for placing over the doorknob claiming as one of the elements of the invention "a feature comprising foamed urethane sheet which can cover the whole of doorknob is fixedly joined to the fabric" at the bottom of the pouch.

(Accused device)

The size of the foamed urethane sheet is such that it covers only the front of doorknob, and the foamed urethane sheet is not fixed to the fabric.

(Decision)

It was found that "the accused device was not equivalent to that claimed because it could not achieve the same result". The decision thus denied the intechange-ability because of the difference in part of the effect.

No 2: "Mud Scraper Device for Automobile Wheels" Case (Tokyo District Court Decision Showa 56 (WA) 13922 rendered on March 28th, 1983)

(Summary of Invention)

A device provided with a pair of rotating rolls for removing mud which had adhered to the automobile wheels claiming as one element of the invention "provision of a plural number of spiral projecting grooves" for scraping mud from the surface of the pair of rolls.

(Accused Device)

The projecting grooves are not in spiral, but in zig zag.

(Decision)

"While the accused device is capable of achieving the result of scraping mud, it does not perform the effect of discharging thus scraped mud outside the device. Therefore, the two differ in effect. Referring to the detailed description of the invention, the plaintiff plainly employed the spiral projecting grooves in order to discharge the scraped mud toward the axial direction of the rolls. Since the patent was granted upon emphais of such an effect, it is not permissible to discuss the identicalness of the operational effect by disregarding this effect, and therefore the assertion by plaintiff of equivalency cannot be adopted."

No. 3: "A Device for Generating White Smoke Using Dry Ice" Case (Tokyo District Court, Showa 56 (WA) 11949 decided on March 28, 1983)

(Summary of Invention)

The invention concerns a device for generating white smoke out of dry ice on a stage in the theater, and comprises pouring tepid water over dry ice in an enclosed tank and "connecting a plurality of white smoke guide pipes" in order to guide the generated white smoke upwardly.

(Accused device)

The accused device employ "a lid on which a plurality of small holes are bored" in place of a plurality of white smoke guide pipes.

(Decision)

The doctrine of equivalents was denied because the two inventions were ocnstructed differently and because many advantages of the invention were emphasized in the specification arising from such construction.

No. 4: "Plastic Wheels" Case (Osaka District Court Showa 56 (WA) 1573 handed down on April 27th, 1983)

(Summary of Invention)

The invention concerns plastic wheels suitable for a handcart comprising nylon wheels moulded with polyurethane rings on outside, said polyurethane rings having a projecting groove on the inside thereof. The patent claims as one of elements "holes bored intermittently" on the side of the projecting groove.

(Accused Device)

The accused device has no throughholes intermittently bored on said projecting groove, but there are formed intermittently recesses on the side surface of the projecting grooves.

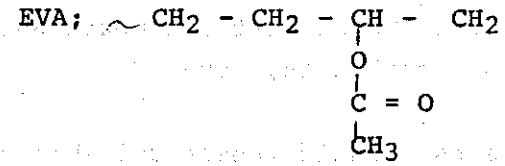
(Decision)

When the invention is construed in the light of the specification, nylon wheels are joined together on both sides of the throughholes to thereby enhance the fusion effect of the nylon wheels and the polyurethane rings. Since the accused device does not achieve such effect, it is not possible to regard the defendant's object as equivalent to the present invention even when the two inventions achieve effects overlapping in part.

No. 5: "Tires for Children's Vehicles" Case (Osaka District Court Showa 50 (WA) 3925 rendered on Oct. 31, 1980)

(Summary of Invention)

A method of manufacturing foamed plastic tires for children's vehicles using copolymers of ethylene vinyl acetate as a main ingredient and adding foaming agent, a bridging agent, etc. to mold the resulting mixture into a doughnut shape wherein

EVA; 

(Accused product)

It used terpolymer of ethylene propyrene (EPDM) as a main ingredient in place of EVA wherein

EPDM; 

(Decision)

There was no dispute between the parties concerning the possibility of interchange, but the dispute was mainly on the easiness of interchange. The Court decided that the technology concerned was such that "the result was unknown unless you actually made it" in the macropolymeric chemistry and therefore it was not necessarily true to describe it as easily surmisable.

