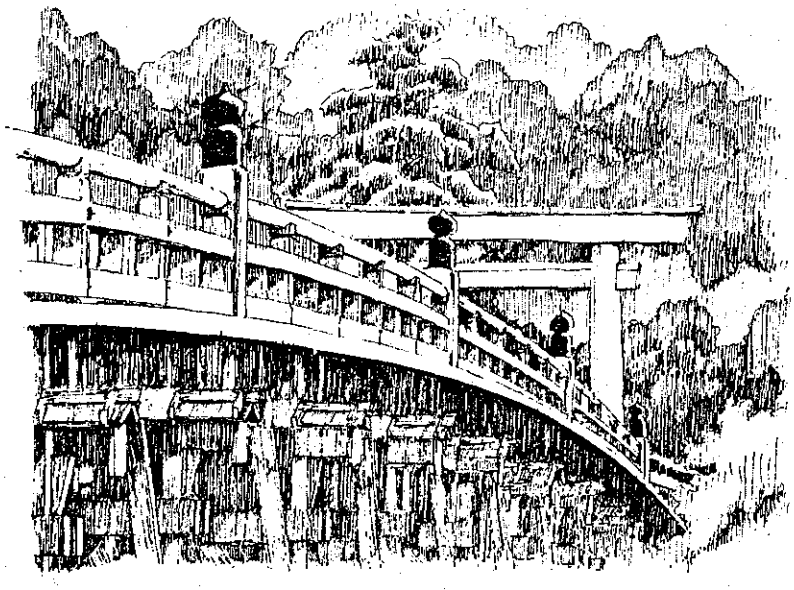
PACIFIC
INDUSTRIAL PROPERTY ASSOCIATION
太平洋工業所有権協会

PRESENTATIONS

The Nineteenth International Congress

Hotel Toba International
TOBA
October 5-7, 1988



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PROGRAM

WEDNESDAY, OCTOBER 5, 1988

8:00 a.m. REGISTRATION—Hotel Toba International, at CONFERENCE (6th Fl., New Bldg.)

8:45 a.m. OPENING CEREMONIES

Opening of the Congress—Shigeo Takeuchi

Report on 1987 Activities—Alfred E. Hirsch, Jr.

Installation of PIPA Officers for 1988

Keynote Address—Kyoji Murayama

Guest Address:

Honorary Chairman—Isamu Sakamoto, Advisor (Former Chairman) of Japan Patent Association (Senior Advisor of Sumitomo Electric Industries, Ltd.)

Message from Honorable Donald J. Quigg, Assistant Secretary and Commissioner of Patents and Trademarks, United States Department of Commerce
Alfred E. Hirsch, Jr.

Honorable Hiromichi Obana, Deputy Commissioner, Japanese Patent Office

Honorable Giichi Marusima, President of Japan Patent Association

Memorial Address for the late Mr. Edward L. Bell
William R. Norris Shigeo Takeuchi

10:00 a.m. COFFEE BREAK

10:20 a.m. **REPORTS OF COMMITTEE No.1**
Monte D. Witte and Takami Aoyama, Chairmen

10:25 a.m. Recent Changes in U.S.Patent Law
John P. Sinnott

10:50 a.m. Unity of Invention in Japanese Patent Law
-Recent Amendments to Japanese Patent Law-
Michio Nakamura

11:15 a.m. U.S.Restriction Practice
William S. Thompson

11:40 a.m. Limits of the Concept of Identical Inventions under Section 29 bis of the Japanese Patent Law
Takashi Sawai

12:20 p.m. LUNCHEON—at THEATER (5th Fl., New Bldg.)

1:30 p.m. Duty of Disclosure Update
Paul D. Carmichael

1:55 p.m. Appeal System and the Present State Thereof
Yoshiaki Matsui

2:20 p.m. Interview Practice Before the U.S. Patent & Trademark Office
Monte D. Witte

2:45 p.m. Problems Concerning Trademark Search and Applications Caused by the Planned Adoption of INTERNATIONAL CLASSIFICATION OF GOODS and Countermeasures Therefor
Hajime Kuwayama

3:10 p.m. **REPORTS OF COMMITTEE NO.4**
Lawrence T.Welch and Shin Ando, Chairmen

3:15 p.m. Amendments to Section 337 of the Tariff Act of 1930
Donald W. Banner

3:40 p.m. Working of Patented Inventions in Experiment or Research
Hironari Kitamura

4:05 p.m. COFFEE BREAK

4:25 p.m. The Experimental Use Exception to Patent Infringement
Lawrence T. Welch

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4:50 p.m. Exclusion of Invalidating Factors after Grant of Patent by Patentee
Kazutaka Yoshida

5:15 p.m. The Use of Reissue and Reexamination by U.S. Companies
Hesna J. Pfeiffer

6:30 p.m. GRAND RECEPTION—at THEATER (5th Fl., New Bldg.)
Presentation of PIPA Award to Mr. Takashi Aoki
Managing Director, Fujisawa Pharmaceutical Co., Ltd.

THURSDAY, OCTOBER 6, 1988

8:15 a.m. **REPORTS OF COMMITTEE No.3**
William S. Thompson and Mamoru Takada, Chairmen

8:20 a.m. Harmonization I. Claim Interpretation: What are the differences?
Yorozu Noda, Kozo Hirase, Masahiko Omori, Lawrence T. Welch, Warren W. Kurz

9:00 a.m. Harmonization II. Opposition/Reexamination: What are the advantages and disadvantages?
J. Jeffrey Hawley, Karl F. Jorda, Mitsuo Taniguchi, Kikuo Takehana

9:30 a.m. COFFEE BREAK

9:50 a.m. Harmonization III. Deferred Examination: What are the problems?
William R.Norris, Stuart R. Suter, Kazuya Hosaka, Ichiro Enomoto, Takeo Hamazaki

10:20 a.m. Harmonization IV. Grace Periods: What are the necessities?
Jon S. Saxe, Peter G. Stringer, Eiji Sato, Kazuo Kamisugi

10:40 a.m. Harmonization V. Duration of Patents: What are the problems?
Keiji Komaki, Toshiyuki Motoi, Arnold H. Cole, James E. Espe

11:00 a.m. Harmonization VI. Prior Users' Rights: What are the necessities?
Roger L. May, Karl Hormann, Takeo Hamazaki, Ichiro Enomoto

11:20 a.m. Comprehensive Discussion on Harmonization

12:30 p.m. BUS TOUR TO KONGOSHOJI TEMPLE AND ISE JINGU SHRINE

5:00 p.m. RECEPTION and DINNER at Hotel Nemu

FRIDAY, OCTOBER 7, 1988

8:30 a.m. **REPORTS OF COMMITTEE NO.2**
Richard H. Childress and Katsuhiko Shimizu, Chairmen

8:35 a.m. Copyright and Computer Programs: National Experience Is Not Always a Guide Internationally
L.Joseph Marhoefer

9:00 a.m. Shrink Wrap License: Is It Needed?
Richard P. Lange

9:25 a.m. Licensing of Software Developed by Third Party
Hiroatsu Kaneko

9:50 a.m. COFFEE BREAK

10:20 a.m. Employment Agreements: Protecting Trade Secrets in a High Technology Environment
Richard L. Donaldson

10:45 a.m. Aspects of Trade Secret Licensing
Richard H. Childress

11:10 a.m. Study on Protection of Intellectual Property in Japan
Michihisa Ohkawa

12:10 p.m. LUNCHEON AND CLOSING CEREMONY—at THEATER (5th Fl., New Bldg.)

1:10 p.m. Closing Address
Alfred E. Hirsch, Jr.

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Opening of the Congress by Shigeo TAKEUCHI,
Secretary Treasurer, PIPA Japanese Group

Good morning, ladies and gentlemen.

I hereby declare the 19th PIPA Congress open.

With a Shinto shrine of the imperial family near Toba, where we will take you tomorrow, this area has long been the most sacred precinct in Japan. The late Kokichi Mikimoto who succeeded in culture of pearls here in Toba was honored as one of the ten most distinguished inventors in Japan at the centennial celebration of foundation of the Industrial Property System in 1985.

Let me now introduce the honorary chairman and guests of this Congress. I will call out their names, and would you please give them big hands as they stand up. Mr. Isamu SAKAMOTO, Senior Advisor of Sumitomo Electric Industries Ltd., who assumed the honorary chairmanship for the third time following the 11th and 15th Congresses. Mr. SAKAMOTO was formerly the chairman and is currently an advisor of Japan Patent Association.

Now, I will introduce to you the honored guests.

We invited Mr. Hiromichi OBANA, Deputy Commissioner of Japanese Patent Office.

And Mr. Giichi MARUSIMA, President of Japan Patent Association.

In addition, PIPA Award Medalists are also present, and I would like to introduce them in the order of winning the medals.
Mr. Shozo SAOTOME, and Mr. Banner.

For your information, the total number of participants is 151 including 24 guest spouses, this is the largest we have ever had.

Thank you.

PIPA ANNUAL REPORT - A. E. Hirsch, Jr.

Honorable Guests, Fellow Members of the American and Japanese Groups of PIPA, Ladies and Gentlemen.

It is a pleasure - and an honor - for me to report the activities of PIPA during the past year.

As a spokesman for the American Group, I must tell you at the outset that we are overwhelmed by the beauty of this marvelous part of Japan. We are most appreciative of the hospitality and friendliness already shown us by the Japanese Group and guests of PIPA. We are delighted to be able to participate in this 19th International Congress of the Pacific Industrial Property Association.

In preparing for this annual report, I reread the reports delivered at our Congresses over the past 10 or 12 years. All of them were interesting. Each of them touched on important issues of concern to both the American and Japanese groups. Indeed, the issues were of concern to intellectual property communities around the world.

We discussed proposed revisions to the Paris Convention. We analyzed the paperless system which the Japan Patent Office, the U.S. Patent and Trademark Office, and the European Patent Office announced and have worked so diligently to produce.

We talked about the need for a form of protection for computer software and

for semiconductor chips. Today, of course, the protection of computer software is possible through both the patent and copyright systems of a number of countries, and laws are in place in many countries that afford protection for chips.

Other reports touched on the many aspects of the continuing GATT Conferences and its intellectual property provisions, and on many of the issues having to do with harmonization.

Thus, PIPA activities reported at our earlier Congresses were of worldwide importance.

I suggest that we have not taken sufficient credit for all that PIPA has done over the years.

I think that we should stand back and congratulate ourselves for having participated in bringing about many of the important changes that have taken place.

Indeed, the history of PIPA is a history of successes. Before PIPA, many Americans, and possibly, many Japanese, had little understanding of the intellectual property system of the other country, or of the people that make it work.

The first few years were therefore devoted to a "get to know each other" operation, an operation that I believe was extremely successful. The value of the personal contacts made at PIPA meetings continues to be one of the most important aspects of PIPA membership.

The next phase was to identify issues that we, as a group, thought should be discussed. We did so. We then brought our views to the attention of the officials best able to bring about improvements.

Initially, this was done rather quietly, for example, by inviting dignitaries from the USPTO and the JPO to attend our meetings to hear some of our concerns.

Later, we accepted invitations to send observers to important intellectual property conferences, such as the ones held by WIPO in Geneva. Both American and Japanese observers from PIPA have attended these conferences. Although we cannot vote, as do the delegates, we have had the opportunity to meet with the officials and delegates to present our views.

One of the more successful PIPA activities, has been the invitation for the American Group to visit the JPO. Next week, the American Group will have its third return visit. The Japanese Group has also had the opportunity to meet with the USPTO, the most recent meeting being after the last PIPA Congress in Baltimore.

The purpose of these meetings has been to explain the difficulties that various office procedures and laws have on our ability to protect inventions efficiently. These meetings have, correspondingly, given the patent offices the opportunity to explain the procedures.

As a result of this exchange and spirit of cooperation, we believe that many improvements in the patent offices have been made for the benefit of all applicants. The frank exchanges of information and opinions have greatly

reduced the opportunity for misunderstanding and friction.

We are extremely grateful for the opportunity to make these visits and thank our colleagues in the Japanese Group for making the arrangements.

We of the American Group, speaking on behalf of our American colleagues in the intellectual property field, are grateful that the JPO has responded to our suggestions, and has made some changes that we deem to be of great value.

For example, we now have the opportunity to interview Examiners in order to more fully understand the reasons for rejections. As a result, we can better respond and advance the prosecution.

Similarly, the Examiner's rejections of our applications are beginning to be more completely stated in order to help us understand the reasons for rejections.

I mention these visits, in the context of PIPA activities for this year, since I believe that the changes in the Japanese Patent Law that came into effect this year were changes that had their beginning in these meetings. While certainly PIPA cannot take all of the credit, I believe that the reasoned and constructive approach taken by our delegations have contributed significantly to the successful implementation of these positive changes.

Among the changes that will help all users of the Japanese Patent system, in my view, are the increased period during which an opposition can be filed, and the liberalization of the claiming system. The increased time to file an opposition is particularly significant since potential foreign opposers are helped more by this change than are domestic opposers. I think that this is the strongest evidence

possible that the JPO is sincere in its efforts to make the Japanese patent system as useful as possible to foreign applicants.

Both of these items were discussed with the JPO during the first PIPA visit in 1982. The support of the Japanese Patent Office for these changes might not have been as strong were it not for the level of mutual understanding that has been carefully developed over the years.

But, of course, as you might expect, no system is perfect and there are still concerns on the part of the American patent practitioners. The most serious one is the exceedingly long delay in reaching the examination and allowance stage of a Japanese patent application. This is the problem that others in the U.S. are now discussing.

We understand the tremendous workload of the Japanese Patent Examiners. They are diligent professionals, and experienced in their field. But, truly, we believe them to be overworked.

This is not a problem that can be solved by the Patent Office alone. It appears that the solution lies in the addition of Examiners to the staff and that, in turn, requires additional funding for the Japanese Patent Office.

We believe that the members of PIPA and the Japan Patent Association must take an affirmative stand and begin to work toward encouraging the Diet to increase their appropriation for the Patent Office.

In the U.S., as you are undoubtedly aware, legal associations, such as the American Bar Association, the American Intellectual Property Law Association,

local patent law associations and, indeed, PIPA, sometimes take strong positions on issues of concern. We debate the issues, we propose changes of our laws and rules, and we make our views known to members of our Congress. American law societies have taken an active part in supporting the U.S. Patent Office.

We understand that in Japan this is not customary and it may not even be possible. Yet, to the extent possible, we urge the members of the patent profession, members of the Japan Patent Association and members of PIPA to speak out and support the Director General in getting the funding that is needed to add additional staff, so that the pendancy time in Japan can be reduced.

This would certainly go a long way toward helping to improve the relationship between Japan and many of the countries of the world. Indeed, we believe that Japanese companies would also appreciate a relatively short pendancy time.

Before I continue my outline of PIPA activities for the past year, let me say a few words about the recent controversy over the Japanese Patent System that made headlines following the Rockefeller Hearings in the U.S. Senate last summer.

We, of the American Group of PIPA, believe that it is very unfortunate that the people who criticized the Japanese system and complained about the protection afforded in Japan for their inventions, were generally those who have had no personal experience with the Japanese system.

We, the American Group of PIPA, have had the wonderful opportunity of

attending these Congresses and meeting with you, the Japanese Group of PIPA, and with the members of the Japan Patent Association, and also with the officials of the Japan Patent Office.

We, therefore, have learned about the Japanese system and, although we see the opportunity for continued improvements, we are convinced that it is an effective system that all applicants, domestic and foreign, can use to their advantage.

Our concerns about the system are not made in press releases. They are presented directly to the JPO with full opportunity for discussion. We have a number of concerns to discuss during our meeting next week. We have always found the Patent Office officials to be willing to discuss our concerns openly. Indeed, as I noted earlier, changes have been made in Japanese procedure to accommodate our needs.

Those who have made an attempt to understand the system appreciate its strengths and utilize it effectively. Those who do not understand it, are quick to criticize.

I am not sure what you have heard about the Rockefeller Hearings, but I assume that it was bad. Let me assure you, however, that it was not all bad. You must look at the testimony - all of it - and not just at portions of it or at the press reports.

U.S. Commissioner Quigg made a most effective presentation to the Committee in which he outlined the strengths and weaknesses of the Japanese system

together with the strengths and weaknesses of the American system. Other knowledgeable attorneys testified in support of the Japanese system. Professor Irving Kayton emphasized that it is important for American attorneys to study and understand the Japanese system before criticizing it. On another positive note, several statements by Senator Rockefeller himself indicate that he already understands that it is the United States that is different with respect to many of the criticized practices.

The American Group of PIPA has reviewed the testimony and has prepared a position statement for Senator Rockefeller. In that statement, we disagree with much of the testimony and particularly with the spirit in which it was presented in Washington. We have offered to work with Senator Rockefeller and his Committee in helping them understand the issues. We shall continue this effort.

Before I list the important PIPA activities of the past year, let me first mention that the clipper ship, "Pride of Baltimore II", that was being built across from our hotel in Baltimore last year was launched successfully last May, and is now in use on Chesapeake Bay.

During the year, members of PIPA have been invited to and have attended at least two meetings of WIPO in Geneva to discuss harmonization of patent laws. Mr. Thompson from the U.S. attended, as did Mr. Richard Witte. Kataoka-san, Okada-san, and perhaps others, represented the Japanese Group.

The American Group held a reception and dinner at the L'Efant Plaza Hotel in

Washington for the study group of the Japanese Economic Journal visiting the U.S. We arranged for the group to visit the USPTO, the ITC and the AIPLA.

In addition, the American Group prepared a commentary on a government survey concerning harmonization issues, and we sent a representative to meetings in the Department of Commerce concerning piracy of industrial property. Members of PIPA accepted invitations to attend meetings ofthe US/Japan Business Council in Washington to develop information for Senator Rockefeller.

PIPA also sent greetings to those at the celebration of the 50th Anniversary of the Japan Patent Association, and Mr. Thompson will deliver a lecture next week at the celebration of the 10th anniversary of the entry of Japan into PCT.

I am also pleased to report that we have a new Chairman of U.S. Committee No. 2, Mr. Childress of The Goodyear Tire & Rubber Company, and a new Chairman of Committee No. 4, Mr. Welch of The Upjohn Company. The American Group is also happy to announce that we have 10 new corporate members, and some of the new members are represented here at this Congress.

As I mentioned before, the Japanese Group held its 2nd follow-up meeting in the USPTO following our Congress in Baltimore. The Japanese Group was honored during the year by a request from the AIPPI for permission to publish in their Journal the excellent paper on the "Japanese Grace Period, Section 30", that was presented at our Baltimore Congress by Osonoe-san representing Japanese Group, Committee No. 1. In addition, a paper by Mifune-san, "10

Years with EPC and Dr. Singer's Family", was published in the AIPPI Journal.

The Japanese Group during the past year prepared the valuable book containing the presentations made at our Baltimore Congress, and completed the new PIPA Group Directory.

Both the Japanese and American members of Committee No. 3 have worked as a team in preparing the program on Harmonization scheduled for tomorrow morning.

Finally, the Japanese Group has arranged for this, our 19th Congress.

So you can see, it has been a busy year for PIPA.

We should be proud of what we have accomplished, and I urge all of the members of this organization to continue working to improve relationships between our countries, to help our patent offices to serve inventors in a more efficient fashion, and to find answers to some of the problems that remain.

Thank you very much.

KEYNOTE ADDRESS

KYOJI MURAYAMA
President of PIPA

Good morning, Distinguished Guests, Ladies and Gentlemen.

First of all, as the President of this Congress, please let me welcome all of you to Toba, where Kokichi Mikimoto invented a culturing method for production of pearl and the world's first cultured pearl was produced by him in 1893 on the Pearl Island, his invention having been patented in 1896 under the patent number 2670.

Well, it is a great honor for me this morning to deliver the keynote address at the opening of the 19th International Congress of PIPA.

The world today faces various problems. The rapid progress of science and technology has been leading to greater development and higher advancement of the industry on one hand, it is giving rise to friction in the various aspects among the countries on the other hand.

In recent years, such a friction is involving not only an economic problem regarding the unbalanced situation in the movement of goods and capital, but also various problems regarding the technical development and industrial property. As the result, such situation

surrounding the friction assumes an extraordinary and complicated appearance, and to cope with these difficult problems hot debates are being made for settlement of the matters from all angles on many sides.

In the intellectual property field, the diligent efforts have been and will be made towards cooperation and harmonization for the well-deserved global protection and respect of the invention. That is, as you know well, these efforts are being made towards the global harmonization in WIPO and Trilateral Conference among the United States Patent and Trademark Office, European Patent Office and Japanese Patent Office, and also are tried in GATT on the global basis. Although the road towards achievement of the target is long and not smooth, we have already stepped into the road, and have to persevere in our efforts towards harmonization for the benefit of all the nations.

In addition to the above movement, as a new issue, I herewith would like to point out that there recently occurred a controversy on what patent protection should be between the United States and Japan.

That is, last June 24, in the Senate of the United States, there was held a public hearing regarding Japanese

Patent System and variety of opinions were ventilated there.

Following this public hearing, on July 26, Senator Rockefeller moved an additional resolution, seeking the improvement of the Japanese Patent System and this resolution was carried out by unanimous consent.

That is, it was unanimously consented in the Senate that "appropriate Federal Officials should closely analyze and consider possible way to address a sixteen-point constraints that may confront foreign companies and individuals when they seek to obtain and enforce patents in Japan".

These constraints seem to include serious matters to Japan, and may be divided into three categories of the problems.

That is,

Firstly - the matters which were brought out due to the misunderstanding of the Japanese Patent System and practice,

Secondly - the matters which is worthy listening to Japan and should be studied towards the improvement, and

Thirdly - the matters which should be studied and

discussed in the ring of international harmonization in WIPO and trilateral conference, which are now under discussion.

With regard to the System in each of the countries, I think that the respective legal background long affected by its history and culture is guite different and accordingly not easy to allow to unify the intellectual property system and practice each other. Nevertheless, now that, as the world grows smaller and smaller, the business world becomes closer and closer, the efforts to find out the reasonable solution are eagerly desired based on the mutual understanding and the spirit of equality.

Since PIPA was organized in 1969, it passed 19 years, and PIPA is now 19 years old. At the last year of teens shall we call up the thoughts of the role of PIPA.

Generally speaking, one of the roles of PIPA lies in fostering the promotion of rights and interests in intellectual property. In order to achieve this object and purpose, PIPA works and acts in

Firstly - providing an exchange of information regarding intellectual property matters,

Secondly - bringing into focus expert opinion regarding intellectual property matters and proposal for

such measure thereto, presenting resulting observation to national and international bodies, and participating in discussions and meetings and otherwise cooperate with such bodies, and

Thirdly - holding meeting from time to time to promote among PIPA members the spread and exchange of information and view regarding intellectual property matters.

I remember, at the Closing Ceremonies of Baltimore Congress last year, Mr. A.E.Hirsch, Jr., President of American Group made a remark, saying that "there is much that can be done on Committee levels. I, therefore, urge the Committee chairmen of both the Japanese and American groups, and the member of the Committee to work together, actively, during the coming year to resolve differences and to make proposal to one another, to learn from each other, and to help each other. By such activities, change can be made and both our system can be improved.

This Mr. Hirsch's remark indicates really the role and activity of PIPA.

According to such remark, for today's Congress, both of the Committee Chairmen have worked together by exchanging the information each other. Especially, in

the Committee III, six items regarding Harmonization are arranged for today's discussion.

I hope that exchange of valuable information, some proposal which may include some of friction problems between the United States and Japan, and discussions thereto will be made in the Congress so actively that the mutual understanding may be obtained and both systems may be improved.

Lastly, I would like to refer to another role of PIPA. That is, fostering the promotion of the rights and interests in intellectual property is concerned not only with the industry of the United States and Japan, but also with certain countries bordering the Pacific Ocean, and more particularly with commercial and industrial relations in such countries.

During the past 19 years, I firmly believe that PIPA has performed it's role as a pipe-line between the United States and Japan, in mutually understanding the respective way of thinking and position through exchange of information, views, etc., but has been limited to both of the countries.

However, under the present world situation that economic and technical exchanges and industrial

cooperation are being greatly and actively expanded on the global basis, the roles of certain countries in the Pacific area are important and the importance will be more and more increased in the near future. Accordingly, it seems to be worthy to open the gate of PIPA to such countries in any form. I hope that this subject will be studied for more international growth of PIPA, attaining twentieth years old in the next year.

Thank you very much.

October 5, 1988

Text of Speech

by I. Sakamoto, Honorary Chairman,

for Toba Congress of PIPA

Chairman, Distinguished guests, fellow members, ladies and gentlemen.

As Advisor of the Japan Patent Association and also Honorary Chairman, I would like to welcome you to the 19th International Congress of the Pacific Industrial Property Association being held in Toba. Also I want to especially welcome Mr. Hiromichi Obana, Deputy Commissioner of Japan Patent Office, and Mr. Giichi Marushima, President of Japan Patent Association. Thier attendance at this Congress is very much appreciated.

As you might know, more than ninety years ago here in Toba. Mr. Kookichi Mikimoto developed a pearl culture technology by which he succeeded in producing natural round pearls. Since then, this district has been famous for the "Mikimoto Pearl." This pearl culture technology was patented in 1896 and internationally recognized as a most creative one. I do think it is very significant that this PIPA Congress is held in such a historic city.

Presently, as worldwide trade has increased, so has the importance of effectively protecting intellectual property. In September, 1986, at the Ministerial Conference of GATT held in Uruguay, it was decided that trade-related aspects of intellectual property rights would be one of the new items of multilateral trade negotiations.

Recognizing the significance of providing views to GATT on the protection of intellectual property from private sectors, the U.S. IPC (Intellectual Property Committee), Japan Keidanren (Federation of Economic Organization) and Europe UNICE (Union of Industrial and Employers' Confederation of Europe) have been exchanging their views with each other since November, 1986.

Last June, these three private sectors announced their collective views under the document "Basic Framework of GATT Provisions on Intellectual Property." The Basic Framework sets force in detail the type of arrangement on intellectual property that these three sectors seek in the Uruguay Round of GATT multilateral trade negotiations. Not only the document itself, but also such international joint works are, I believe, very influential to those multilateral negotiations. Many PIPA member companies have supported those joint works, and I sincerely express my appreciation for their efforts in doing so.

Next year, PIPA will celebrate its 20th anniversary. During past twenty years, the United States and Japan have succeeded in developing closer relationship in various fields of industries. However, in recent years, we had some disagreements over intellectual property rights which have resulted in unnecessary misunderstandings. But, through this Congress, we have the opportunity to freely exchange our views, and in doing so, I hope these misunderstandings can be resolved and replaced with a positive ones.

Presently, as many countries bordering the Pacific Ocean are developing various industries, the need for a complete understanding of intellectual property rights has never been more important.

Under these circumstances, I believe the United States and Japan should cooperate more closely to harmonize our understandings of intellectual property rights as well as to establish guidelines which will benefit all the Pacific rim countries.

Before concluding, I would like to express my sincere hope that you will enjoy your stay in this beautiful seaside city of Toba.

UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
ASSISTANT SECRETARY AND COMMISSIONER
OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

SEP 16 1988

Mr. A. E. Hirsch, Jr.
President, Pacific Industrial
Property Association
P.O. Box 679
Holmdel, New Jersey 07733

Dear Al,

I am very sorry that I cannot be in Toba to take part in the PIPA meeting. However, my thoughts are with you.

I hope that your group will give careful consideration to ways in which the Japanese patent system can be made more workable for Japanese inventors and other inventors throughout the world.

One element in particular that prevents the Japanese system from being workable is the lack of sufficient examining personnal to handle the tremendous number of applications that are filed in the Japanese office. It does not appear that the Japanese Patent Office or even MITI has sufficient political clout to get the Japanese Diet to exempt the Japanese office from the personnel limitation. In view of that fact, the job logically is going to fall upon Japanese industry to convince the Diet of the absolute necessity for modifying their position.

The United States Patent and Trademark Office has been through this experience. In the last seven years, we have added almost eight hundred (800) new examiners. It was only in this manner that we were able to overcome our backlog and get to our present average pendency of about 19.8 months. I urge you to involve your companies in this very important matter.

I wish for you a very successful program.

Sincerely,

Donald J. Quigg
Assistant Secretary and Commissioner
of Patents and Trademarks

Address by Honorable Hiromichi OBANA,
Deputy Commissioner, Japanese Patent Office

Good morning, ladies and gentlemen.

First of all, I wish to congratulate you for opening of the PIPA Congress here in Toba. Secondly, I wish to express my deep respect for your long history that this is the 19th Congress.

The Director General of the Patent Office is currently in Geneva attending WIPO General Meeting and Club 15. In his absence I wish to offer a brief speech on his behalf.

Active economic exchanges among the Pacific basin countries, particularly in the areas of trade and investments, are indeed remarkable. In addition to technological developments centering around the US and Japan, particularly electronics technology, development of high-technology such as superconductivity and bio-engineering is also notable. The technology exchange with countries, especially NIES in Asia, has gathered momentum. Production bases are being transferred all over the Asian nations. Thus, a big stream of economic exchange led by technology and industrial products has appeared, and this stream is expected to continue its growth.

Looking from the standpoint of industrial property rights, the share of the number of patent applications filed by the Pacific basin countries accounts for about 55% of all the filings of the world. Along with the acceleration of economic activities, mutual exchanges in the field of industrial properties are also increasing. For smooth exchanges in the area of industrial properties corresponding to researches and developments as well as accelerated technological exchanges, strengthening international cooperation in this area is gaining its importance. In other words, this seems to be the age when quick and optimum protection of industrial properties as well as international harmonization of the systems are demanded more than ever.

Now, let me briefly discuss the current status of industrial property administration in Japan. The Japanese Patent Office started a 10 year Paperless Project in 1984, and they have come just mid-way. The Project is so far proceeding smoothly. As for patent documentation in data base, all the Japanese Patents and Utility Model registrations are now stored in the data base, and opened to the public. The next step will be storing the design and trademark publications. A data base for US patent specifications obtained from USPTO is now stored in the central data base, and is accessible by the public. As for the retrieval system for examinations, patent and utility model system has been developed, tested and completed, and currently F-term data base which is for retrieval is being built. Japanese Patent Office is currently conducting tests in the areas for which data bases are completed. It will be used in part for examination from the next year. As for the clerical processing system including reviewing applications, the detailed design is substantially completed, a part of programming has begun, a new Office Building equipped with intelligent facilities will be completed in May, 1989, and receipts of electronic applications will begin from 1990. The retrieval data base built under the Paperless Project will be opened to the public for use by applicants.

Due to rapid increase of patent applications in recent years, the examination periods tend to become prolonged. In order to quickly and optimumly protect industrial property rights, we consider an increase of the number of examiners is urgently required. Although a rigorous government personnel reduction plan is progressing, we are determined to fight and win the increase of examiners. To supplement the prior art searches conducted by the examiners, we wish to speed up examinations by entrusting preliminary searches to a private organization under the supervision of the Patent Office.

For international cooperation, we shall continue promoting cooperations at the levels of WIPO, the Japanese, American and European Patent Offices, GATT, etc.

Trilateral cooperation among the Japanese, American and European Patent Offices has already bore a number of fruits such as exchange of electronic data, etc., and currently studies concerning the systems and their applications are being conducted. In October, 1988, the 6th Summit Conference will be held in Tokyo. In Japan, the amended law was enforced as of January, 1988 introducing the improved rule on multiple claims and extension of life for pharmaceutical patents, etc. At the same time, the term of opposition was also extended by 1 month. We also prepared a guideline in English explaining the amendments to the Law as well as showing some examples for better understanding of the system by foreign applicants. We also prepared "Guide to Industrial Property in Japan" explaining the Japanese system. We hope to distribute their copies to PIPA American group members who will attend the meeting with the Japanese Patent Office on October 11.

Now, I would like to mention the relationship with the Pacific basin countries. As you are aware, a hearing on the Japanese patent system was held at the US Senate in June, 1988 and problematic areas were pointed out in the form of a supplementary resolution to a bill in July. As a man concerned with the Japanese patent system, I regret it very much that some of the areas which were pointed out as problematic appear to have stemmed out from pure mis-understanding or lack of understanding of the Japanese system. I hope all of you who are the patent practitioners in the private sector will take this opportunity to exchange frank opinions. When the US-Japan Trade Committee was held in Hawaii in the end of August, government-related people including those from US and Japanese Patent Offices exchanged candid opinions concerning both countries' patent systems. In the meeting several differences such as the first-to-file and the first-to-invent systems were pointed out. We intend to continue our investigation within the framework of trilateral cooperation among US-European-Japanese Patent Offices, and find constructive solutions.

For the Southeast Asian nations including NIES, we would like to positively cooperate in establishing properly the industrial property systems based on our experiences. As a concrete measure, we held a symposium in Hong Kong in March inviting those related to industrial properties in the Southeast Asian countries under co-sponsorship of WIPO and the Japanese Patent Office as a part of WIPO's development cooperation. The 2nd program under the joint sponsorship with WIPO is scheduled for the beginning of the next year. The Japanese Patent Office will continue its cooperation at the governmental level, but understanding and cooperation of the practitioners in the private sector are essential.

In concluding my speech, I sincerely hope for a fruitful result of the 19th congress, and further growth of PIPA.

Address by Honorable Giichi MARUSIMA,
President, Japan Patent Association

Good morning, ladies and gentlemen.

I am MARUSIMA, President of Japan Patent Association, and wish to thank you for giving me this opportunity of addressing you at this 19th PIPA Congress today.

JPA successfully concluded its 50th anniversary celebrations on September 9, 1988, and at that time we received a heartwarming telegram celebrating the occasion from Mr. Alfred Hirsch, the President of PIPA American Group for which I would like to express our heartfelt thanks.

In addition to domestic activities, JPA has positively promoted diversified activities overseas such as sending study missions abroad on matters related to industrial property rights, and submitting our comments to the countries concerned on amendment of their industrial property right systems, whenever necessary. In particular, we sent the first mission to US in October, 1985 with an aim to resolve frictions in patent matters and exchanged opinions with US administrative and legal bodies such as USPTO, ITC, CAFC, etc. concerning trade frictions caused by differences arising from different patent systems and their operations of the two countries. In October, last year, we sent the second mission to US to explain the views of the Japanese industrial circle for the global harmonization of the patent systems promoted by American, European and Japanese Patent Offices. The Mission visited USPTO, AIPLA, IPO, to exchange opinions, and discuss problems encountered by the Japanese industrial circle as well as their proposals for improvement.

We are able to send out these missions successfully thanks to assistance from Mr. Karl Jorda of Ciba-Geigy Corporation, and the members of PIPA American Group who are present here today. Taking this opportunity, I also would like to thank the PIPA American Group for hosting receptions in Washington D.C. for the first and second missions.

To a Commerce Department appropriation bill which passed at about the same time as "the open hearing concerning the Japanese patent system" held in the Senate and the Omnibus Trade Act, there was supplemented "Resolution Calling for the Improvement of the Japanese Patent System" proposed by Senator Rockefeller. There were discussions on the American and Japanese patent systems at the US-Japan Trade Committee Conference held in Hawaii. Owing to the series of these movements, we are concerned about the course of these events.

While PIPA has promoted mutual understanding between US and Japan over the past 19 years, some of the proposals in the resolution by the US seem to stem from misunderstandings about the Japanese System. It is quite regrettable that the result of PIPA's activities are not necessarily reflected upon the climate of intellectual property world in the U.S.

It is therefore quite significant that the corporate intellectual property practitioners of major corporations of both countries should get together at this time, exchange opinions frankly, and enhance mutual understanding. This will contribute much to the economic growth in both countries.

In particular, the trilateral projects for harmonization of systems and applications are being jointly promoted by American, European and Japanese Patent Offices. We think mutual understanding through discussion at a level of private industries between U.S and Japan is very important for reflecting their opinions on governmental administration, and PIPA is expected to play a central role in facilitating the process.

Lastly, I wish the best of success to this Congress, and a pleasant and meaningful stay here in Toba.

PACIFIC INDUSTRIAL PROPERTY ASSOCIATION
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October 6, 1988

Mrs. Doris Bell

MEMORY ADDRESS OF MR. EDWARD L. BELL OF 19 PIPA CONGRESS TOBA

Dear Mrs. Doris Bell

We wish to dedicate the following memory address to Mr. Edward L. Bell.

Yours faithfully,

Alfred E. Hirsch, Jr.
President
PIPA American Group

Kyoji Mukayama
President
PIPA Japanese Group

It is with great sadness and a sense of loss of a colleague and good friend, shared by all his PIPA friends of both the American and Japanese Groups, that I report the death of Edward L. Bell on July 22, from cancer.

Edward Bell is survived by his wife Doris and four sons. He was predeceased by a son who died in military service. He is also survived by his mother, a brother, a sister and two grand children. He was born in Port Clinton Ohio where his body was returned for burial. After graduating from George Washington University and working for a while in the U.S. Patent Office, Ed's professional career was largely spent with the Singer Company where he became Managing Patent Counsel. After retirement in 1984, he joined the Washington law firm of Don Banner. Ed was a family man who enjoyed his sons and a happy marriage. Doris often accompanied him to PIPA functions and is well known to many of us. Our thoughts and prayer go out to her in her deep sorrow.

Ed as he was affectionately known to his PIPA friends was an early supporter of PIPA and over the period from 1974 to 1986 until his retirement served faithfully and well the PIPA office of Secretary Treasurer of the American Group. His always smiling but resolute guidance helped immensely to keep PIPA off rocky shoals on a steady course.

Bill Norris

W. R. Norris
Ex Officio
PIPA U.S. Group

Mr. Bell had served as Secretary Treasurer for the PIPA American Group for twelve years. I, as the counterpart for the Japanese Group, shared the same responsibility and was in close contact with Mr. Bell since 1981.

Ever since PIPA Congress KOBE in 1982, it had been my great pleasure to meet with him at every PIPA meeting.

In July 1886, Ed retired from Singer and joined the Law Firm. In October of the same year, when I visited Washington D.C. as a member of the delegates of the Japan Patent Association, I was so glad to see Ed at the party held under the sponsorship of PIPA U.S. Group.

Not only was he quick and deft at disposing of his jobs, but he was very soft-minded and kind-hearted. On his very calm and placid eyes were always soft smiles. Among the group of people who love logics and debates, Ed was the one who without trouble would soften the atmosphere. No other person in this sense was more fit than Ed as Secretary Treasurer.