No. 18: "Inorganic Fiber Insulating Material" Case (Fukushima District Court Showa 57 (WA) 166 held on April 26th, 1984)

(Summary of Invention)

A vinyl chloride plastic sheet embosseed on its surface is adhered to one surface of the inorganic fiber heat insulating material, and the claim recites that this vinyl chloride sheet is "non-porous".

(Accused structure)

Vinyl chloride sheet is not "non-porous", but has numerous micropores.

(Decision)

The decision recognized the plaintiff's assertion of the doctrine of equivalents and decided there was an infringement;

1) When a product of a third party is such that (1) the product is based on the same technical thought

as the invention of the utility model, (2) it is extremely easy for those skilled in the art to eliminate component(s) of the product which is less important or replace component(s) with other structure(s), (3) effect of this elimination or replacement does not bring out any notable effect but achieves a result clearly inferior to such a degree that the third party having made the elimination or replacement can be readily recognized as having resorted to technically inferior means in order to avoid the patent claim of which he was aware, and (4) despite such inferior adaptation, the product still achieves special operational effect which said patent invention aims at.

4. Two Approaches in Approval of the Doctrine of Equivalents

Japanese decision related to the doctrine of equivalents may roughly be divided into two different categories concerning their approaches. One interprets the matter based on the prerequisite that all the elements recited in the claims are equal in weight, and the other interprets the matter based on the prerequisite that elements recited in the claims automatically vary in weight.

(I) All Elements are Equal Weight Approach

Since Article 36-5 of the Patent Law defines that "In the scope of demand for patent, only the matters indispensable to the construction of the invention described in the detailed description of the invention shall be described", the interpretation is based on the concept that all the elements in the claims are essential components of the invention. In other words, the elements

of the patent claim are not judged by dividing them into those which are important and those which are not so important. This approach judges the weight of every element as equal to each other. This means that no perusal or judgment is made on which of the components of the invention really contains the part which was created by the inventor or the essence of the invention. The decisions based on such approach are often found among those rendered by Tokyo District Court(1).

(II) All Elements are Non-equal Weight Approach

This approach divides the invention into the essential part and the non-essential part by reviewing all the elements of the patent claim and how these elements are combined together in the light of the patent text, the technical standard prevailing at the time of filing and the file wrapper, etc. Although it does not recognize equivalency in the essential part of the invention(2), it recognizes the same in the non-essential part; but only in the instance where certain requirements as explained before are satisfied in the light of the inventive height of the essential part and illegality of the infringement act, etc. The reason why equivalency is not recognized in respect of the essential part of the invention is given as "it is not reasonable to protect the patented invention by judging an invention of which essence is based on the different technical theory as identical to the former. This would excessively invade the free zone left to third parties".(3) Decisions based on such approaches are often found among those rendered by the Osaka District Court.

Following may be concluded regarding the decisions based on these two different approaches: The former interpretation attaches importance to the contextual interpretation of the claim. Therefore, it is comparatively easy for anyone to judge whether there would

exist an infringement or not if he were to read the claim, and is excellent in legal stability. This would enable, as a consequence, third parties to easily judge if they are infringing or not and also to fully copy the essence of the patented invention and come up with unauthorized product which adroitly interchanges the non-essential part with other element, thereby rendering protection of the patented invention incomplete. Regrettably, overwhelming number of the Japanese decisions are based on this approach. The latter method of interpretation may be described as being based on the full realization of how the infringement act is committed and yet not invading the free zone left to the third parties(4). To wit, the easiest way of copying is to copy the essence of the invention and to adroitly interchange the non-essential part with other element, and the second method of interpretation seems to be effective for protecting patented inventions from such typical deed of copying.

5. Conclusion

The recent Japanese decisions have clarified the following points:

(i) The doctrine of equivalents per se has been supported by many decisions and is firmly established in Japan. However, there are no recent cases which apprpoved the equivalency because of the strict interpretation of the conditions for the doctrine of equivalents.