A couple of months ago, we were informed that Ed was suffering from serious illness. We thereafter sent him a get-well letter and hoped for the quickest recovery. Most regrettably, at the end of August, we received a letter of sad news from Mr. Hirsch. We were really caught by surprise and could eat our heart by sadness.

Ed, you were such a wonderful man. We will never forget your nice smile. We would like to dedicate our deepest appreciation to your tremendous contribution to PIPA activities, and express our deepest sorrows from the bottom of all our hearts.

Shigeo Takeuchi
Secretary Treasurer
PIPA Japan Group

Presentation of PIPA Award to Mr. Takashi Aoki

Biography and Citation by Dr. A. Mifune

I am very pleased and happy today to be able to introduce Mr. Aoki as the '88 PIPA Awardee on the occasion of the 19th PIPA International Congress on behalf of all PIPA members as well as one of his friends who respect him through business and personal relations.

As you know already, Mr. Aoki has devoted his expertise as one of the active original members for our association since it was established 19 years ago. In 1974, he was nominated as the 2nd Governer and he served as President of Japanese group and President of PIPA in 1975 and 1976. Thereafter he had also worked for us as Ex-Officio in 1977 and from 1982 to 1987 for 7 years in total. At Chicago Congress, he flew and joined us all the way from London to participate in the Congress and returned to Europe quickly after the Board Meeting. It was one of the impressive examples showing his love devoting to PIPA.

Besides PIPA, Mr. Aoki has been internationally serving in the intellectual property fields such as one of the honorary members of Interpat, which consists of worldwide distinguished key patent people working in pharmaceutical industry.

Mr. Aoki passed a hard examination and is registered as an authorized patent attorney in 1959 and has actively dedicated to Japan Patent Association as an International Committee Chairman, Vice President and so forth. He also frequently went abroad for participating various international meeting in relation to Revision of the Paris Convention and other important issues of international industrial property systems on behalf of PIPA and JPA.

Mr. Aoki was born in October 1930 and soon will be celebrated on his 58th Anniversary this month. After his graduation of Kyushu University, Medical Faculty, School of Pharmacology, he joined Fujisawa Pharmaceutical Ind. Ltd. In 1975, he was appointed as Director of Legal Department and then promoted to Director on Board in 1980. He has been in charge of oversea activities as well as legal matters soon after his promotion. He has had extremely high reputaion in his excellent and smart works in industrial property area, transfer of technology and planning and managing of oversea business. Last year he was nominated as Executive Director on Board. At present, he is also a Director of Lyphomed. Inc., Chicago and Fujisawa Smith Kline Corp., Philadelphia etc. Since he is always travelling around the world, we are quite lucky to be able to catch and welcome him today.

As already you all are aware, Mr. Aoki's brilliant and superior capability and warm-hearted personality is really fit with the qualification for PIPA Awardee and, we are confident, it is natural that he receives today's honor. Again, I would like to express our sincere congratulations to him on behalf of all PIPA members and as one of his personal friends. Although his present routine works are devoted to his company's international business activities, I dare to wish to request him to give his support to us as an opinion leader in the field with unchangeable impressive smile and sparkle with wit, sharp and fair advices.

Before closing my celebrating address, I again wish that Mr. Aoki will enjoy his health and keep tough activities from now on as before.

Dr. Akira Mifune, TEIJIN LIMITED
Ex-Officio of PIPA JAPAN

Appreciation Speech for 1988 PIPA Award

Takashi Aoki

October 5, 1988

Ladies and Gentlemen,

I am extremely happy and greatly honored to receive the PIPA Award in this 19th Conference in front of my old and new friends, American and Japanese.

I feel especially excited to obtain this honor, because I believe I can't talk about my career, particularly the most important younger days without touching upon my close involvement with industrial property right issues. Special affection and endless memories I have, for various matters on patent, both domestic and international.

My speech here, therefore, can be very "wet" according to Japanese sentiment. But I want my speech to be "dry". Why "dry", you might ask? Because "dry" is the latest buzz word in Japan. We have "dry" beer promoted by Mike Tyson on T.V.; now everything is labelled "dry" to grab on to the coat tails of this fad. We even have a humburger chain advertising "dry" hamburger....so if I'm "dry", I'll consider myself a success.

So many things have happened in connection with PIPA activities that I would like to talk about, for each of which I have special sentiment.

Just as examples: I could concentrate my talk about some stories when I was the PIPA president in 1975 (more than a decade

ago).

I could tell enough stories about my joint delegations with American colleagues to WIPO conferences several times for discussing the revision of the Paris Convention.

Or, going back further, I could tell the story when I met Dr. Kish, the American representative in 1967 at the small WIPO meeting in Geneva to discuss PCT issue where the great necessity to create a new international organization involving both American and Japanese industries was discussed. Early time story to have droven us to seriously consider the formation of PIPA.

I decided, however, to omit all of these stories due to time limitation here and try to talk about one "dry" topic only. Do you know the fact in Japan, the term "Intellectual Property Right" is now one of the most popular and frequently used terms among Japanese businessmen, government officials and politicians? You come across this phrase sometimes almost everyday, and generally at least more than once a week in the daily newspapers in Japan. This is a newly evolved phenomenon on which we patent specialists could not have dreamed of at all only some years ago. This was an unbelievable and unexpected change which has transpired in just a short time recently, thanks to GATT negotiation initiated by the US and the Omnibus Trade Act enacted in the US.

When I began my career 35 years ago, there was no patent specialist and no patent section in our company. I was the first

member when a small patent section was created some years later.

When I became a patent attorney 30 years ago, I was the first person in our company to have such a title.

When International Committee was formed in the Japan Patent Association for the first time in 1961 - 27years ago - I was honored to be a member from the very beginning.

When I visited USPTO for the first time 25 years ago, in 1963 to interview an examiner to discuss our pending patent application, number of applications to the US from Japan has just started to increase. In 1961, it was 1000, in 2 years, at the time of my visit, it had already doubled to 2000, still even less than only one tenth of the present level.

What we tried to do during such underdeveloped early times was to eagerly learn from the US how to establish a patent management system in industry. We suffered from a situation in which industrial property matters were left entirely to specialists. In corporations our biggest headache at that time was the total indifference of our top management to industrial property matters. We envied American companies where we believed patent matters were also management concerns, and patent department was well supported by management.

Now, in less than one human generation, "intellectual property" (not limited to "industrial property") seems to get immense

concern from Japanese industries and the top management of our companies. It is really a big change--at least on the surface--and also surely to some extent in substance. But I cannot believe that this is the result of the entire success for our patent specialists to get a deep understanding of top management about the real importance of industrial property.

Certainly, the patent system itself (eg. change from process patent to product patent), the general recognition of its importance, and the position of the patent departments have improved. But still there are some problems remaining unchanged, and new problems have come to the surface. The most important thing is always to have a high quality of people engaged in this field. Specialists having broad and flexible thinking, deep knowledge and a strong influence within (toward) the management cannot be created overnight, however. The roles and duties of these specialists are ever increasingly important. Under the situation today where the term "intellectual property right" is equally as popular as the term "dry", we must keep striving to make the importance of it really understood. May I conclude my speech to say that PIPA should be more meaningful international organization than it has been in the past.

Thank you very much.

CLOSING ADDRESS - A. E. Hirsch, Jr.

Murayama-san, delegates of PIPA, and guests.

I am sure that we all have mixed feelings as we come to the end of our 1988 Congress.

On the one hand, we have had a busy week of study and discussion.

Committee No. 1 presented papers concerned with recent changes in the U.S. law, changes in the Japanese law, such as the ones involving unity of invention and the appeal system, and have told us about other provisions of our laws that will help us in our future practice, for example, the use of interviews and compliance with the duty of disclosure.

Committee No. 2 presented important messages concerning copyrights, protection of computer programs, the licensing of software and ways of protecting intellectual property in Japan.

Committee No. 3 gave us an extremely well presented and comprehensive discussion on harmonization, from both the Japanese and American viewpoints.

Unlike previous Congresses, I noted a change in the nature of the papers, and the discussions. In the past, many have been largely a defense of the national systems, for example, post patent opposition, or prosecution in secrecy with a grace period.

At this Congress, especially during the harmonization session, I heard more of an "international" attitude. We heard speakers say, "well, maybe change in system is warranted, and change might improve things". For example, a proposal for Service Mark

protection. We thus worked toward a patent system for SHIN-ASU.

As Saotome-san said from the floor, we "must sacrifice and compromise our national laws for the benefit of harmonization, to benefit world society".

Finally, Committee No. 4 made valuable presentations on such matters as working, tariffs, experimental use exceptions, and reissue and reexamination.

We have worked hard--but we have learned much and are better prepared to deal with the issues that we will face in the future.

On the other hand, we have had much time to relax and to enjoy ourselves.

Just being here in this beautiful part of Japan is a wonderful experience. But there were other memorable events. We experienced a bit of a typhoon.

The Grand Reception on Wednesday evening was really grand, and so was the tempura. We all had an opportunity to congratulate Mr. Aoki upon the presentation to him of the 1988 PIPA Award.

Our bus tour to Kongoshoji Temple was exciting, following a winding road up into the clouds. The Ise Jingu Shrine was beautiful. We appreciated the opportunity to witness the ancient ceremony, and to be admitted to the inner portion of the shrine. And how could we forget the delicious dinner at the Hotel Nemu. I am still full. And our sing-along! Our informal get togethers after our Thursday tours are always enjoyable, and this one was particularly so.

We have accomplished much, and I would like to suggest, as I did at the opening of this Congress, that PIPA has much to be proud about. But there is much yet to be accomplished.

I urge members of both the Japanese and American Groups to continue working toward making our patent systems easier for everyone to use. I have suggested ways in which both Groups can help to influence change, and I hope that both Groups will accomplish much in the coming year. The harmonization session was a good start.

Finally, I want to thank all of the members of the Japanese group who have worked so hard to make this Congress a success. Your President, Murayama-san, and your Board of Directors, have made this an outstanding meeting. Norichike-san has worked so hard, and done so well. We learned yesterday that he is an excellent bus tour guide. For all of the American delegates, I thank you.

I would like to announce that plans are already underway for our 1989 Congress, the 20th International Congress of PIPA.

The Congress will be held from October 4th to October 6, 1989 at the Ventana Canyon Resort in Tucson, Arizona. This is the great American Southwest - home of the cowboys and Indians. I think that every who is able to attend will find Tucson to be a more interesting place.

I hope that we will see all of you, and many of your colleagues, at the 20th Congress of PIPA in Tucson.

Thank you very much and good-bye.

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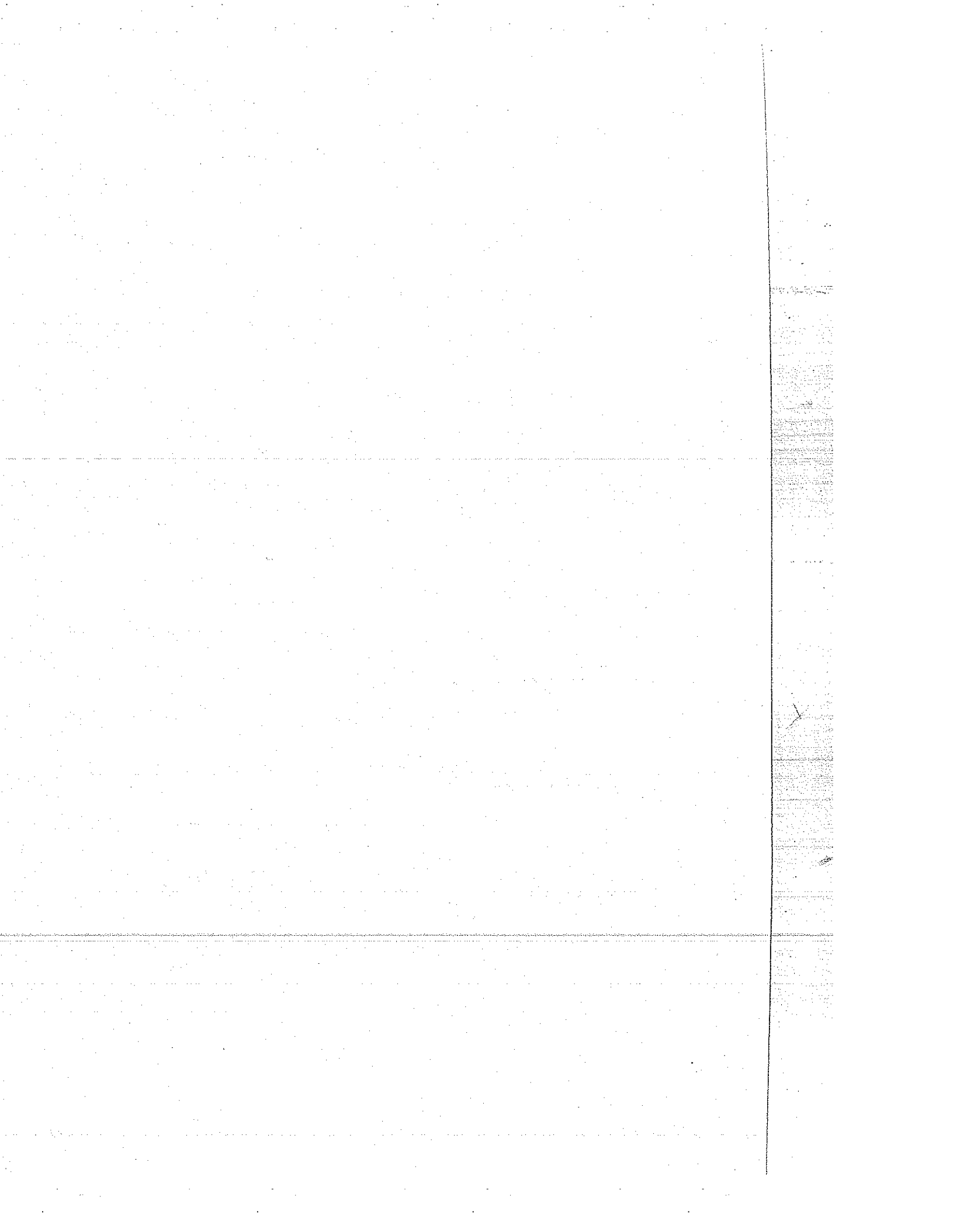
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RECENT CHANGES IN U.S. PATENT LAW

Pacific Industrial Property Association

Toba City, Japan

October 1988

John P. Sinnott

American Standard Inc.

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RECENT CHANGES IN U.S. PATENT LAW

There have been, in the past year, a number of important changes in United States patent practice and it is extremely difficult to cover each of these changes in adequate detail. Consequently, those topics that were selected for emphasis in this paper relate to matters that are perceived to be of particular significance to our Japanese colleagues.

Holding this year's Congress in Toba has a particularly curious significance in view of a major issue of patent policy that the United States now has under study.

One of the topics to be considered later in this paper is the question of granting patent protection for non-naturally occurring, non-human multicellular living organisms, that is to say, the grant of patent protection for animals.[1] The odd coincidence about this year's Congress in Toba and the "new" issue of animal patentability in the United States is the fact that the famous Mr. Kokichi Mikimoto was born right here in Toba in 1858 and established his first pearl farm in 1888, just 130 and 100 years ago, respectively.[2] From our specialized professional standpoint, the coincidence becomes even more interesting when it is realized that just eighty years ago, Japan made a major, forward stride toward the better protection of industrial property rights by granting to Mr. Kokichi Mikimoto, on February 12, 1908, Japanese Patent No. 13,673, directed to his method for growing cultured pearls.[3] The odd character of this coincidence is even more compelling once it is understood that the United States is now just considering the patentability of animal life because of a decision from the United States Patent and Trademark Office Board of Patent Appeals and Interferences which relates to the patentability of an oyster.![4]

As Lewis Carroll wrote in his novel, Alice In Wonderland:

"'Curiouser and curiouser!' cried Alice."

Returning to our professional topic, United States patent practice has undergone significant changes in the past year with respect to:

1. Treaty obligations;

2. Interpretation of United States patent statutes;

3. The Rules of Practice in Patent Cases; and

4. Orders and Notices issuing from the Patent and Trademark Office.

TREATY OBLIGATIONS

Two important treaty developments that relate directly to patent practice have taken place between the United States and Japan. On April 12, 1988, Japan and the United States exchanged notes to permit the transfer to Japan of defense-related technical information in patent applications, which are the subject of patent applications held in secrecy in the United States.[5] Through this exchange of notes, the "Agreement between the Government of the United States of America and the Government of Japan to Facilitate Interchange of Patent Rights and Technical Information for Purposes of Defense, signed at Tokyo on March 22, 1956" now is effective.[6] Unquestionably, this is an important achievement that will better enable Japanese industry to participate in advanced technology research and to enjoy commercial patent rights maturing from that research. Illustratively, Japanese industry is actively competing for participation in the Strategic Defense Initiative, a major defense-related advance technology program.[7] There is a problem, however, in that the Japanese Patent Law does not provide for the prosecution of patent applications under military secrecy orders, in contrast to the manner that the United States law so provides.[8]

On June 20, 1988, Japan and the United States also entered a new Agreement on cooperation in research and development in science and technology. This agreement, which enjoys a term of five years, supplants the earlier May 1, 1980 Agreement. The new Agreement, moreover, incorporates within its scope those activities that were undertaken under the older Agreement.

The purpose of the new Agreement is, among other things, to establish a framework for an overall science and technology relation between the two nations for peaceful development.[9]

Although not involving the assumption of new treaty obligations, a recent decision from the United States Patent and Trademark Office's Board of Patent Appeals and Interferences provides a further understanding of patent application priority rights under the Paris Convention and the Patent Cooperation Treaty. Attention in this respect is invited to Ex parte Yamaguchi in which it was held that the United States will recognize priority rights only if the claim for priority is based upon the first foreign application directed to the same invention.[10] Further, that foreign application must have a filing date that is not more than twelve months prior to the United States application.

As a final matter that is not a "treaty obligation" but is of definite importance to the electrical industry outside of the United States, it should be noted that the power delegated to the Commissioner of Patents and Trademarks to grant interim protection to foreign manufacturers of semiconductor chip products was extended to July 1, 1991.[11]

Briefly, Section 914 of the Semiconductor Chip Protection Act permits interim protection orders under that Act to be granted to nationals of foreign nations if the foreign nation is making good faith efforts toward enacting similar legislation; citizens of the foreign nation are not misappropriating or engaged in unauthorized distribution of mask works; and that granting the interim order of protection will improve international harmony toward protecting mask works. Japan, having an Act in force since January 1, 1986, that is similar to the United States Act was included among

those countries enjoying interim protection order extensions under Section 914 of the Semiconductor Chip Protection Act. The Japanese extension, as well as the extensions granted to the other nations will expire on May 31, 1989.[12]

Somewhat out of place in this portion of the paper, but included here nevertheless because of its relevance, is the fact that the Rules of Practice in Patent Cases were amended on August 1, 1988 to implement the Presidential proclamation provisions of the Semiconductor Chip Protection Act. These new rules, published as Subchapter C, Part 150, establish procedures for the evaluation of requests by foreign governments for the issuance of Presidential proclamations granting protection in the United States to mask works of foreign origin.[13]

PATENT STATUTE INTERPRETATIONS

As noted in the introduction to this paper, the "animal" patentability issue resolved in Japan at least eighty years ago with respect to a development of cultured pearls that occurred at the site of this Congress in Toba is now just being considered in the United States. The United States Patent and Trademark Office, responding to the logical development of Diamond v. Chakrabarty and the decision for the patentability of the polyploid oyster that characterized In re Allen, now grants "animal" patents.[14] This question, however, would seem to be far from settled. There are, for example, at least two bills on this question now pending before Congress. One bill would exempt on-farm reproduction of genetically engineered animals from a charge of patent infringement.[15] Another bill would establish a committee to develop a policy on "animal" patents. An earlier bill which, had it been enacted into law, would have suspended the grant of "animal" patents, failed to pass the legislative process.[16]

Because judicial decision is one way in which the United States patent laws are interpreted, it might be useful to review a few of the more recent court and Patent Office tribunal decisions that improve our understanding of the meaning of these statutes. Among these decisions, attention

is invited to Ex parte Hata, in which it was held that deposit of a microorganism is not the only way in which the requirement under 35 USC 112 for an adequate disclosure of a new microorganism can be established. A suitable description of the manner in which the microorganism can be obtained also might be legally acceptable.[17]

Utter v. Hiraga is another significant case in which the Court of Appeals for the Federal Circuit cast more light on the recent amendment to the Patent Statutes which permits arbitration in interferences.[18] The Court held, in Utter, that issues not decided by the arbitrator can be raised on appeal from the Board of Patent Appeals and Interferences, in spite of an arbitration agreement that did not permit a "further right of appeal."[19]

Finally, the Board of Patent Appeals and Interferences held, in Heymes v. Takaya, that failure to disclose a species is only one factor to be considered in deciding if the disclosure of an invention is adequate. The Board also held, in this case, that the new interference rules require only the presentation of claims drawn to the same patentable invention as the interference count. It is not necessary to copy claims exactly, or exactly except for immaterial limitations.[20]

Because there has been some recent interest in the concept of willful infringement, attention also is invited to Corning Glass Works. v. Sumitomo Electric USA, decided in the Federal District Court for the Southern District of New York on October 13, 1987. The Court held that a failure to change the composition in question after decisions adverse to the defendant were rendered by the International Trade Commission and the Federal Court of Canada "...can only be construed as outright defiance or baseless optimism."[21]

RULES OF PATENT PRACTICE

The new Rules that relate to the Presidential proclamation features of the 1984 Semiconductor Chip Protection Act were reviewed earlier.

Effective September 12, 1988, a number of changes to the existing Rules of Practice entered into force.[22] These changes in the Rules are each entitled to detailed consideration because they can be quite important, depending

on the nature of a particular problem. For the purpose of this brief survey, however, the following summary should be adequate to invite attention to these changes and to alert the practitioner to any changes that might be relevant to a given problem. The changes to the Rules, involve, in general:

1. "Swearing back" under Rule 131 has been amended to conform with current interferences practice;

2. Appeal briefs in ex parte appeals must contain certain items;

3. The time for requesting an oral argument in an ex parte appeal is reset if the Examiner's answer states a new ground of rejection;

4. Procedures to be followed on rejection by the Examiner after an appealed application has been remanded to the Examiner are clarified;

5. The Examiner-in-Chief now has authority to decide certain requests for access to pending or abandoned applications by an interference party;

6. Rules relating to access to pending or abandoned applications have also been clarified;

7. Rules involved with request for interferences have been modified;

8. The requirements of a motion to declare an additional interference have been amplified;

9. The rule concerning the filing of a reissue application by a patentee in an interference has been made more comprehensive; and

10. The rule applicable to applications under secrecy order has been conformed to present interference practice.

The foregoing and regrettably brief summaries of these important changes in the Rules of Practice may at least serve to focus attention on the fact of these changes.

ORDERS AND NOTICES

There is no doubt that the Japanese financial investment in the United States is increasing. It is also clear that intellectual property rights are being used with greater frequency as security or collateral for business loans. Consequently, a recent notice announcing that foreclosures by the secured party of patent rights now will be accepted for recording by the Patent Office's Assignment Branch, even if the foreclosure is not signed by the debtor should be of some interest in Japan.[23] In the past, foreclosures not signed by the debtor, would not be accepted by the Assignment Branch without a Court Order.

This notice specifies the criteria that must be met by a foreclosure in order to be recorded without resort to a Court Order, in the absence of the debtor's signature.

In a somewhat related Court decision, it was held that to perfect a security interest in patent rights, it is not necessary to record the financing statement, or other security agreement with the Patent and Trademark Office.[24]

For a Depositary Authority to release a microorganism sample that has been deposited under the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Procedure, it is, according to Treaty Rule 11.3(a) necessary for the industrial property office to assure the depositary that the sample release is proper. Requests for certifications of this nature from the United States Patent and Trademark Office, according to the notice under consideration, should be sent to the Director, Patent Examining Group 120.[25]

Note should also be taken of the fact that special status is available not only for superconductivity patent applications, but also for biotechnology cases.[26] Special status means that an application for patent is taken out of its normal order of examination and advanced for priority consideration by the Patent Office. Thus, if special status

is established for applications in these technologies, the examining process and prosecution is accelerated. In this circumstance, any patents that might issue, will issue much earlier than they would if taken in the normal course of examination.

The requirements that must be met to acquire this special status for superconductivity and biotechnology applications are specified in the respective notices.

Always of great interest to the foreign practitioner seeking United States patent protection is the responsibility of the United States practitioner toward the patent applicant and client. To clarify this most difficult area of patent practice, the United States Patent and Trademark Office published two important notices.[27] The January 12 notice requires a United States practitioner to take reasonable steps to avoid foreseeable prejudice to the rights of the patent applicant, including those situations in which the practitioner is operating through corporate liaison or a foreign agent and does not enjoy direct contact with the patent applicant. This notice provides detailed guidance for the United States practitioner in these circumstances. The notice appears to be of such practical importance that a copy of it is republished at the end of this paper.

The more recent notice supplements the obligations of the United States practitioner which were outlined in the notice that was summarized in the preceding paragraph. Attention is particularly invited to the statement in the supplementary notice which makes it clear that the United States practitioner is expected to know the identity of the client and that the foreign agent or attorney from whom instructions are received is not the client. Toward this end, the notice suggests specific wording for a statement that the United States practitioner should insert into the usual declaration or power of attorney.[28]

SUMMARY

There has been since the last Congress, a considerable number of changes in United States patent law. Hopefully, the foregoing summary will alert Japanese practitioners to some of the more significant developments of relevance to their respective practices.

Naturally, if anyone would like to receive a copy of some of the materials referred to in this paper, please write the footnote reference numeral on your card and give the card to me at the end of the talk. Meanwhile, please ask any questions you might have in connection with this paper.

Thank you for your consideration.

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FOOTNOTES

1. "Transgenic Animal Patent Reform Act," House of Representatives Bill No. 4970, The New York Times, August 7, 1988, p. 24-E and "Congressional Record," June 30, 1988, p. E2235.

2. Mikimoto The Pearl King, K. Mikimoto & Co. Ltd., Tokyo, 1979, passim.

3. Japanese Patent Law Article 32, World Patent Law And Practice, Vol. 2F, J. P. Sinnott, Matthew Bender, New York, 1988, p. Japan-14.1 (hereafter cited as Sinnott, followed by the volume and page numbers).

4. In re Allen, 2 United States Patent Quarterly 2d 1425 (Board of Patent Appeals and Interferences, 1987) (hereafter cited as USPQ).

5. 1090 United States Patent and Trademark Office Official Gazette 8 et seq. (hereafter cited as OG) (May 3, 1988).

6. Sinnott, Volume 2J, pp. US/Japan-1 to 12-US/Japan.

7. "Japanese Role in 'Star Wars'" The New York Times, May 16, 1988.

8. Sinnott, Volume 2B, pp. USA-28.3 to 34-USA.

9. "BNA's Patent, Trademark & Copyright Journal," Vol. 36, Washington, D.C., June 23, 1988, pp. 222 to 229. (hereafter cited as BNA).

10. Ex Parte Yamaguchi, 6 USPQ 2d 1805 (Bd. Pat. App. & Inter. 1987).

11. BNA, Vol. 35, November 12, 1987, p. 25 et seq.

12. 1090 OG 52 to 1090 OG 57 (May 24, 1988).

13. 1092 OG 52 to 1092 OG 55 (July 19, 1988).

14. 206 USPQ 193 (U.S. Supreme Court, 1980) and 2 USPQ 2d 1425 (Bd. Pat. App. & Inter., 1987), respectively.

15. HR 4971.

16. HR 3119.

17. 6 USPQ 2d 1652 (Bd. Pat. App. & Inter., 1987).

18. 35 USC 135 (d).

19. 6 USPQ 2d 1709 (Ct. of Appeals, Federal Circuit, 1988).

20. 6 USPQ 2d 2055 (Bd. Pat. App. & Inter, 1988).

21. BNA, Vol. 35, November 12, 1987, pp. 26 to 28.

22. 1092 OG 26 to 1092 OG 35 (July 12, 1988).

23. 1089 OG 35 (April 12, 1988).

24. City Bank and Trust Company v. Otto Fabric Inc., DC Kan, No. 85-4521-R, 1988, reported in BNA, Vol. 36, May 26, 1988, pp. 89 and 90.

25. 1083 TMOG 5 (October 6, 1987).

26. 1082 TMOG 7 (September 1, 1987) (superconductivity) and 1092 OG 55 (July 19, 1988) (biotechnology).

27. 1086 OG 457 (January 12, 1988) and 1091 TMOG 6 to 1091 TMOG 7 (June 21, 1988).

28. The wording proposed in the May 25, 1988 notice (published in 1091 TMOG 26) is as follows:

> The undersigned hereby authorize the U.S. attorney or agent named herein to accept and follow instructions from _____ as to any action to be taken in the Patent and Trademark Office regarding this application without direct communication between the U.S. attorney or agent and the undersigned. In the event of a change in the persons from whom instructions may be taken, the U.S. attorney or agent named herein will be so notified by the undersigned.

Practitioner's Responsibility to Avoid Prejudice to the Rights of a Client/Patent Applicant

Under 37 CFR Part 10, a practitioner is responsible for taking reasonable steps to avoid foreseeable prejudice to the rights of a client/patent applicant. This responsibility exists in all circumstances including those where the practitioner is operating through a corporate liaison or foreign agent and has no direct contact with the client/patent applicant, who in most cases is the one being represented.

This notice is intended to clarify the appropriate course of action for a practitioner to follow when the practitioner is operating through such a corporate liaison or foreign agent. In such arrangements, the registered practitioner may rely upon the advice of the corporate liaison or the client/patent applicant's foreign agent as to the action to be taken so long as the practitioner is aware that the client/patent applicant has consented after full disclosure to be represented by the liaison or agent. It will be assumed by the Patent and Trademark Office that the client/patent applicant has an agreement with the liaison or agent, arrived at after full disclosure, to be represented by the liaison or agent. Registered practitioners, if they wish, however, may maintain a copy of the agreement in this regard between the client/patent applicant and the liaison or agent in practitioner's file of the application or other proceeding before the Office. If there is, in fact, no such agreement between the client/patent applicant and the liaison or agent, the registered practitioner must communicate to the client/patent applicant.

In circumstances where the practitioner is aware that there is an agreement between the client/patent applicant and the liaison or agent, the practitioner may fully rely upon the advice of the liaison or agent as to the wishes of the client/patent applicant. For example, if the registered practitioner is instructed by the client/patent applicant's liaison or agent to allow an application to go abandoned rather than to respond to an Office action within a set period for response, the practitioner may properly do so without any further notice to the client/patent applicant.

It is assumed that withdrawal from employment by a practitioner will remain a relatively rare occurrence, particularly in view of this clarification. This notice should not be taken to require or encourage withdrawal. If a practitioner should decide to withdraw, however, the practitioner must take reasonable steps to avoid foreseeable prejudice to the rights of the client/patent applicant including allowing time for employment of another practitioner (37 CFR 10.40). Therefore, at least thirty days would be required between the date of approval by the Office of the withdrawal and the later of the expiration date of the response period or the expiration date of the period which can be obtained by a petition for extension of time and fee under 37 CFR 1.136(a). This is necessary so that the client/patent applicant would have sufficient time to obtain other representation or to take other action. If a period has been set for response and the period may be extended without a showing of cause pursuant to 37 CFR 1.136(a) by filing a petition for extension of time and fee, the practitioner will not be required to seek such extension of time for withdrawal to be approved. In such a situation, however, withdrawal will not be approved unless at least thirty days would remain between the date of approval and the last date on which such a petition for extension of time and fee could properly be filed.

DONALD J. QUIGG,
Assistant Secretary and Commissioner of Patents and Trademarks.

Dec. 10, 1987.

UNITY OF INVENTION IN JAPANESE PATENT LAW
- Recent Amendments to Japanese Patent Law -

Japanese Group, Committee No.1

Subcommittee No. 1

Speaker: Nakamura, Michio — FUJITSU LIMITED
Kusama, Kiyoshi — Shimadzu Corporation
Ueda, Koya — Fuji Heavy Industries Ltd.
Ota, Yuji — Mazda Motor Corporation
Inamo, Satoshi — Hitachi, Ltd.
Funahara, Toshio — Teijin Limited
Kondo, Hideo — Fuji Photo Film Co., Ltd.

ABSTRACT

On January 1, 1988, the amended Japanese Patent Law came into effect, the purpose of which is to provide for fuller protection of the more highly developed and more complex technological achievements as well as for international harmonization of the patent system. This text will report to you on the amendment made to the "unity of invention" law, which is expected to have a great impact on application practice. It will introduce an outline of the revisions and the results of questionnaires sent to member companies of the Japanese Group as to the impact on application practice due to the amended multiple claim system.

I. Preface:

The recent remarkable pace of technological developments has been reflected in the more complicated contents of patent applications. From a viewpoint of fuller protection of technological achievements, the granting of patents in a many-sided and sufficient manner has been required. In addition, international harmonization of the patent system has become inevitable reflecting the internationalization of society.

In view of the circumstances mentioned above, the Patent Law was revised in May 1987 and the changes put into effect on January 1, 1988, containing amendments concerning the unity of invention as would have a great impact on application practice.

First, this text will outline the amendments. Then, it will discuss the results of questionnaires sent to member companies of PIPA Japanese Group regarding the impact of the amended multiple claim system upon application practice.

II. Outline of Amendments to the Law concerning Unity of Invention:

1. Background of Amendment of the Law:

Patents are granted in consideration of publication of the invention, with the claim serving as the core of the patent.

Under the 1975 revision of the Patent Law, the multiple claim system was adopted to take the place of the single claim system, whereby it was made possible to claim various embodiments in a single patent. Under the multiple claim system, however, the form in which the claim statements were made and the legal effect of the claim were found to be insufficient, and the scope of invention which could be protected under the old law was too narrow.

The 1987 amendment was intended, therefore, to further improve the multiple claim system first by permitting it to set forth multiple claims on a diversified basis for a single invention, and secondly to expand the scope of invention for which a single application may be filed.

2. Changes of the Statement of Claim:

(Ref: Article 36 of Patent Law)

It has now been made possible to set forth multiple

claims in terms of diversified expressions. In particular, it has been made possible to state (1) multiple claims which define substantially the same invention by different manner, (2) a citation-type claim which would be treated in the same manner as an independent claim, and (3) claims by external addition. Provided below is a discussion regarding the form in which the claim should be cast.

(1) Statement of Claim (Ref. Article 36, Par. 4 and 5):

i. It must describe in detail the invention for which a patent is sought (Ref. Article 36, Par. 4, Item 1). This provision remains the same as before.

ii. It must be divided into claims in which only the matters indispensable for constitution of inventions for which a patent is sought are described (Ref. Article 36, Par. 4, Items 2 and 3).

(a) The term, "only the matters indispensable for constitution of an invention," remains the same as before, and makes it clear that all indispensable requirements for the invention must be stated.

(b) One of the key points in the amendments is to set forth the invention "for each claim." With this, it is confirmed that two or more claims may be directed to a single invention and that two or more inventions may be separately set forth in different claims.

In other words, insofar as it is supported by a detailed explanation of the invention as a whole, a claim is proper regardless of whether each of the two or more inventions constitute independent inventions. It follows that a single invention will be derived from a single "claim," and the test of patentability as to novelty, etc., will be applied on that basis.

iii. A claim is not precluded from being stated in

such manner that an invention defined in a claim and an invention defined in another claim are substantially the same (Article 36 Par. 5).

In the past, coverage of an identical invention in a separate claim was permitted only on a "quotation-type" basis and only when it was "embodied on a technologically restricted basis". With the provision newly adopted, it is now up to individual applicants to freely select either the independent method or quotation-type method regardless of the form of description, and to claim an invention in multiple claims, each of which comes under a different category, even when the inventions or technological ideas expressed in the respective claims are substantially identical.

3. Expansion of Unity of Application: (Ref. Article 37 of Patent Law)

The consolidated application system (former Article 38) which had been adopted as an exception to the "One application for one invention" principle was amended. Under Article 37 of the amended Law, the scope of inventions that may be included in a single application was defined, permitting unity of invention to exist in line with the practice in force in the USA and Europe. This amendment has made it possible to include, in addition to the multiple invention system already in use, inventions described below for an specific invention in claims:

(1) Article 37, Items 1 and 2:

These provisions relax the requirements contained in Item 1 in the provisious of former Article 38, and divide them into Items 1 and 2. It is a condition, therefore, that the categories of inventions be identical.

i. Inventions falling under "an identical area of

industrial utilization (category of invention) and theme" may be covered under a single application (Item 1). The expression "identical as to body" previously in effect no longer exists.

Accordingly, inventions representing the relations between a combination (entirety) and subcombination (part) may be covered under a single application (for example, a transmitter and a receiver).

ii. "Inventions whose technical background and main part of body of claim are identical" may be covered under a single application (Item 2).

The "identical object" requirement in the past no longer applies. Thus, a newly invented transparent substance and another invention of a food packaging container composed of the same transparent substance may be covered under a single application.

(2) Article 37 Item 3:

With regard to the invention of a product, (1) an invention of a method of handling the product and (2) an invention of an apparatus for handling the product may be covered under a single application. In other words, in respect of an invention of an unstable chemical substance, (1) a method of preserving that substance and (2) an invention of storage device for that substance may be covered together under a single application.

(3) Article 37 Item 4:

This item is expanded by the application criteria. For example, with regard to a specific invention of a new substance, the application may include inventions of "catalysers, microorganisms," etc. that would be appropriate for production of the substance.

(4) Article 37 Item 5:

Other inventions that have relations specified in a governmental ordinance may be covered under a single application. This provision enables elastic extension of the unity of the invention to cope with future trends of technology as well as changes in the unity concept in foreign countries.

III. Results of Questionnaires on Amended Multiple Claim System:

1. Purpose of Questionnaires:

Effective January 1, 1988, the filing of patent applications on the newly introduced multiple claim basis was made possible. With respect to this amendment, studies were made prior to its enforcement to permit reflection of as many opinions of domestic and foreign industries as possible.

The questionnaires were intended to find out, more than 6 months after the amendment was put into effet, how the amended multiple claim system was utilized in the actual application stage and what problems occurred.

The questionnaires were sent in June-July 1988 to 75 member companies of the PIPA Japanese Group, with the answers to be given on an unidentified or unnamed basis with only an indication of the industrial area, namely, the metals, machinery, electric and chemical areas, in which they fall. Eighty percent of the distributed questionnaires were returned.