(ii) The way of thinking that the protection of patented invention extends only to the scope clearly described in the specification is prevalent in Japan (the doctrine of recognizing the limits). Therefore, the trend is that no equivalency is approved in the absence of suggestions somewhere in the specification that interchangeable technology is also included.

(iii) The range of equivalents in Japan is very narrow.

In order to obtain sufficient patent protection and cover the periphery of the technology, it is unavoidably necessary to file many patent and utility model applications.

Notes:

1. (1) Masanari OHBA: Fundamental problems of industrial property rights (The Matter of Equivalency in Patent Infringemnt Litigation); p. 410 (in Japanese)
   (2) -ditto-
   Patent Law Seminar, Jurist No. 294, p. 64 (in Japanese)
2. (1) Kouich MIZUTA: Study on patent infringemnt decisions (Conditions for Applying the Docrine of Equivalents) p. 374 (in Japanese)
   (2) "Spiral ring"; Osaka District Court Decision dated May 23, 1961.
   "Velcro Fastener"; Osaka High Court Decision dated June 26, 1972.
   (3) Etsuji OTANI: Recent trend in interpretation of rights in Japan; Patent Management, Vol. 29, No. 7, p. 802 (in Japaense)
   "Device for Mounting Ski Hanger Tightening Rings to Automobiles"; Tokyo District Court Decision Showa 48 (WA) 9982 dated June 16, 1976
   "Deordorizing the Incinerating Furnace" case; Tokyo District Court Decision Showa 48 (WA) 6031 dated July 7, 1975.
   (4) Fumio UMASE: Doctorine of equivalents; Patent Management Vol. 33 (1973), No. 4, p. 444 (in Japanese)
   (5) -ditto-
   (6) Junpei ISHIGURO: Various problems of Industrial Property Rights Law (Problems in the Patent Infringement Case on Polyester) p. 135 (in Japanese)

(7) Shigetoshi MATSUMOTO: Annotated Patent Law (Vol. 1) p. 532 (in Japanese)

(8) Peter D. ROSENBORG: Patent Law Fundamentals §17.07 (1) pp. 17 - 38

4: (1) Etsuji KOTANI: "Recent trend in interpretation of scope of right in Japan" Patent Management, Vol. 29, No. 7, p. 802 (in Japanese)

*"Device for Supplying Carbon Dioxide for Raising Plants"; Tokyo District Court Decision Showa 50 (WA) 3731 dated April 27, 1977.

"Since the matters described in the scope of patent claim are indispensable for construction of the invention (Article 36, Para. 5 of the Patent Law), it is not possible to say that the air stirring blades as described in the scope of patent claim of the present invention are not essential to the present invention or that they are an additional matter thereto, therefore the presence thereof should be described as essential to the present invention".

*"Automobile for Drying"; Tokyo District Court Decision No. Showa 49 (wa) 3398 dated October 27, 1976.

"The plaintiff asserts that the shield plate in the Exhibit A invention is not essential as compared to the rest of the components of the invention, and therefore the defendant's product lacking the same would satisfy the construction requirement D of the Exhibit A invention. However, since the matters recited in the scope of patent claim are essential to the construction of the invention (Article 36-5 of the Patent Law), the assertion that this particular element can be dispensed with despite its recital in the scope of patent claim is contradictory in itself, and cannot be adopted.

(2) the same as above

*"Door frame"; Osaka District Court Decision No. Showa 49 (WA) 1224 dated June 20, 1975.

"According to the description of "the detailed description of the invention", the essence of the present invention lies in selecting and using synthetic fiber as the material for the vertical and horizontal frames by noting the advantages of synthetic resin as described in the Detailed Description of the Invention, and the construction of the invention can only be interpreted as having followed the technology existing previously. Then, allowing that substantially the same operation effects are achieved by the use of, for instance, aluminium materials for vertical and horizontal frames instead of synthetic resin as used in the present invention, the use of synthetic resin as the material comprises the essence of the present invention and therefore assertion of the equivalency regarding the essence of the invention is not permissible".