Results of the questionnaires for each question unit were as follows:

2. Results of Questionnaires:

Question I:

I. Use of Amended Multiple Claims System:

(1) In regard to your use of the amended multiple claim system, please select an applicable one out of the following:

A) We are positively using it whenever available.

B) We have not been so eager about it but will utilize it whenever the situation warrants.

C) We have not utilized it when we could (or, we have no plan to use it).

(2) List below your reasons with request to (1) above, after Questions II and III below.

Results of Answers:

	A	B	C	Totals
Metal/Machinery	7	6	1	14
Electric	10	9	0	19
Chemical	13	12	2	27
Totals	30	27	3	60
	50%	45%	5%	100%

Analysis of Results:

This question relates to policies of the individual members as to the use of the amended multiple claim system (Refer to attached Fig. 1).

Answers A (planning positive use) and Answers B (not so eager in the past but plans positive use in the future) to Question 1 total 95% of all completed questionnaires received. This indicates that almost all Japanese businesses are attempting to protect their patentable patentable rights on a diversified and exhaustive basis by use of the amended multiple claim system.

With reference to Question 2, reasons for Answers B (not so eager in the past but plans positive use in the future) included, among others, one that the multiple claim system is difficult to use because of the nature of the invention made. As to Answers C (did not use the new system when it

could have been used), reasons for it included one that the basic single claim system could fully take care of the inventions made.

Question II.

II. Meritorious Points of Amended Multiple Claims System:

Meritorious points of the amended multiple claim system are known to be as follows. What would be the meritorious points applicable to you in your patent applications? Please select up to three out of the following:

A) Easy to protect inventions because it can provide for multiple claims covering substantially identical inventions.

B) Can protect the invention, regardless of the form of descriptions of the claim, with the aid of astatement of exterior addition.

C) Helps understand exactly what the invention to be protected is because the claim can be described as one adaptable to the embodiment.

D) Easy to prepare specifications (redrafting of the claim, multiple priority, etc.) when applying for a foreign patent.

E) The expansion of the unity of application has resulted in an increase in the number of inventions which may be claimed in an initial single application, thus reducing the overall number of applications filed.

F) Easy to use the domestic application priority system because the claim may be expressed in diversified ways.

G) The fact that examination is carried out for each claim makes it possible to determine the limits of each invention and also makes it easier to cope with any rejections during examination.

H) The fact that the inventions can now

speccifically be protected by multiple claims helps minimize disputes arising out of the exercise of the patentee's rights.

I) Others ( )

Results of Answers:

	A	B	C	D	E	F	G	H	I
Metal/Machinery	6	9	3	6	10	2	3	1	0
Electric	10	8	2	5	10	6	3	7	1
Chemical	19	19	2	1	16	5	8	8	0
Totals	35	36	7	12	36	13	14	16	1

Analysis:

This question deals with meritorious points of the amended multiple claim system. In other words, it questions for what purposes the amended multiple claim system is used (Refer to Fig. 2).

First, many businesses in the chemical area marked Answer A (substantially identical inventions may be covered under multiple claims) and Answer B (statement of exterior addition is permitted). They plan to give fuller protection to their inventions by means of the diversified multiple claims under the multiple claim system.

Reference to Answer E (Reduction in number of applications) was remarkable in businesses in the metal/machinery and electric areas. It represents that they are no longer required to file multiple applications individually since the amended multiple claims system permits filing of a single application.

To summarize the above, the businesses involved find it to their advantage to give fuller protection to their inventions and, at the same time, to reduce the number of

applications, thus attaining a higher efficiency with their applications.

Question III

III. What are likely to be the problem areas for use of the amended multiple claim system? Please select up to three out of the following answers.

A) The necessity of preparing the specification on a diversified basis has made more complex the preparation of a claim on a diversified basis as well as the statement of embodiment.

B) Even when restricted to a single industrial area, the scope for which a single application may be filed is unclear.

C) It would be necessary to permit steps to be taken with respect to partial approval or partial rejection with respect to notices of rejection.

D) If, in reply to partial rejection in any notice of rejection, the application is divided, there is a possibility of an application or applications being rejected as being directed to a substantially identical invention or inventions.

E) It is likely that a single application includes inventions requiring a patent at an earliest date and invention for which a patent is not so urgently required and, therefore, the granting of a patent is delayed when too long a period of time is spent dealing solely with the rejection on the latter inventions.

F) There is a possibility that as the number of rejections will increase to the number of claims involved.

G) If patent applications are controlled on the basis of inventions, it will become complicated to control them as the number of claims included in an application increases.

Conversely, if applications are controlled on a patent application basis, additional consideration will be needed for each invention or each claim, thus making control of the same complicated.

H) The amount of the fee for examination, etc., and the patent fee depend on the number of claims, making the maintenance and control of patents more complicated.

I) As the number of claims increases, the fees per application increase.

J) With regard to technology that may be licensed, it sometimes is more advantageous to increase the number of patents.

K) There is a fear of the patent search becoming difficult (It will be necessary to make inventions of different classifications describable for an application and also to review not only the abstract of the invention but all claims as well.)

L) The scope of the unity of invention in Japan has become broader than that in foreign countries. As the result, it is now necessary for foreign application purpose to divide a single Japanese application into multiple applications.

M) It has become harder to administer official commendation of inventors etc.

N) Others ( )

Results of Answers:

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
Metal/Machinery	2	2	4	1	5	0	8	2	1	1	8	2	2	1
Electric	4	4	4	2	2	0	7	6	4	0	17	0	1	0
Chemical	10	4	7	3	4	1	5	6	6	5	17	3	1	0
Totals	16	10	15	6	11	1	20	14	11	6	42	5	4	1

Analysis:

This question relates to problem areas which have arisen in connection with use of the amended multiple claim system. At the present moment, no examination by the Japanese Patent Office of any application under the amended multiple claim system has been completed. It is expected by the member companies that the problem areas pointed out by the member companies will become issues in the future during the examination by the Patent Office or after issuance of the patent (Refer to Fig. 3).

The answers were concentrated mostly on K (the patent search will become difficult). It relates to a fear that, inasmuch as multiple, different claims whose categories of inventions differ from each other may now be included in a single application under the amended multiple claim system, it will be necessary to examine at the time of the patent search not only the abstract of the patent but all the claims as well.

Particularly in those businesses in the metal/machinery and electric areas, answer G (complication of management of patent applications) is an important issue. Coupled with the fact that the businesses in the electric area cite Answer H (complicated management of maintenance and control of patents) as a particular issue, businesses in those areas in which the number of patent applications are relating great consider the multiple claim system to be a significant factor in the management of their applications/patents.

Contrary to the foregoing, with respect to inventions in the chemical area, Answers A (preparation of specifications in more complex manner) and C (more complicated procedure for intermediate disposition) are considered particularly important because more consideration is required for the

description of embodiments in accordance with each claims, than in other business areas.

To summarize the above, all businesses in the respective industrial areas fear that the patent search would become more difficult and particularly those in the metal/machinery and electric areas are concerned with complications in the control over the applications, while those in the chemical area fear the more complicated application procedures as well as for responses for office actions.

Question IV

IV. After making applications under the amended multiple claim system, which do you think is most useful out of the claim statements newly made available? Please select one for each of (1) and (2) below:

(1) As to form of statement of claims:

a) Multiple claims which become substantially identical to each other.

b) Citation-type claim treated as being equivalent to independent claim.

c) Claims with external addition.

d) Any other ( )

(2) As to unity of application:

a) Product and improvements to the product and manufacturing method of the same.

b) Combination and sub-combination.

c) Final products and, to a certain extent, intermediate products.

d) Product and the system by which the products are used.

e) Any other ( )

Results of Answers:

(1) As to form of statement of claims:

	a	b	c	d
Metal/machinery	3	4	6	1
Electric	6	7	5	1
Chemical	11	7	8	1
Totals	20	18	19	3

(2) As to unity of application:

	a	b	c	d	e
Metal/machinery	9	3	1	1	0
Electric	4	9	0	6	1
Chemical	11	2	14	1	0
Totals	24	14	15	8	1

Analysis:

The amended multiple claim system (1) permits many-sided claims which define substantially the same invention by relaxing the form of statement of the claim and (2) expands the substantial unity of application.

This question divides the statement of claims made available under the amended multiple claim system into (1) those pertaining to the form of statement of claims and (2) those pertaining to the substantial unity of application, and asks which form of statement of claims is most useful for each of (1) and (2) (Refer to Fig. 4).

(1) With reference to the form of statement of claims, answers to a (Multiple claims which are substantially identical), b (Citation-type claims treated as being equivalent to an independent claim) and c (Claims with

external addition) were almost the same in number. Although some differences exist among the technological areas, we take the results to mean that the usefulness of the respective forms is recognized to almost the same extent.

Simple are given below for each of a through c:

a. Multiple claims which are substantially identical:

Claim 1: An anti-deterioration agent for polyethylene comprising A and B.

Claim 2: A method for anti-deterioration of polyethelane by mixing A and B into polyethelene.

b. Citation-type claim considered equivalent to independent claim Citation-type claim:

Claim 1: An electric fan having a specific structure.

Claim 2: An electric fan as set forth in Claim 1 wherein said fan has a mechanism for adjustment of wind direction.

c. Claim with external addition:

Claim 1: A gas sensor of specific structure.

Claim 2: A gas sensor as set forth in Claim 1 further comprising a protective casing.

(2) With respect to unity of application, we can see that usefulness is recognized according to the substance of the respective technological areas. In the metal/machinery area, a (product and improvements to it and manufacturing method of the same) represented the largest share. In the electric area, b (combination and sub-combination) represented the largest share, followed by d (product and the system by which it is used). In the chemical area, c

(final products and, to a certain extent, intermediate products) represented the largest share.

For each of a through d, we will give below a simple illustration:

a. Product and improvements to the product and manufacturing method of the same:

Claim 1: (Specific invention-Product)

An eye glass frame characterized by its main member made up of titanium or titanium alloy.

Claim 2: (Substantially identical inventions-products)

An eye glass frame characterized by its main member being made of titanium or titanium alloy with a layer of nitride on its surface.

Claim 3: (Process of inventions and improvements stipulated in governmental ordinance)

A method for producing eye glass frames characterized by formation of ion-plated hydride-containing layer on the surface of the main member of titanium or titanium alloy.

b. Combination and Sub-combinations:

Claim 1: (Combination)

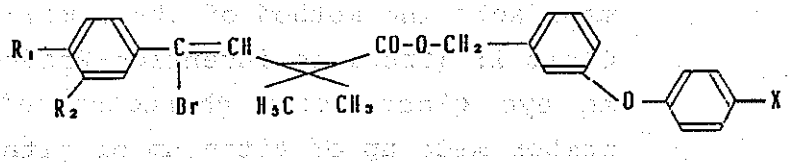
An FM broadcasting apparatus comprising a transmitter having... and a receiver having ....

Claim 2: (Sub-combination)

A stereophonic multiple FM transmitter comprising means for synthesizing ... and means for broadcasting a pilot signal ...

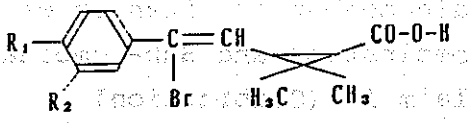
c. Final products and, to a certain extent, intermediate products:

Claim 1: (Final Product)
Cyclopropane carbonic acid ester represented by the general formula (1):



(wherein R_1 and R_2 which may be the same or different each represents a hydrogen atom or a hydrogen atom or a halogen atom; and x represents a halogen atom.)

Claim 2: (Intermediate Product)
Cyclopropane carbonic acid represented by the general formula (2):



(wherein R_1 and R_2 which may be the same or different each represents a hydrogen atom or a hydrogen atom or a halogen atom; and x represents a halogen atom.)

d. Product and the system by which it is used:
Claim 1: A calculation circuit comprising means

for calculating specific calculation.

Claim 2: A microprocessor system comprising said calculation circuit of Claim 1 and ....

Question V.

V. In regard to the statement of claims, select one applicable to you out of the following:

A) In almost all cases, an invention may be fully protected under a single claim.

B) While it is true that, in some cases, an invention must be protected under multiple claims, the consolidation requirements provided in the former provisions of Article 38 of the Patent Law served fully for protection of the invention.

C) The amended multiple claim system has made it possible to fully protect inventions.

D) The amended multiple claim system newly introduced cannot fully protect inventions. The scope of the unity of invention should properly be expanded/modified further.

Results of Answers:

	A	B	C	D
Total answers	6	9	44	1

Analysis:

This question asks whether the amended multiple claim system fully protects inventions of the respective addresses (Ref. Fig. 5).

Although Answer A (a single claim is sufficient) and Answer B (the Patent Law provisions before the amendment

were good enough) totalled 25%, Answer C (the amended multiple claim system now fully protects inventions) represented 73% of the total answers. The majority of businesses are satisfied with the amended multiple claim system and are expected to make use of it.

VI. Realistic Examples:

Question VI dealt with actual cases in which a benefit was actually made available or a problem occurred.

The actual cases reported may be summarized by industrial areas as follows:

(1) Cases with beneficial consequences:

(i) Metal/Machinery:

The cases reported substantially that those inventions that had not been coverable under a single application, such as (a) claims with external addition, (b) inventions the kernel of which are identical but means or structure of various embodiments differ from each other, and (c) products A and B and processes of the same, are now made coverable under a single application. No cases involving substantially identical inventions were reported.

It was reported that priority for the domestic application has made it easier to prepare international applications.

(ii) Electrical:

Varied cases in which a single application had not been permitted to cover the inventions involved were reported, such as inventions of a combination and sub-combinations, invention of a product and method of or device for processing the product, and invention of materials and parts for special purposes. It is expected that, coupled with the cases of the substantially identical inventions,

the newly introduced system is likely to be more widely used in this area of industry than previously anticipated.

A case was also reported in which base inventions together with improvement (related) inventions were claimed together in a single application, taking advantage of the priority for domestic applications.

(iii) Chemical:

Many varied cases peculiar to the chemical area were reported, showing the extent of use of the amended multiple claim system. They included, among others, (a) inventions of substantial identity as to product, use, etc., (b) the intermediate products, and (c) inventions with the same inventive kernel and with varied conditions.

(2) Problem Areas:

Problems occurring because of the amended multiple claim system were not reported possibly because too short a period of time has passed, except the following:

(i) Cases in which, as to multiple inventions that may be covered under a single application, inventors of respective inventions are different.

(ii) Treatment of the compensatory money for an application, which has been made disadvantageous to the inventor.

(iii) Treatment of the patent attorney's fee for claims expressed in different terms in respect of an identical invention.

(iv) Cases of foreign applications in which a single claim under the Japanese application was divided into multiple claims.

IV. Summary:

As has been seen from the results of the questionnaires,

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Japanese businesses are positively utilizing or plan to positively utilize the amended multiple claim system. Specifically, the multiple claim system is being utilized substantially for streamlining of the processing of patent applications.

As a problem area in the use of the multiple claim system, complication of the patent search is particularly noted. In addition, management of patent applications and patents, preparation of the specification for application, and prosecution of applications are expected to become more complex.

Nevertheless, the majority of businesses seem to be generally satisfied with the amended multiple claim system and are likely to plan more use of it in the future.

The investigation outlined in the foregoing was conducted a little over six months after the amended multiple claim system was introduced. For this reason, at that early stage, it was impossible to fully examine all ramification of the change as well as all possible problem areas in the examination stage and after the patent is granted.

The respective businesses in Japan are expected to study and make use of the amended multiple claim system. We hope that this information will help the reader understand the amended multiple claim system.

At last, we thank those personnel involved of the businesses constituting the PIPA Japanese Group who participated in the completion of the questionnaires.

Question I (Total)