(3) "Mechanical Pencil"; Osaka District Court Decision No. Showa 48 (WA)3156 dated January 30, 1976

(4) Etsuji KOTANI: "Recent trend in interpretation of the scope of right in Japan" Patent Management; Vol. 29, No. 7 p. 811 (in Japanese).

PIPA CONGRESS

OCTOBER 1985
CHICAGO ILL

DOCTRINE OF EQUIVALENTS IN INFRINGEMENT PROCEEDINGS AND THE SIGNIFICANCE OF NUMERICAL LIMITATIONS

Abstract

For well over one hundred thirty years, U. S. courts have invoked the so-called "doctrine of equivalents" to protect patentees from those who appropriate the "essence" of their invention while avoiding literal infringement of their patent claims. This paper reviews some relatively recent case law involving this doctrine, the emphasis being on cases in which the doctrine was used to modify the scope of claims containing numerical limitations.

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DOCTRINE OF EQUIVALENTS IN INFRINGEMENT PROCEEDINGS AND THE SIGNIFICANCE OF NUMERICAL LIMITATIONS

This paper is a sequel to Mr. Hawley's paper entitled "Numerical Limitations in U.S. Patent Claims." While Mr. Hawley's paper deals with the patent procurement aspects of claims with numerical limitations and reviews the different rationales for including such limitations in claims, this paper deals with the enforcement aspect, viz., how the courts view such limitations in deciding the issue of patent infringement.

In the often-cited Graver Tank[1] case, the U.S. Supreme Court gave its blessing to the use of the "doctrine of equivalents" as an alternative means for establishing patent infringement. Indicating that "literal" infringement of a patent claim is "a dull and very rare type of infringement," the Court held that "equivalent" devices and processes could also infringe a claim if they "performed substantially the same function in substantially the same way to obtain the same result." The Court's rationale was that "To prohibit no other (type of infringement but literal infringement) would place the inventor at the mercy of verbalism and would be subordinating substance to form." (In Graver Tank, the patent claim called for a welding composition comprising "a combination of an alkaline earth metal silicate and calcium fluoride." In the defendant's welding composition, manganese silicate was substituted for the alkaline earth metal silicate recited in the claim. Since manganese is not an alkaline earth metal, there was no literal infringement of the claim. In ruling for the patentee, the Court ruled that manganese silicate was the "equivalent" of an alkaline earth metal silicate and amounted merely to a "colorable" variation.)

Whether or not we all agree that placing an inventor "at the mercy of verbalism" is all that bad, the fact is that U.S. patent claims cannot always be interpreted literally. While the Supreme Court, in White v Dunbar[2], has forbidden the treatment of a patent claim as "a nose of wax which may be turned and twisted in any direction... to make it include something more than, or something different from, what its words express," the case law (including Graver Tank) certainly suggests that courts, given the chance and the right circumstances, will use the doctrine of equivalents to shape and/or expand a claim to suit its perception of the equities of a particular case. Obviously, the extent to which a court can expand the scope of a claim is not limitless. Even the (relatively) new Court of Appeals for the Federal Circuit (CAFC), a strong proponent of a liberally-applied doctrine of equivalents, agrees that a court cannot interpret a claim so broadly that it reads on prior art teachings. See, e.g., Carman Industries, Inc. v. Wahl[3]. Nor can it expand a claim to encompass subject matter deliberately given up by the patentee in distinguishing its invention over the prior art (otherwise known as the "doctrine of file wrapper estoppel"). See, e.g., Kenzenbaw v. Deere[4]. But aside from these limitations, it appears that U.S. courts do have substantial leeway in expanding a claim to do, in their view, justice.