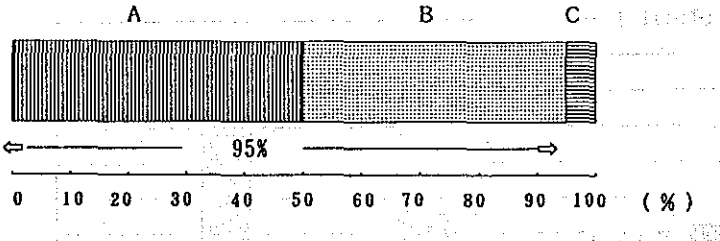


FIG. 1

Question II

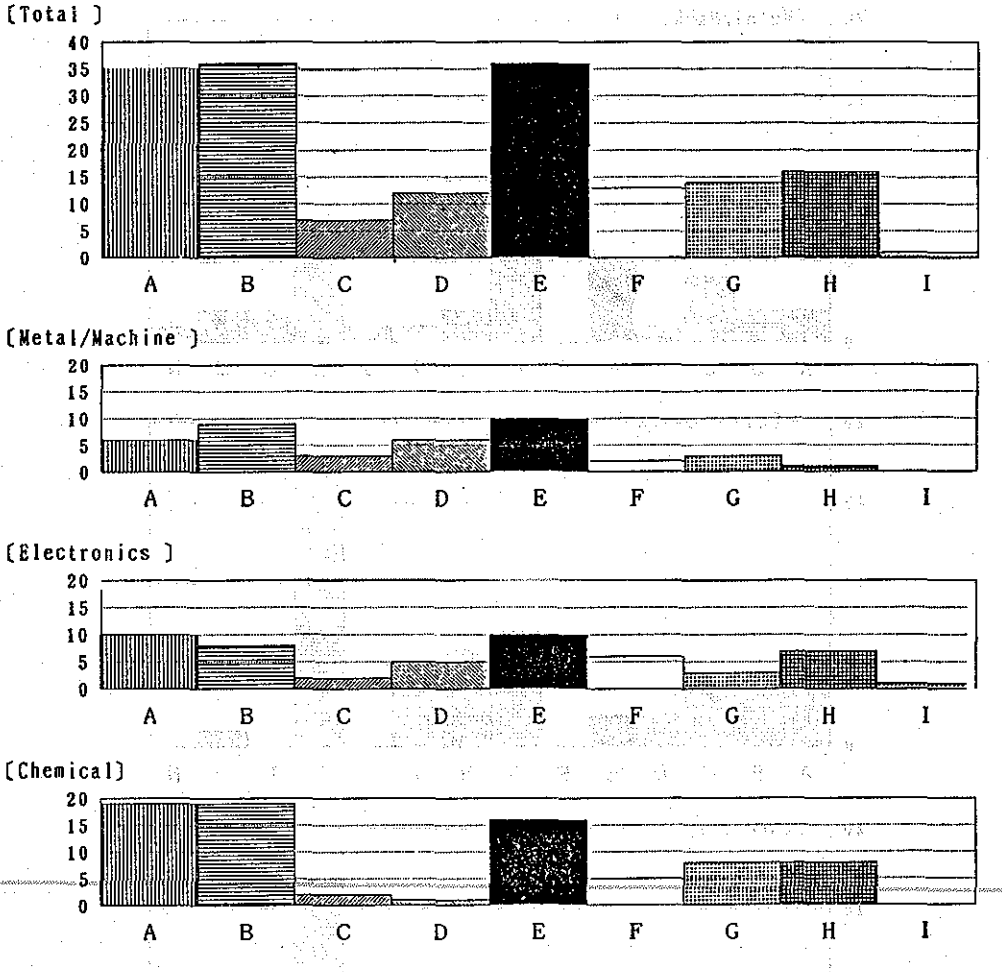


FIG. 2

Question Ⅲ

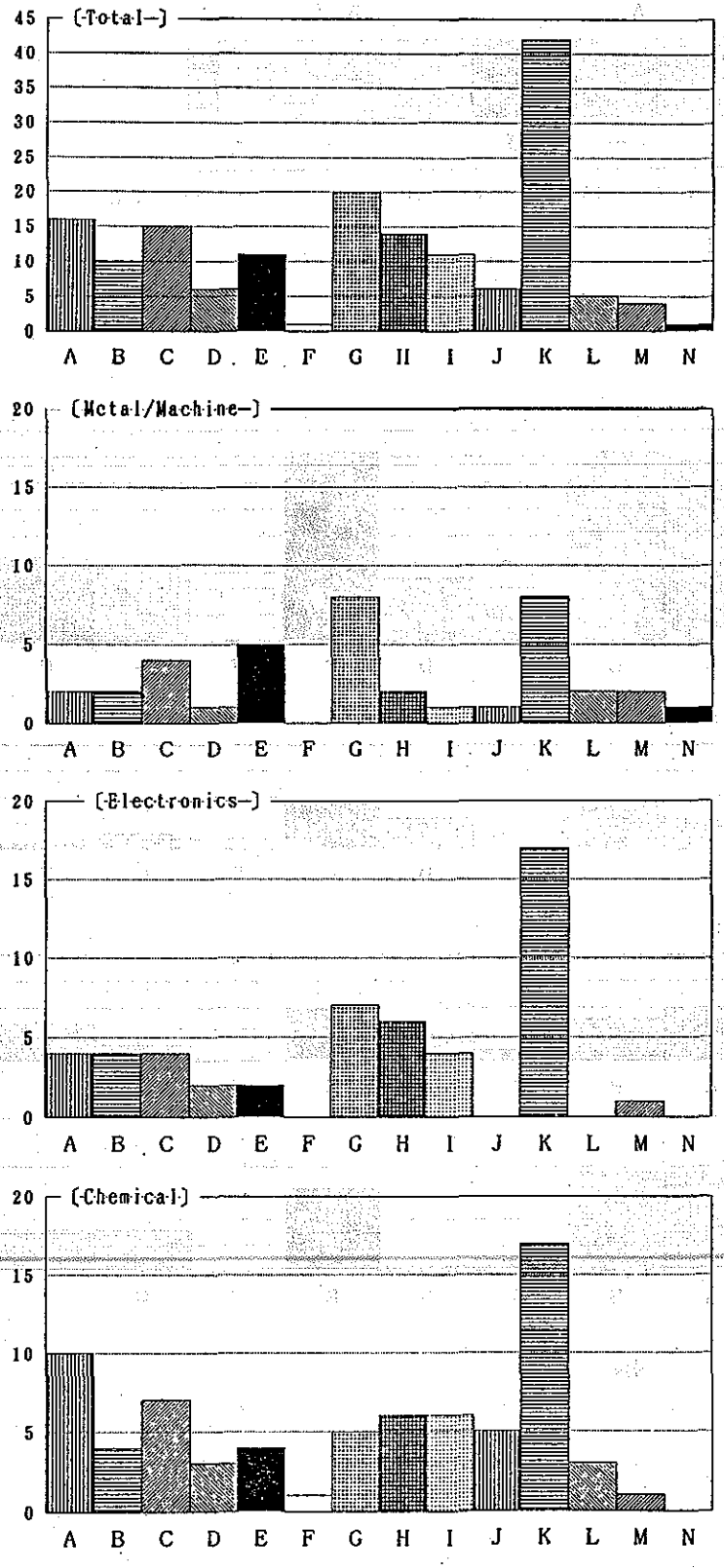
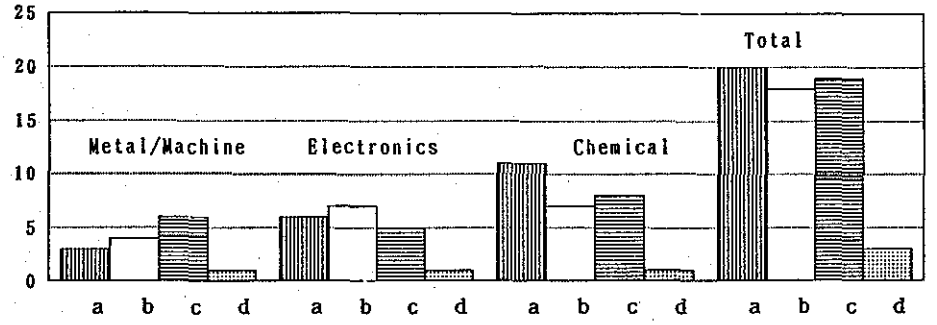


FIG. 3

Question IV(1)



Question IV(2)

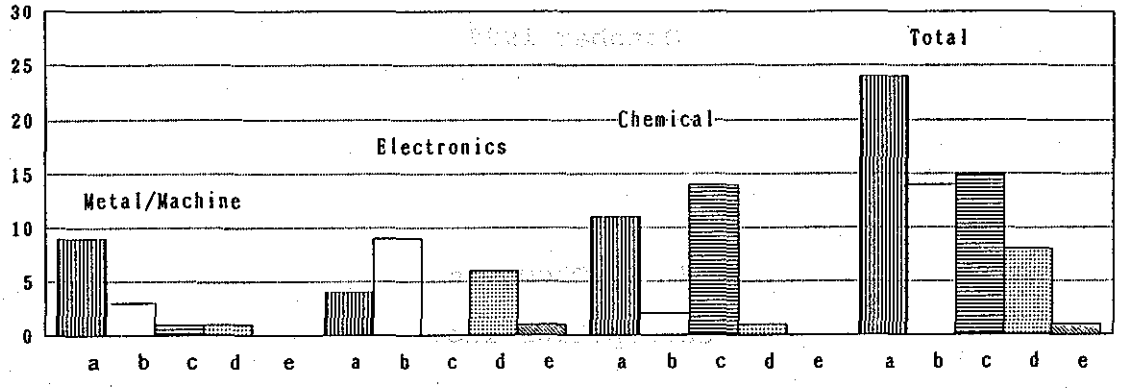


FIG. 4

Question V

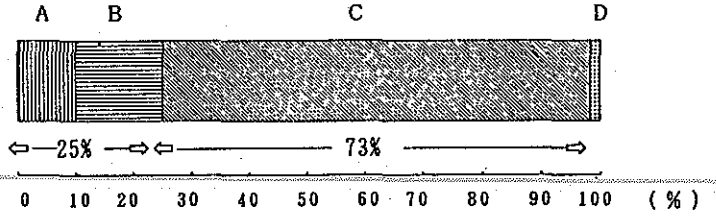


FIG. 5

U.S. RESTRICTION PRACTICE

Pacific Industrial Property Association

Toba City, Japan

October 1988

W. S. Thompson

Caterpillar Inc.

U.S. RESTRICTION PRACTICE

Restriction practice and unity of invention are considered corollary concepts. Restriction practice has to do with a finding by the Patent Office that inventions contained in a given application are sufficiently unrelated that they ought to be separated. Unity of invention is the concept that inventions are sufficiently related such that they ought to be, or at the Commissioner's discretion maybe, retained together. In other words, restriction is an act that is taken when it is found that unity doesn't exist and the expressions are in U.S. practice the mirror image of one another. Thus, the terms unity and restriction may be used interchangeably.

In reporting on unity/restriction practice in the U.S., it is necessary to report on two distinct practices. One practice is our national practice which has been in effect for a large number of years and the other is the more recent practice which is the outgrowth of the case of Caterpillar vs the Commissioner of Patents and Trademarks, 231 USPQ 590, which affirmed the different standard set forth in the Patent Cooperation Treaty.

With respect to our national practice of some duration, the basic statutory requirement is stated in 35 USC 121 and the operative statement is that the Commissioner may require restriction if the inventions are found to be "independent and distinct". In terms of how this is administered, the expression should be rephrased independent or distinct since a finding either that an invention is independent from another or that it is distinct is sufficient to draw a restriction requirement. This may seem like splitting hairs but the terms are, in fact, quite different. The "independent" test is broader and less often the basis of a restriction requirement. Inventions are "independent" if there is no disclosed relationship between two or more subjects described in a case. Generally, such a relationship when it exists is set forth. If one combines a numerical control machine tool invention with a hook for a garter belt and no interrelationship is disclosed, the hook and the machine tool would be treated as independent inventions. If, on the other hand, the machine tool is modified to make a new configuration hook and that relationship is disclosed, the inventions are not independent. The distinctiveness test comes into play with much greater frequency. In this case, even if the plural inventions are disclosed as having a relationship such as that between combination and subcombination or process and apparatus for its practice, the inventions are considered distinct if they are capable of separate manufacture, use or sale as claimed and are considered patentable over each

other. Often the separate manufacture or use is theorized. For example, the invention in the Caterpillar case related to a process for making a segmented sprocket for the drive wheel of a tractor. The sprocket teeth required accurate formation for good wear properties and the normal practice was to machine the shape after a basic forging or casting operation. The invention used a precision three-part die in a certain sequence to provide the necessary tooth accuracy without the normal machining step. One set of claims were presented to the apparatus which centered on the three-part die and a second set on the process which was essentially that performed by the apparatus. It was theorized that the apparatus could be used in another process and that the process could make something other than the particular sprocket. While the assumptions were probably true, in fact no such other applications were contemplated by the inventor who had a rather singular objective in mind. Thus, the "distinct" test can and is applied in a very narrow way since it is rare process that can't be visualized as making something other than a specific product for which it has been described. Moreover, it can be easily visualized that the product can be obtain or made by a different process. The usual assertion when a product is made by some degree of automation is that one could make it by hand. It makes little difference that hand manufacture would be totally impractical and be imprecise and take a lifetime to do. It is difficult to imagine any product/process or process/apparatus invention that could be immune to possible restriction rejection based on a finding of lack of distinctiveness.

The second basic unity/restriction practice evolves from the PCT concept of "single general inventive concept" set forth in Rule 13. Initially, the USPTO operated as if there were no difference between its existing national practice and that required by the PCT. The previously mentioned inventions relating to a process for making a sprocket and the apparatus for performing the process were filed as a single PCT application and were governed by the provisions of the treaty. The case of an apparatus and process is specifically covered by Rule 13.2(ii) which provides that an apparatus specially designed to perform the process, by definition, satisfied the single general inventive concept. One could theorize, perhaps correctly, that the process and apparatus were distinct in the sense that the apparatus could be used in a different process or that the process could be performed by a different apparatus. In this case, the national distinctive test would not be met requiring division. One could not maintain, in the face of the inventor's characterization to the contrary, that such inventions weren't specially designed for each other and thus a single general inventive concept. Thus, the results under the national and PCT tests are exactly contrary.

As a practical matter then, one can encounter two very different tests depending on whether one enters the U.S. by the Paris Convention or the PCT route. Generally speaking, applicants do not follow a filing strategy for the purpose of achieving a certain restriction result. In practice, one is usually willing to file a divisional case or two if it reduces contentious issues and leads to case allowance. It is this attitude that has enabled the Office to dictate restriction practice over the years which has resulted in greater and greater fragmentation of subject matter. It would be advisable, however, to give consideration to cost implications by using the PCT route. If one retains related subject matter in a single application, not only are additional filing and issue fees avoided for a divisional case, but reoccurring annuity fees as well. Such savings are almost certain for cases in which claims are presented to the different categories such as product, process for making the product, and apparatus for performing the process.

The harmonization debate has stimulated new consideration of the proper role of restriction practice and has generated fresh analysis by the patent bar. At the present time, one of our major national patent associations has a group meeting with the USPTO in an effort to frame a rational unity practice. Some general principles being discussed are:

i) It is efficient to retain in a case closely related subject matter. Requiring that subcombination be separated from combination, process from apparatus for performing the process or product from the process for making it puts the public in the position where they must find all of the related patents to fully evaluate a position. If one patent is overlooked, it is quite possible to proceed with a development thinking you are outside the patents of competitors only to find a closely related patent is infringed which was overlooked or issued later. In general, the view being expressed is that overly fragmented cases resulting from an aggressive restriction practice makes infringement and design around analysis more difficult and uncertain and cannot be justified in the name of examining convenience.

ii) Restriction requirements should be imposed at or prior to the time of the first substantive search or examination and not thereafter. Late restrictions lead to inefficient utilization of examiner time and is vexatious. It is counterproductive for an examiner to set aside for later consideration by him or another examiner, subject matter that he has considered as part of

the first substantive examination. Consequently, unless the applicant has made major changes redirecting the case, restriction requirements overlooked at the time of the first examination should not be later asserted.

iii) A patent office should establish examiner productivity credits or evaluation standards which are not dependant on a restriction result. The examiner should not be put in position where he is a beneficiary of his own decision that a case should be divided by receiving credit for disposing of more than one case when he later handles the divisional application. It is suggested that an examiner be automatically given extra credit when a case has multiple claims in different categories such as product, process, apparatus for performing the process and the like, but that this credit should be unaffected by whether a restriction requirement is maintained or sustained.

iv) In the case of derivative filings such as divisionals, continuations etc., if a first parent case issues it should contain a cross reference in the file which is available to the public that a related dependant case is filed. Such a reference would enable one studying the parent patent to know that another closely related case is still pending and therefore to exercise caution with respect to his product development plans. Case cross referencing should be applied across the board to all forms of derivative filing. This would include voluntary divisional and continuation filing as well as forced divisional cases.

v) In addition to the cross reference requirement, it has been recommended that prosecution of dependant filings be open to the public. The case confidentiality should expire when the parent case issues as a patent. This would not mean that others could participate in the examination process, but only that they can be aware of the most current content. Open prosecution would enable one studying the parent case for infringement to not only know that a dependant case exists, but also the nature of the claims being sought to better determine whether to proceed with a development.

vi) Finally, it is recommended that if a restriction rejection is made, the applicant be given the opportunity on payment of a fee to retain the subject in the original case. The fee should be sufficient to offset the additional work being done but should be less than the cost of a separate divisional filing which does not reflect the usual close relationship between plural inventions based on the same description.

It is premature to say that these considerations will lead to a rational restriction practice in the U.S. The debate occurring in the trilateral discussions and the WIPO draft harmonization treaty have opened up the subject for fresh consideration and provide some opportunity for progress. It is felt the impact of unity/restriction practice on the public is too great to permit this practice to be dictated by patent office fee or examiner productivity needs. Patent office administrative requirements can be met in ways other than fragmenting cases. Fees could automatically be levied in a manner similar to that for multiple claims or claims in excess of an allowable amount. If it is felt necessary to issue separate patents for annuity purposes, they could be separated at the time of grant with proper cross reference and concurrent publication. An office is free to evaluate examiner productivity on any basis it chooses short of inconveniencing the applicant and public by dividing out material obviously related and of interest.

A comparison between Japanese and U.S. practice may not be valid at this time. A study performed by the European Patent Office as part of the trilateral activity indicates that the percentage of divisionals in the USPTO is more the twice that in the JPO. It is reported that the percentage of divisionals in the USPTO was 3.57% in 1985 vs 1.45% in 1982 in Japan. A major difference between the two countries for the reporting years is of course the absence of a multiple claiming system in Japan. While such a system has been recently enacted into law, it appears acceptance is slow and that it may be some time before our two systems are comparable in this respect. Another motivator in U.S. practice is the fact that 35 USC 121 provides that if restriction is required as a result of a finding that plural inventions in an application are independant or distinct and one files a divisional application expressly claiming the benefit of the priority date of the parent case, then the parent patent when it issues cannot be used as a reference against that divisional case either in the USPTO or the courts. On the other hand, if separate unrelated cases are filed, the applicant would have a burden of distinguishing one from another or proving why the earlier is not a proper reference against the later. To be safe many practicioners combine all closely related subject matter in a given case with the expectation that a restriction rejection might be

forthcoming, but comforted with the knowledge that, if it does, any self-collision problem is avoided. It seems reasonable to expect that the frequency of restriction requirements will increase in Japan as the multiple claim practice becomes more widely accepted. Then the issue may be, will the JPO over exercise the restriction power as we are experiencing in the U.S.?

WSThompson
8/30/88

Limits of the Concept of Identical Inventions under Section 29 bis of the Japanese Patent Law

Japanese Group, Comittee No. 1

Subcommittee No. 2

Kunio Hirabayashi, AISIN SEIKI CO., LTD
Kunio Takeya, UBE INDUSTRIES, LTD.
Yoji Fukushima, EBARA CORPORATION
Makoto Takashima, OKI ELECTRIC INDUSTRY CO., LTD.
Teiji Ishii, CHISSO CORPORATION
Hiroshi Koishikawa, DENKI KAGAKU KOGYO KABUSHIKI KAISHA
Yoshikazu Miura, MITSUI PETROCHEMICAL INDUSTRIES, LTD.
Kazuhiko Okada, MITSUBISHI KASEI CORPORATION
Mamoru Ueda, MITSUBISHI ELECTRIC CORPORATION
Takashi Sawai, NIPPON TELEGRAPH AND TELEPHONE CORPORATION

Speaker: Takashi Sawai, NIPPON TELEGRAPH AND TELEPHONE CORPORATION

ABSTRACT

The substantive requirements which the Japanese Patent Law provides for the grant of a patent on an invention include not only its novelty (Paragraph 1 of Section 29) and its unobviousness (Paragraph 2 of Section 29), but also that it shall not be identical with any invention described in the specification as originally attached to any application filed by another applicant prior to the application claiming the invention under consideration and laid open (before examination) or published (for opposition purposes after examination) after the application claiming the invention under consideration (Section 29 bis).

During the period of April, 1981 to March, 1988, the Tokyo High Court delivered a decision revoking the trial decision of the Japanese Patent Office in about 43% of the cases in which the applicability of the provision of Section 29 bis was contested. This percentage was higher than that of its decisions which were delivered during the same period to revoke the trial decisions in the cases in which the applicability of any other provision of the

Japanese Patent Law was contested.

We have, therefore, picked up three cases, one each from the chemical, mechanical and electrical fields, in which the court revoked the trial decision which had denied the patentability of the invention claimed in the application under consideration as being substantially identical to the invention described in an earlier-filed application, and reviewed them to determine the limits of the concept of identical inventions under Section 29 bis.

In each of the three cases, the court concluded that the invention under consideration was patentable if it was so different from the invention described in the earlier-filed application as to produce the results which could not be expected from the earlier invention, and revoked the trial decision which had made a broad interpretation of the earlier-filed invention and denied the patentability of the invention claimed in the later-filed application. These cases teach that the court evaluates an invention producing unexpected results as being patentable, even if its constituent difference from the invention with which it is compared may appear to be obvious.

1. INTRODUCTION:

(1) Background:

The Japanese Patent Law requires a patentable invention to be novel (Paragraph 1 of Section 29) and unobvious (Paragraph 2 of Section 29). It also requires that the invention under consideration shall not be identical with any invention described or shown in the specification or drawing as originally attached to any application of another applicant filed before the application claiming the invention under consideration and laid open (before examination) or published (for opposition purposes after examination) after the application claiming

the invention under consideration (Section 29 bis).

The provision of Section 29 bis was added to the Japanese Patent Law in view of the possibility that a particular application might have to be examined before an earlier-filed one, as a result of the adoption of a system calling for a specific request for the examination of any application when the Japanese Patent Law was revised in 1970.

The invention is considered novel if it is not identical to any fact (e.g. an invention described in a publication) that was known before the application (not before the invention). It is considered unobvious if it could not easily be made on the basis of any fact that was known before the application (not before the invention).

The provision of Section 29 bis is similar to the provision concerning novelty, insofar as both of them call for a comparison of the invention under consideration with the disclosure of a citation to determine whether it is identical to anything disclosed in the citation, but differs therefrom in that the citation which is applicable under Section 29 bis is one which was not known to the public before the application under consideration. The provision of Section 29 bis greatly differs from the provision concerning unobviousness, since it is not applicable for denying the patentability of the invention under consideration as being obvious from the citation, and also since it does not permit any combination of a plurality of citations to be relied upon for denying the patentability of the invention under consideration.

Therefore, the provision of Section 29 bis can be regarded as setting forth a condition for patentability which is closer to novelty than to unobviousness. In this

sense, it is similar to the provision of Section 102(e) of the United States Patent Act and the provision of Section 54(3) of the European Patent Convention. However, the application of another applicant which can be relied upon under Section 29 bis of the Japanese Patent Law is one which was filed before the date of filing of the application claiming the invention under consideration, while it is the application filed before the invention that can be relied upon under Section 102(e) of the United States Patent Act. Moreover, no application of another applicant falling within the context of Section 29 bis can be relied upon as a basis for obviousness rejection, while under the United States Patent Act, any patent falling within the context of Section 102(e) can be relied upon as a ground for obviousness rejection under Section 103. Therefore, the provision of Section 29 bis can be said to be more similar to the provision of Section 54(3) of the European Patent Convention which says that the disclosure of any European patent application filed before the date of filing of an application under consideration and laid open to the public thereafter shall form the state of the prior art with which the invention claimed in the application under consideration shall be compared for its examination as to novelty.

The judgement called for to determine the presence of identity under Section 29 bis is made by comparing the invention as claimed in an application under examination with any invention described or shown in the specification or drawing as originally attached to an application filed earlier by another applicant. This comparison not only includes the wording or form as employed to set forth the claimed invention (formal identity), but is also directed to the technical concept which forms a substantial basis for

the claimed invention (substantial identity). According to the standards for examination of the Japanese Patent Office, two inventions are considered as being substantially identical to each other if their difference is (1) a mere difference of the wording employed to define the invention, (2) a mere difference in results or recognition thereof, (3) a mere difference in constituent features (e.g. a mere change of customary means, a mere addition or elimination of customary means, a mere change of materials or substitution of equivalent materials, a mere substitution of equivalent means, or a mere limitation or elimination of a numerical value), or (4) a mere change or limitation of use. In practice, however, some degree of difficulty or other may always accompany any comparison that is made in accordance with these standards for examination. For example, it is no easy task to determine what is a "mere change of customary means", and what is not. This difficulty, and the fact that obviousness is not an issue in the context of Section 29 bis, as hereinabove stated, make it very difficult to give a practically useful definition of the scope within which the concept of identity is applicable under Section 29 bis.

Under these circumstances, we have picked up three cases, one each from the chemical, mechanical and electrical fields, in which the court (Tokyo High Court) revoked the trial decision of the Japanese Office which had rejected the application or invalidated the patent for the reason that the invention was substantially identical with the disclosure cited pursuant to Section 29 bis, and reviewed them to determine the limits within which the concept of identity is applicable under Section 29 bis.

(2) Statistics:

The following table shows the cases in which theapplicability of the provision of Section 29 bis was contested before the court during the period of April, 1981 to March, 1988:

Court	Total number of cases	Number of cases as classified by court decision	
Tokyo High Court	64 (5)	Cases in which trial decision was revoked	28 (2)
		Cases in which demand was dismissed	36 (3)
Supreme Court	9 (2)	Cases in which original court decision was revoked	0 (0)
		Cases in which appeal was dismissed	9 (2)

Note: The parenthesized number, which is countedin the unparenthesized number, represents the casesin which neither of the two parties concerned was the Japanese Patent Office.

The table shows that the Tokyo High Court revoked the trial decisions of the Japanese Patent Office in about 43% of the cases in which the applicability of Section 29 bis was contested, as far as the cases in which the Japanese Patent Office was one of the two parties concerned are concerned. This percentage is higher than the figure of about 35%(1) indicating the percentage of all of the patent and utility model cases in which the Court revoked the trial

decisions, as far as the cases in which the Patent Office was one of the two parties concerned are concerned. This is apparently due to a high level of judgment which is required for finding any fact justifying under Section 29 bis the conclusion that the invention under consideration is substantially identically disclosed in the citation, such as the mere use by the invention of any common or conventional means or technique not specifically described in the citation. It is true that there have still been only a small number of court decisions in the cases in which the applicability of Section 29 bis was contested, as compared with the cases in which the applicability of other provisions, such as the provision concerning unobviousness, was contested. This fact may have some bearing or other on the high percentage which we have mentioned above.

2. CASES:

2-1. Chemical case

Case No.: 58(gyo-ke)137

Court Decision: Demand allowed (Trial decision for rejection revoked)

Date: June 9, 1985 (Tokyo High Court)

Application and Citation

(A) Application at Issue

(1) Patent Application No. 72949/1971
(Laid-Open No. 6970/1972)
(Publication No. 46093/1976)
(Patent No. 1307690)

(2) Invention

A method of separating p-xylene from a mixture of xylene isomers in the method of the undermentioned cited prior art, characterized by using p-diethylbenzene as a desorbing agent, while the cited prior application mentions the use of diethylbenzene as a desorbing agent.

(3) Result

The use of p-diethylbenzene as a desorbing agent makes it possible to separate p-xylene more effectively than when mixed diethylbenzene is used as a desorbing agent.(The presence of o- and m-diethylbenzene disables the achievement of a good desorbing effect.)

(B) Citation

(1) Cited Prior Patent Application No. 25293/1970
(Publication No. 935/1977)
(Patent No. 996841)

(2) Invention

A method of separating a xylene isomer which comprises treating a mixture of xylene isomers containing p-xylene with a specific X-zeolite adsorbent so that saidadsorbent may selectively adsorb said p-xylene from said mixture, and causing diethylbenzene to desorb said p-xylene.

(3) Result

The use of a specific X-zeolite adsorbent and mixed diethylbenzene as a desorbing agent enables a high degree of selectivity in the separation of p-xylene from a mixture of xylene isomers.

Point at Issue

When the terms "diethylbenzene" and "mixed diethylbenzene" are used to define a desorbing agent in one application (prior application), can the invention in another later-filed application (application at issue) employing "p-diethylbenzene" as a desorbing agent be considered as being disclosed in the prior application?

Argument

(A) Plaintiff (Applicant)

(1) The term "diethylbenzene" which the cited application uses to define the desorbing agent means mixed diethylbenzene and does not mean any specific isomeric form of diethylbenzene, ortho, meta or para. Even if the term "diethylbenzene" may generally cover all of its isomers, it does not follow that the cited application discloses an invention using each isomer as a desorbing agent. The use of the word "diethylbenzene" in the cited application means only

that the inventor was not aware of the necessity of distinguishing one isomer from another.

The mere use of the word "diethylbenzene" must be concluded as referring to mixed diethylbenzene.

(2) The term "diethylbenzene" which the cited application employs cannot be interpreted as covering p-diethylbenzene, insofar as the cited application does not disclose any experimental showing of the desorbing effects of any specific isomeric form of diethylbenzene.

(3) Insofar as the disclosure of the cited application is concerned solely with a mixture of isomers, it cannot be considered as disclosing any invention using any specific isomer, but the term "diethylbenzene" which it uses in the claim must be concluded as meaning "mixed diethylbenzene".

(B) Defendant (Patent Office)

(1) If only a mixture of diethylbenzene isomers were employed as a desorbing agent in the method of the cited application, it would use only the term "mixed diethylbenzene" instead of using both of the terms "diethylbenzene" and "mixed diethylbenzene".

It does not matter whether the inventor of the method in the cited application had a particular isomeric form in mind when he used the term "diethylbenzene", but the cited application should be interpreted as suggesting the possibility of using any of the three isomeric forms of diethylbenzene as a desorbing agent, insofar as the presence of those isomeric forms was a matter of common knowledge and obviousness to anybody of ordinary skill in the art.

(2) Although the cited application does not contain any

description showing directly the significant or unexpected results obtained by using p-diethylbenzene, it can be interpreted objectively as suggesting the probability of use of that particular isomeric form, as hereinabove pointed out. Therefore, the absence of any numerical showing of the results does not hinder the conclusion that the invention in the application at issue is identical to that of the cited application.

(3) Some chemical patent specifications use terms defining chemical substances in broader senses, while others mention the specific names of individual chemical substances. It is not all the specifications that employ only the specific names of individual substances. Therefore, it is necessary to interpret the meaning of a term defining a chemical substance in a broad sense or the specific name of a more particular substance on a case to case basis with reference to the disclosure of a particular specification.

Thus, it is proper to interpret the disclosure of the cited application in such a way that the term "diethylbenzene" as used in the Detailed Description means both a particular isomer and a mixture of isomers, and that the same term used in the Claim also covers both of a particular isomer and a mixture of isomers in view of the disclosure of the Detailed Description and the Examples.

Summary of the Court Decision

(1) It is difficult to conclude that it was a matter of common knowledge to anybody of ordinary skill in the art

that the term "diethylbenzene" usually meant "mixed diethylbenzene". It is necessary to examine specifically the meaning of the term "diethylbenzene" as used in the cited application.

(2) The cited application uses the term "diethylbenzene" eight times. Example 3 mentions "mixed diethylbenzene" clearly, but also contains the term "diethylbenzen". Therefore, the cited application cannot be considered as distinguishing the two terms "diethylbenzene" and "mixed diethylbenzene" from each other.

(3) Insofar as the desorbing agent which is employed in Example 3 is mixed diethylbenzene, it must be concluded that the term "diethylbenzene" as used in Example 2, on which the experiment of Example 3 is based, also means mixed diethylbenzene.

(4) When the same term is used repeatedly in a specification, it is proper to interpret it as always having the same meaning unless any special circumstances exist. Therefore, the term "diethylbenzene" as used in the cited application should be interpreted as meaning mixed diethylbenzene both in the Detailed Description and in the Claim unless any special circumstances exist. Only mixed diethylbenzene appears in the Examples which the applicant is required to state what he thinks will produce the best results of his invention. The cited application does not contain any special statement justifying the conclusion that the term "diethylbenzene" covers any individual isomer exhibiting a behavior which may or may not be identical to that of mixed diethylbenzene. Therefore, it is proper to conclude that the desorbing agent which appears in the cited application excludes p-diethylbenzene.

Comments

The court decision concludes that the term "diethylbenzene" as used in the cited application means mixed diethylbenzene instead of covering its individual isomers and therefore, excludes p-diethylbenzene.

The term "excludes" in the above decision might be likely to cause misunderstanding that it could affect the interpretation of the scope of an earlier-filed invention cited as a prior reference. For this reason, the court ought to avoid the use of the term "excludes". In view of this provision, we believe that the court ought to have considered whether or not an invention using a desorbing agent comprising diethylbenzene consisting substantially solely of p-diethylbenzene is substantially "described".

In other words, we believe that the court ought to have made judgment as to the patentability of the invention at issue which employs "p-diethylbenzene" using a narrower meaning, when the term "diethylbenzene" having a broader meaning appears in the cited application.

In this connection, the invention at issue is based on the choise of one of the four alternatives which are all covered by the broader meaning of the term "diethylbenzene", and this choise cannot necessarily be considered difficult, or unobvious, insofar as there are only four possibilities.

We are, however, of the opinion that when a particular invention is based on a choise which can produce unexpected results, as in the case of the invention at issue, it can be considered patentable, even if the choise may not be so difficult as the "achievement of Columbus" who is said to have succeeded in standing an egg on end for the first time.

2-2. Mechanical case

Case No.: 58(gyo-ke)162

Court Decision: Demand allowed (Trial decision for rejection revoked)

Date: June 30, 1986 (Tokyo High Court)

Patent and Citation

(A) Patent at Issue

(1) Patent No. 940066
(Application No. 564/1971)
(Laid-Open No. 28713/1972)
(Publication No. 27441/1977)

(2) Invention

A concrete pile cutter comprising a hydraulic cylinder 1 disposed in a plane, a device 2 disposed in said plane for pressing the back side of a concrete pile and facing the cylinder 1, a pair of connecting members 3 and 4 connecting the opposite ends of the cylinder 1 to the opposite ends, respectively, of the pressing device 2 so that the cylinder 1, the pressing device 2 and the connecting members 3 and 4 may surround the pile, a piston rod 5 provided in the cylinder 1 movably toward the front side of the pile, and a pile depressing member 6 attached removably to the end of the piston rod 5.

(3) Result

The pile depressing member 6 can easily and quickly depress and thereby cut an appropriate part of a concrete pile. This way of cutting has not only the advantage of not forming any crack in any part of the pile outside its cut part, but also the advantage of making no noise that is annoying to the environment.

(B) Citation

(1) Cited Prior Patent Application No. 66532/1970
(Publication No. 4002/1976)

(2) Invention

A machine for cutting the head of a concrete pile comprising a base, a pair of transversely spaced apart fixed shafts 6, a clamping band 14 attached to the ends of the fixed shafts 6 and adapted to contact the head 13 of a pile to be cut, a sliding body 3 carrying a cutter blade 1, a pair of transversely spaced apart sliding tubes 4 attached to the sliding body 3, and a hydraulic mechanism 5 provided behind the sliding body 3 for moving the sliding tubes 4 along the fixed shafts 6.

(3) Result

The clamping band can easily hold irregular pile heads. The hydraulic mechanism enables the machine to be operated very easily to ensure the proper formation of a hole in the head of a pile without making any annoying noise. No crack that might lower the strength of a concrete pile is formed in any part of its head surrounding the hole which is made.

Point at Issue

Is the use of a piston rod instead of a cylinder a mere change of one conventionally known technical means to another? Does it produce any unexpected results?

Arguments

(A) Plaintiff (Patentee)

(1) Differences in the constituent features of the inventions:

(a) The invention of the patent at issue employs a piston rod, while the invention of the prior application employs a cylinder; and

(b) The invention of the patent at issue does not require the base 10, fixed shafts 6, sliding tubes 4, etc. which the invention of the prior application includes.

(2) Differences in the results:

(a) The cutter of the patent at issue is so light in weight that it is easy to carry along and operate and is a labor-saving machine having an improved operating efficiency;

(b) The cutter of the patent at issue is free from any danger of a sefety hazard to which the operator of the machine of the prior application is exposed, insofar as two sliding assemblies (piston rod and cylinder; and fixed shaft and sliding tube) are located just in front of the operator; and

(c) The cutter is easily adaptable to any large variation in pile diameter, only if the pressing device 2 and the connecting members 3 and 4 are changed.

(B) Defendant (Appealant of Trial)

(1) The only difference that the invention of the patent at issue makes from the invention of the prior application resides in the use of a piston rod instead of a cylinder. This difference is nothing but a change of customary means.

(2) The results which the plaintiff alleges are based on the differences alleged by the plaintiff with respect to the constituent features of the two inventions. All of the plaintiff's arguments are, however, wrong, since

none of the alleged constituent differences exists between the two inventions. The alleged reduction in weight of the cutter resulting from the elimination of certain parts is a matter which is entirely impertinent to the gist of the invention. The elimination of parts is nothing but a mere change of design, and the reduction in weight is not a result of any constituent difference.

Summary of the Court Decision

(1) The cylinder-operated machine necessarily has a large size and a heavy weight and requires movable pipes for supplying a working fluid into the cylinder and removing it therefrom. The "fixed shafts" have not only the function of connecting the base and the clamping band and surrounding a pile, but also the function of guiding the movement of the "sliding tubes". The invention of the patent at issue differs from the invention of the prior application, as it does not require any of the "sliding tubes" which are essential for the cylinder-operated machine, and the "fixed shafts" which serve as their guides.

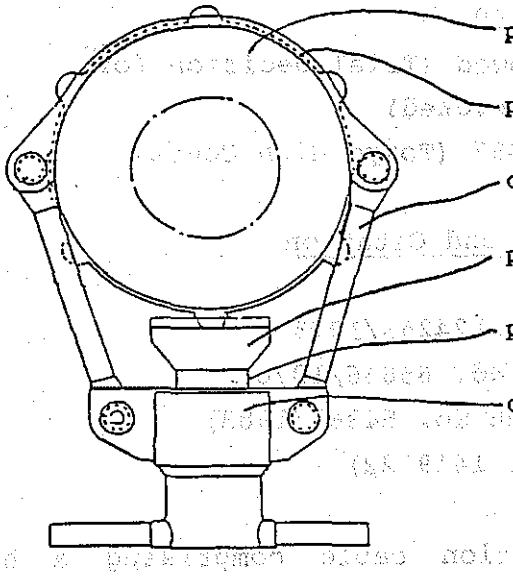
(2) It is essential that a pile cutter which is usually used at a site of construction be of the portable type. Therefore, its reduction in weight is a matter of great importance and the judgment of the Trial Examiners in this connection is wrong.

(3) The trial decision is not necessarily wrong in concluding that both of a cylinder and a piston rod are customary means known in the art, and that no invention is required for the replacement of the former means by the latter. This replacement is, however, not a mere change of customary means, since it produces unexpected results.

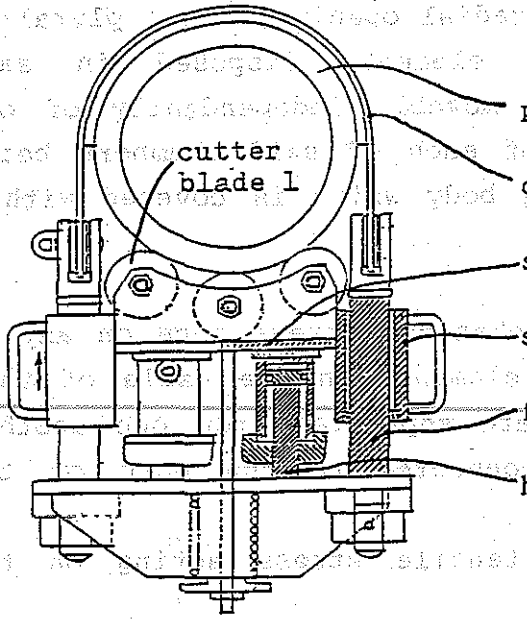
Comments

A "mere change of customary means" is one of the cases in which two inventions are considered substantially identical to each other when their only differences are the "mere constituent differences". It is a change which is obvious to anybody of ordinary skill in the art, and which does not produce any unexpected results. While the trial decision concluded that the invention of the patent at issue was a "mere change of customary means", the court decision says that while the trial decision was not wrong in concluding the invention at issue as a "change of customary means", is is not a "mere change of customary means", as it produces the results which cannot be expected from the invention of the prior application, and concludes that the two inventions are not identical to each other. We consider that the judgment of the court is proper.

PATENT AT ISSUE



CITATION



2-3. Electrical case

Case No.: 60(gyo-ke)100

Court Decision: Demand allowed (Trial decision for rejection revoked)

Date: June 20, 1987 (Tokyo High Court)

Application and Citation

(A) Application at Issue

(1) Patent Application No. 124253/1975
(Laid-Open No. 65646/1976)
(Publication No. 54362/1983)
(Patent No. 1419722)

(2) Invention

An optical communication cable comprising a high tensile core formed from steel wire, a container for light transmitting elements which is formed from a thermoplastic synthetic resin and disposed about the core, said container being disposed spirally about the centerline of the cable and having a plurality of chambers each having a radial opening, and a plurality of light transmitting elements disposed in said chambers, respectively, movably independently of one another, said opening of each of said chambers being covered with a covering body which is covered with a housing.