As regard the application of the doctrine of equivalents to claims containing numerical limitations, the case law seems to indicate that U. S. Courts treat numerical limitations no differently than other limitations. No doubt, numerical limitations are less susceptible to interpretation and, absent any qualifying adverbs such as "about" or "approximately", there is

absolute certainty in understanding their scope. But notwithstanding their definiteness, courts seem to have no qualms about tampering with them and expanding their scope, sometime to an extent never dreamed of by the patentee at the time of filing. The reason for their inclusion in the claim (e.g. to distinguish over the prior art or merely to define an operative range), the level of invention (e.g. a pioneer invention or a minor improvement in a crowded art), the equities of a case (e.g. whether or not the invention was pirated), the knowledge of the person skilled in the art, etc., are some of the factors that courts consider in deciding on the breadth of equivalents given to claim limitations in general. The following cases illustrate how some of our courts have interpreted numerical limitations heretofore:

In the very recent case of S. C. Johnson & Sons v. Carter-Wallace[5], the District Court had to decide whether a shaving gel containing a water-soluble gelling agent in an amount of 6.532% by weight, infringed a claim calling for a gelling agent in the amount of "about 0.01-5% by weight." As originally filed, the main claim had no numerical limitations. During the prosecution stage, the claim in suit was rejected under Section 112 as lacking sufficient particularity and distinctness, and the Examiner specifically noted the absence of numerical ranges. Also, the claim in suit was rejected as being obvious in view of certain prior art references. In its response, the patentee amended the claim to recite the above-quoted numerical limitation. In finding that the accused gel not only literally infringed the claim, but also infringed under the doctrine of equivalents, the Court made the following rulings:

(a) The defendant's gelling agent (which chemically differed from the patentee's working examples but was still within the generic language of the claim) performed the same function in the same way to give the same results as patentee's gelling agent. The total amount of 6.532% is, therefore, equivalent to the range recited by the patentee.

(b) The numerical limitation 0.01-5% is a broad range and nowhere does the patentee indicate that it was critical. Thus, 6.532% is literally "about 5%" in the context of this case.

(c) The insertion of the numerical range in the claim was in response to the Examiner's Section 112 rejection (i.e. indefiniteness), not to avoid prior art; therefore the doctrine of file wrapper estoppel does not limit the application of the doctrine of equivalents.

(As indicated above, the doctrine of equivalents is actually subservient to the doctrine of file wrapper estoppel which precludes a patentee from recapturing (during litigation) subject matter surrendered during the patent prosecution either by way of amendments to the claim to overcome a prior art rejection or to arguments made to obtain the patent.)

As in many cases in which the patentee prevails on the doctrine of equivalents, the court went into detail to show that the equities of the case favored the patentee. Here, the patentee was the first to conceive of such a "post-foaming" shaving cream and it appeared that the defendant made an attempt to imitate the patentee's invention rather than design around it. Also to be noted

is that the use of the word "about" (to soften the boundaries of the numerical range) was critical in the holding of "literal" infringement. While there was some dispute as to whether the word "about" modified both the upper and lower values of the numerical range, the court concluded that within the context of the whole patent, "about" did modify the upper limit. (Note, to avoid this dispute, the applicant could have claimed a range of "about 0.01 to about 5%".)

In Kolene v. Motor City Metal Treating[6], the Sixth Circuit had to decide whether defendant's metal treating process in which a metal work piece was immersed in an aerated alkali metal salt bath containing between 46-50% cyanate infringed patentee's process claim reciting an aerated alkali metal salt bath comprising "between about 25 and 40% cyanate". Defendant's higher percentage of cyanate offered no advantages and was used on the advice of counsel solely to avoid infringement. In holding for the patentee, the Court noted that the claim's lower numerical limit was operational (i.e. the process would not achieve the desired result below about 25% cyanate) and the upper numerical limit was practical (i.e. because of a sludge problem, it was non-economical to operate at above about 40% cyanate). The court noted that only after the sludge problem was later solved (by others) did it become feasible to operate in the 46-50% cyanate range. The court held that defendant's process both literally infringed the patent and also infringed under the doctrine of equivalents. The court concluded that:

(a) 46-50% is "about 40%". (Note there appeared to be no evidence on this issue and the Court stated that "our decision on this point is also effected by the fact that Motor City chose the 46-50% cyanate operating level for no other purpose except to avoid infringement of the patent."

(b) The doctrine of "legitimate design around" does not apply where the accused has not itself made a good faith effort to design a new process which achieves the same result. "In this case Motor City has nothing more than merely appropriate the patentees' idea. This Court does not condone that type of piracy".

(c) "The (recited) percentage of cyanate was critical to the process, not to the patentability of applicants' invention. Applicants discovered the beneficial effects on the process of aeration of the bath.... By adding to the claim the operable percentage limits, applicants did not disclaim those percentages that were equivalents thereto."

(d) File wrapper estoppel doesn't apply because applicant's attorney, in his remarks, maintained the position that the cited reference was inapplicable even to claim 1 in its original scope.

(Note: Here again, the equities strongly favored the patentee, and the Court "stretched" accordingly. Also, the word "about" softened the boundaries of the numerical limitation to allow for a finding of literal infringement.)

In Johnson and Johnson v. W. L. Gore and Associates[7], the claim in suit called for a "polytetrafluoroethylene film having a specific gravity in the range of about 1.2-1.8". The file history indicated that the lower limit was selected because tapes having a specific gravity below 1.2 were neither commercially available nor known to the inventors at the time of the filing. The upper limit was selected to avoid a reference disclosing a film having a specific gravity of 2.2. The claim as originally filed had no numerical limitations. The defendant's tape had a specific gravity of .9 or lower. The District Court found that the claim was infringed under the doctrine of equivalents. The Court ruled that the fact that the lower density tape was unknown at the time of the application for the patent in suit did not render the doctrine of equivalents inapplicable. As regards the issue of estoppel, it was noted that only the upper limit of 1.8 was added to distinguish over prior art, and the evidence indicated that there was nothing critical about the lower limit. The Court found therefore that the patentee was not estopped from expanding the literal coverage of its claims by resort to the doctrine of equivalence, even though it had added the numerical limitation to gain allowance of the application.

The following Seventh Circuit cases serve to illustrate that U.S. courts have not always been willing to stretch the claims in favor of the patentee. In both of these cases, the court rigidly applied the doctrine of file wrapper estoppel to find non-infringement. (As noted later herein, the new Court of Appeals for the Federal Circuit has specifically rejected the views of both of these cases.)

In Ekco Products v. Chicago Metallic Manufacturing[6], the Seventh Circuit held that a claim directed to a baking pan comprising an iron-tin alloy layer "approximately 10-15 microinches" in thickness was not infringed by a baking pan of identical structure except for a somewhat thicker alloy layer. The numerical limitation "approximately 10-15 microinches" was added to the claim after final rejection in order to gain allowance. Without even commenting on amount by which the defendant's alloy layer avoided literal infringement, the Court held that any narrowing of the claim gives rise to file wrapper estoppel which precludes the use of the doctrine of equivalents to broaden the narrowed portion. (It is interesting to note that the word "approximately" was not discussed in the decision.)

In Nationwide Chemical v. Wright[9], the Seventh Circuit followed Ekco in interpreting the scope of a patent directed to a method for combating infections in plants. Here, the patent claim recited applying an active ingredient "at an effective dosage of less than 4 ounces per acre." This numerical limitation was added in the face of a long and continuous rejection by the Examiner based on a reference disclosing a dosage of 48 ounces per acre. The patentee conceded that it had to add some dosage limitation to overcome the prior art. In finding for the defendant, the Court acknowledged that the defendant's dosage of 4.73 ounces per acre was much closer to the numerical limitation than the prior art. But to decide whether the claim should be broadened to include the defendant's method "would cause us to place ourselves in the Examiner's place and... guess what he would have allowed. ...Since some dosage limitation was required, we do not ask if the specific 4-ounce limitation itself was

required.... Having chosen that limitation, Nationwide is estopped from asking the Court to give it a broader coverage than it chose for itself."

(Note: Of particular interest in this case is that the word "about" or "approximately" did not appear in the claim to modify a numerical limitation. Had this qualifier been used, perhaps the Court would have found literal infringement.)

Status of the Doctrine of Equivalents

In Graver, a strong dissent was written by Justice Black, with whom Justice Douglas concurred. According to Black, the basic objection to the use of the doctrine of equivalents is that it "violates a direct mandate of Congress" (that a patent applicant "particularly point out and distinctly claim" his invention). Black quoted White v. Dunbar that "it is unjust to the public, as well as an evasion of the law, to construe (a claim) in a manner different from the plain import of its terms".

In Tigrett Industries v. Standard Industries (1970), the Supreme Court had another chance to pass on the lower court's (6th Cir.) use of the doctrine. The Court granted certiorari to review a case in which the patent claim recited a collapsible playpen with drawstrings threaded upwardly through "a pair of spaced openings" in a base plate. In the defendant's playpen, a single opening was substituted for the recited "pair" to avoid literal infringement. The lower court held, and the Sixth Circuit affirmed, that this was clearly an equivalent. The Justice Department's Antitrust Division filed an amicus brief requesting the virtual elimination of the doctrine. The Supreme Court, in a 4-4 per curiam decision, affirmed the lower courts. Since neither of the

written dissents by Justices Black and Douglas addressed the equivalence issue, it is clear that the Supreme Court still accepts the doctrine, at least under the circumstances of this case.

Aside from Supreme Court cases (which, in the patent field, are few and far between) the case law which is now of most interest to prospective patent litigants is that of the Court of Appeals for the Federal Circuit (CAFC) which, as of October 1, 1982, began hearing all appeals from District Court decisions on patent issues. To date, only a few of the CAFC decisions have dealt with the doctrine of equivalents and none has concerned numerical limitations in claims. But based on its decisions to date, e.g. Caterpillar Tractor v. Berco[10], Hughes Aircraft v. United States[11] it is clear that the new Court will be more apt to give the patentee the benefit of any doubt regarding a file wrapper estoppel issue than some of the Circuit Courts have in the past, and be more inclined to broadly construe the claim limitations to find equivalent structures.

In the Caterpillar Tractor case, the CAFC affirmed the lower court's application of the doctrine of equivalents to find infringement. It rejected a file wrapper estoppel defense (concluding that the claim was narrowed to overcome a §112 rejection) and a defense that the equivalent structure was not contemplated by the patentee. In a dissenting opinion, Judge Davis would have approved the estoppel defense. He noted that Caterpillar had avoided both §102 and §112 rejections by filing a CIP application with narrowed claims. The evidence indicated to him that the patentee had argued a narrow construction for his claims before the USPTO and therefore should be precluded from arguing a broader construction to prove infringement.

In the Hughes Aircraft case, the CAFC rejected the view that "virtually any amendment of the claims creates a 'file wrapper estoppel' effective to bar all resort to the doctrine of equivalents, and to confine the patentee' strictly to the letter of the limited claims granted. The CAFC indicated that the holdings of Nationwide Chemical and Ekco Products cases (supra) were contrary to the guidance provided by the Supreme Court in Graver. The Court also agreed with prior cases that an appropriate range of equivalents can extend to post-invention advances in the technology. According to the Court, the defendant "merely employed a modern day computer to do indirectly what (the patentee) taught to do directly."

CITED CASES

1. Graver Tank & Mfg. Co., Inc. v. Linde Air Products Co., 85USPQ 328 (Sup. Ct. 1950)

2. White v. Dunbar, 119 U.S. 47 (Sup. Ct. 1854)

3. Carman Industries, Inc. v. Wahl, 220 USPQ 48) (CA FC 1983)

4. Kinzenbaw v. Deere & Co., 222 USPQ 929 (CA FC 1984)

5. S. C. Johnson & Sons, Inc. v. Carter-Wallace, Inc., 225 USPQ 1022 (DC SNY, 1985)

6. Kolene Corp. v. Motor City Metal Treating Inc., 169 USPQ 77 (CA 6, 1971)

7. Johnson & Johnson v. W. L. Gore & Associates, Inc. 195 USPQ 487 (DC Del 1977)

8. The Ekco Products Company, Inc. v. Chicago Metallic Manufacturing Company, 146 USPQ 146 (CA 7, 1965)

9. Nationwide Chemical Corporation, et al, v. Wright, et al, 200 USPQ 257 (CA 5 1978)

10. Caterpillar Tractor Co. v. Berco S.P.A. et al, 219 USPQ 185 (CA FC 1983)

11. Hughes Aircraft Company v. United States, 219 USPQ 473 (CA FC 1983)