(3) Result

No unbearably high mechanical stress acts on any of the light transmitting elements in the cable of this invention, since they are separated from one another and are not rigidly connected to the core of the cable.

Almost any and all tensile stress acting on the

cable is borne by the high tensile core formed from steel wire, and the stress results only in a reduction of the spiral radius of the light transmitting elements.

If any compressive stress acts on the cable, it is transmitted to the radial container chambers and the high tensile core through the housing, but does not reach the light transmitting elements.

The light transmitting elements can easily adapt themselves to any bending stress acting on the cable, as they are freely movable in the radial container chambers.

(B) Citation

(1) Cited Prior Utility Model Application No. 59000/1974

(Laid-Open No. 147641/1975)

(Publication No. 35481/1978)

(2) Invention

An optical communication cable comprising a plurality of light transmitting elements, and a container for said elements defining a plurality of chambers each having a radial opening, said elements being disposed in said chambers movably independently of one another, said opening being covered with a protective cover.

(3) Result

A fiber or a bundle of fibers is disposed in each of relatively free spaces defined by spacers. Each fiber can absorb elongation or contraction due to bending and can, therefore, be relieved from any high tension causing it to break.

The loose arrangement of the fibers in the cable

makes it possible to keep any change of its transmitting characteristics to a minimum.

The cable of the type employing spacers is expected to undergo only a very small change in characteristics, because of a reduction in the lateral pressure acting on the fibers, as compared with any conventional cable of the solid type.

Points at Issue

(1) Was the spiral arrangement of the container about the centerline of the cable known in the art?

(2) Was the use of a high tensile core formed from steel wire known in the art?

Arguments

(A) Plaintiff (Applicant)

(1) The trial decision is illegal, as the Examiners' judgment as to the differences between the invention of the application at issue and the invention of the prior application was wrong and led to a wrong conclusion.

(2) An optical communication cable and an electrical communication cable do not necessarily have much in common. For example, there is a great difference between the effects of tension on the glass fibers in an optical communication cable and the effects of tension on the electric conductors in an electrical communication cable. Therefore, it was only after a comprehensive scope of research and consideration and the repetition of experiments that it was possible to ascertain that the provision of the high tensile core formed from steel wire in the center of the container

for the light transmitting elements could satisfy the requirements imposed on an optical communication cable. It was not a matter which was as simple as the mere application of the prior art.

(3) The cited application does not contain any specific description as to the longitudinal arrangement of the spacers. Therefore, there is no alternative but to assume it from the sectional view of the cable and the description of its operation and results.

If the spacers were arranged in a spiral pattern, the specification would contain an explicit corresponding description. Insofar as the cited application does not contain any such description, it is natural for anybody of ordinary skill in the art to conclude that the spacers are arranged in a linear pattern.

The light transmitting elements in the cable of this invention are not twisted themselves, but are spirally disposed in the spiral container. Therefore, the elements can displace themselves when the cable is bent, as opposed to the conductors in an electrical communication cable.

(B) Defendant (Patent Office)

(1) The invention of the application at issue is anticipated by the invention of the cited application.

(2) With reference to the fact that the cable of the application at issue has in the center of the container for the light transmitting elements the high tensile core formed from steel wire which the cable of the cited application does not include (difference A), it is a natural matter to take some measure or other against tension, whether in the art of optical

communication cables or in the art of electrical communication cables. The provision of a high tensile core formed from steel wire in the center of the cable is nothing but a measure which is obvious to anybody of ordinary skill in the art.

Insofar as the cited application does not contain any statement precluding the use of a high tensile core, it cannot be considered as anything but the mere application of the prior art, and cannot be concluded as distinguishing the invention at issue significantly from the invention of the cited application.

(3) While the container in the cable of the invention at issue is spirally arranged about its centerline, the cited application contains no relevant statement (difference B). Although it is true that the cited application does not contain any description as to the longitudinal configuration of the container, it is obvious that the container can be disposed either in parallel to the centerline of the cable or spirally about it, in view of the fact that both of a twisted arrangement and a non-twisted one are well known in the art of optical communication cables. It can, therefore, be concluded that the cited application teaches the possibility of disposing the container spirally about the centerline of the cable.

Summary of the Court Decision

(1) With regard to difference B, it is admitted that it was known in the art of cables prior to the date of priority as claimed in the application at issue that "almost all the cables, except the single-core cables, had a group of cores twisted together in various ways for achieving an improved

degree of electrical stability, flexibility, and an improved efficiency of space utilization (i.e. the provision of a plurality of cores within a small outside core diameter)". These cables were, however, not optical communication cables. They also differ from both of the cable of the application at issue and the cable of the cited application which are not intended for achieving an improved efficiency of space utilization, but are only intended for achieving the protection of light transmitting elements and therefore include the container having the chambers each defining a space in which a light transmitting element is freely movable. Therefore, it is not proper to make any simple comparison between these known cables and the cable of the application at issue or the cable of the cited application.

In other words, the mere fact that there was known a cable having twisted cores in the art of cables not intended for optical communication does not justify the conclusion that the container in the cable of the cited application is spiral.

(2) The cited application contains the following statement describing the results of the invention:

> "A fiber or a bundle of fibers is disposed in each of relatively free spaces defined by spacers. Each fiber can absorb elongation or contraction due to bending and can, therefore, be relieved from any high tension causing it to break."

However, this statement cannot be considered as justifying the defendant's allegation that the cited application anticipates the spiral arrangement of the spacers, since it is obvious that the results as hereinabove cited can also be achieved by the parallel arrangement of the spacers.

(3) Insofar as difference B, i.e. the spiral arrangement of the container can be considered to distinguish the invention of the application at issue from the invention of the cited application, the cited application cannot be concluded as disclosing the invention at issue, even if difference A, i.e. the presence of the high tensile core may be nothing but the mere application of the prior art as set forth in the trial decision.

Comments

The points at issue in the instant case reside in the fact that the cited application fails to show explicitly the spiral arrangement of the container itself, and the fact that the spiral arrangement of the container in an electrical communication cable upon which the defendant relied for his arguments was intended for a purpose differing from that for which the spiral arrangement of the container for optical fibers according to the invention at issue is intended.

While the trial decision held that it was known that the container was spirally arranged for achieving the spiral arrangement of light transmitting elements, it is apparent that the court decision recognized an inventive value in the choise of the spiral arrangement of the container for optical fibers.

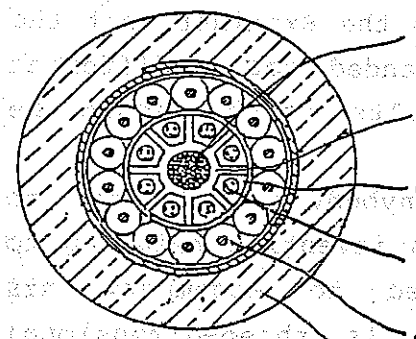
We wonder if the court would have rendered a similar decision if it had made a closer inquiry into the issue as to whether the spiral arrangement of light transmitting elements was one of the essential requirements imposed on any such cable.

At any rate, this case teaches us that the application of the prior art calls for an examination of various aspects

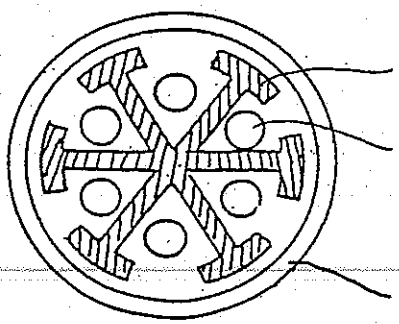
when there is a close affinity between the prior art and an invention under consideration, and particularly that there is every likelihood that the prior art as applied can be overcome if it is possible to convince the Examiner that the invention under consideration is intended for a different purpose and produces different results which cannot be expected from the prior art as applied.

This case also teaches that anybody who desires to obtain a more exclusive patent for his invention relating to an article is strongly recommended to accompany his application with a drawing showing its three-dimensional construction (as a longitudinal or perspective view of the cable in the case of the cited application) in order to exclude the possibility of any patent issuing from any later-filed application covering a similar invention.

APPLICATION AT ISSUE



CITATION



3. CONCLUSION:

In each of these three cases, the Court concluded that the invention under consideration was patentable, insofar as the differences between the invention and the disclosure of the citation (prior application) were such that the invention could produce the results not expected from the disclosure of the citation, and revoked the trial decision of the Japanese Patent Office which had made a broader interpretation of the extent to which the invention could be considered identical with the disclosure of the citation under Section 29 bis and had denied its patentability. This way of thinking in which the unexpected results which the invention under consideration can produce are taken into account when it is evaluated for patentability, is applicable even if the differences in constituent features between the invention and the disclosure of the citation may appear to be obvious to anybody of ordinary skill in the art.

Therefore, and also in view of the high percentage of the revoked cases involving the applicability of Section 29 bis, as compared with the revoked cases involving other provisions, as hereinabove stated, we believe that anybody whose application has been rejected pursuant to Section 29 bis as a result of the trial proceedings at the Japanese Patent Office will find it worthwhile to take a legal action for the revocation of the trial decision to have his invention patented, if he believes that his invention is so different from the citation relied upon by the Japanese Office as to be able to produce any significant result not expected from the citation.

From the standpoint of the applicant of any application who wants to exclude as far as possible the

issuance of any patent from any later application filed by another in the field of art to which his own invention pertains, it is necessary for him to include as many modifications or variations of his invention as possible in the specification or drawings when filing his application.

We have reviewed three specific cases in considerable detail to determine what the concept of identity under Section 29 bis really means. We would also like to draw attention to the paper entitled "A Study of Court Decisions Involving the Applicability of Section 29 bis of the Patent Law" and describing the results of the analysis which was made of many relevant court decisions by the Patent Committee of the Japanese Patent Association.(2)

We would be happy if our paper would be of help to anybody who desires to have some practical guidelines when considering the applicability of Section 29 bis.

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(1) "Patent Management", Vol. 37, No. 9 (1987), page 1081;
(2) "Patent Management", Vol. 37, No. 8 (1987), pages 981 to 993.

DUTY OF DISCLOSURE UPDATE

Pacific Industrial Property Association

Toba City, Japan

October 1988

Paul D. Carmichael

IBM Corporation

DUTY OF DISCLOSURE UPDATE

Paul D. Carmichael

The subject of fraud and inequitable conduct relative to prosecution of patent applications before the U.S. Patent and Trademark Office (USPTO) is undergoing rapid change. Also, the role that the U.S. Patent and Trademark Office (USPTO) will play in determining whether there has been a failure of a duty to disclose material information has been substantially modified within the last month.

These changes are important not only to U.S. patent practitioners but also to patent practitioners in other countries. The duty imposed by Rule 56 of the USPTO to disclose material information rests on each attorney or agent who prepares or prosecutes the application and on every other individual who is substantively involved in the preparation or prosecution. This duty applies to both U.S. and foreign persons, Gemmetto Jewelry Company v. Lambert Bros. Inc., 216 USPQ 976.

The basis for this is that if foreign patent attorneys and inventors were not held to the same standards of conduct which apply to their American counterparts, a double standard of accountability would allow foreign attorneys and inventors to escape responsibility for fraud or inequitable conduct merely by withholding information unfavorable to patentability and claiming ignorance of the United States disclosure requirements. As we

will discuss in a few minutes, the recent decision by the Court of Appeals for the Federal Circuit (CAFC) in In re Harita, 6 USPQ2d 1930, apparently goes so far as to establish such a double standard where the foreign practitioner is unaware of the U.S. duty of disclosure requirement.

In the following portions of this paper, we will examine recent decisions of the Court of Appeals for the Federal Circuit bearing on the question of duty of disclosure, fraud and inequitable conduct, examine the very recent changes to the USPTO rules, and discuss pending legislation in the area.

First, the recent decisions:

The case of In re Harita involved a Japanese inventor who told his Japanese patent agent about material prior art. The Japanese patent agent intentionally did not tell the U.S. attorney about the art because he didn't have to disclose the art in Japan, and he was unaware of the U.S. requirement. He realized his error after the patent issued. He filed a reissue application to cite the art and obtained allowance of the reissue by more narrowly amending the claims.

The CAFC held that the Japanese agent did not intentionally mislead the PTO even though he knew the art was material because (1) he relied on the U.S. attorney, (2) he had merely made a mistake in not asking for help, and (3) he only was aware of Japanese law which has no duty to disclose.

The Court, speaking through Judge Rich, stated: "Upon consideration of all the evidence the PTO has produced as a result of its four and a half years of effort and inquiry, even

if we assume a prima facie showing of intent on the part of Mr. Agata, the record as a whole overcomes that inference. Beyond question, **there is no evidence of any misstatement in the prosecution of the U.S. application. There is no evidence of any deliberate scheming.** After knowledge of the new prior art was acquired by Mr. Agata, all the evidence shows is that he communicated nothing to the U.S. attorney, Mr. Daniel. **His only sin was silence, and he had his reasons for it.** When he finally came to comprehend the true situation respecting USPTO practice, by which time the U.S. patent had issued, steps were taken to file a reissue application for the dual purpose of canceling the anticipated claims and advising the PTO of the newly found prior art. We see no inequitable conduct and no valid reason why the reissue should not issue."

This is a surprising decision, since a basic tenet of the American legal system is that ignorance of the law is no excuse. I wonder whether the results would have been the same if a U.S. rather than a Japanese agent had been involved, thus raising the question of the double standard. What this case signifies is the extent to which the CAFC is willing to go to change the ground rules on fraud and inequitable conduct.

Another case of interest is Democo v. von Langsdorf, 6/21/88 slip opinion. This case involved the failure to disclose to the USPTO a German reference that the German examiner cited against the German counterpart. In response to the U.S. attorney's request for a list of art that became known in the German examination beyond the citations against the U.S. application,

the German attorney listed nine German references, including GEB '249 and an Austrian reference. Drawings of seven references were enclosed, including full text for two of the seven, but no copy of GEB '249 was included. The German attorney stated that copies of '249 and certain other patents were intentionally not being sent to the U.S. attorney because they were deemed immaterial. The U.S. attorney filed the list and the copies he received with the USPTO, but didn't file GEB '249 because no copies were sent.

The District Court held that GEB '249 satisfied the "but it may have been" test for materiality and that it should have been disclosed, although the Court stated "the Court does not feel GEB '249 is material when measured against the objective 'but for' test." The District Court concluded that GEB '249 had intentionally been withheld from the USPTO.

The Federal Circuit, in reversing the District Court, noted that "to be guilty of inequitable conduct, one must have intended to act inequitably." Since GEB '249 was listed in the German priority document filed with USPTO, it didn't support a conclusion of intentional withholding. There was not clear and convincing evidence of a deliberate intent to conceal.

In Manitowoc, 2 USPQ2d 1112, the District Court asserted that even if a printed publication and on sale were considered material, there was an absence of intent. The CAFC affirmed, implying there had to be evidence of intent no matter how material. To be guilty of inequitable conduct, one must have acted inequitably. Although the applicant had knowledge of the

art, he had no knowledge of its materiality. Therefore, the applicant could not have had an intent to mislead. No intent was inferred. Apparently, subjective good faith was a defense.

In Hennessy, 5 USPQ2d 1272, there was a failure to disclose the prior sale of a semi-powered machine where the invention related to a full-powered machine. The Court noted that an "overwhelming" showing of materiality may raise an inference of intent as to require a convincing showing of subjective good faith. The Court concluded there was no duty for the applicant to inquire about a prior sale of the semi-powered machine because there was no duty to conduct a prior art search, nor disclose art of which an applicant could have been aware. The inventor's limited education caused his failure to recognize the materiality of the prior sale. Apparently, "could have been aware" does not equate with "should have been aware" if there are no warnings.

In Allen Organ, 839 F.2d 1556, the jury found there was a prior use and sale which was material, but there was no evidence of intent to withhold. There seems to be less emphasis on balancing materiality and intent. The fact the patentee disputed that a sale took place seemed to suggest a lack of specific intent.

In Specialty Composites, slip opinion, 4/27/88, the Court characterized the references as not "highly" material. With respect to prior sales, the patentee's agent testified that during prosecution he simply forgot to cite it. The Court concluded that where it is demonstrated that a reasonable examiner would merely have considered particular information to

be important but not crucial to his decision to reject, a showing of good faith judgment or honest mistake might well be a sufficient defense. Subjective good faith was a defense.

In Burlington Industries v. Dayco Corporation, slip opinion, 6/14/88, the invention related to impregnating fibers, and the attorney described the invention in the specification as impregnating fibers and impregnating fiber bundles. Apparently the uncited prior art showed impregnating bundles but not individual fibers. The CAFC accepted the allegation that the reference to impregnating bundles was an honest mistake by the attorney and reversed the lower Court. The importance of the case is the CAFC's admonition and concern about inequitable conduct being raised in almost every case that comes before it. The Court stated, "We add one final word: the habit of charging inequitable conduct in almost every major patent case has become an absolute plague. Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the absurdest grounds.... A patent litigant should be made to feel, therefore, that an unsupported charge of inequitable conduct in the Patent Office is a negative contribution to the rightful administration of justice."

Based on these cases, it is quite apparent that the CAFC is intent on changing the law by raising the standard of materiality for triggering the intent requirement. It appears the court is headed away from the test of whether it would be material or of interest to an examiner, and is headed toward a standard which requires that the uncited art be material in the sense it

directly impacts the validity of the patent. Further, in recent cases the court has affirmed lower court findings of insufficient evidence of intent even though the withheld information is material, basing it on evidence of subjective good faith. Of course, if there is direct evidence of intent, such as a letter stating that the reference should not be cited, and there is materiality, inequitable conduct and fraud are likely to be found.

Now let's spend a few minutes discussing the revised USPTO Rule on the Duty of Disclosure. The new rule, which was signed by Commissioner Quigg on September 9, 1988, simply says that the USPTO will not be involved in determining fraud and inequitable conduct matters and leaves these for the courts to determine. Let me read to you a few excerpts from the new order which explain the reasons for this order:

"The Office is not the best forum in which to determine whether there was an 'intent to mislead'; such intent is best determined when the trier of facts can observe demeanor of witnesses subjected to cross-examination. The Office is not presently equipped to handle live testimony. Modifying office procedures to do so would not be an effective utilization of resources. A court, with subpoena power, is presently the best forum to consider duty of disclosure issues under the present evidentiary standard for finding an 'intent to mislead.' The court proceeding involves two participating adverse parties. This is not the case in the Office, since even 'protecting' parties are not permitted to participate under the Rules. Also,

it is the courts and not the Office that are in the best position to fashion an equitable remedy to fit the precise facts in those cases where inequitable conduct is established....

"Accordingly, the Office will no longer investigate and reject original or reissue applications under 37 CFR 1.56 and to the extent 37 CFR 1.56 now requires the Office to do so, it is hereby waived. Likewise, the Office will not comment upon duty of disclosure issues which are brought to the attention of the Office in original or reissue applications except to note in the application, in appropriate circumstances, that such issues are no longer considered by the Office during its examination of patent applications. Examination of lack of deceptive intent in reissue applications will continue but without any investigation of inequitable conduct issues. Applicant's statement of lack of deceptive intent normally will be accepted as dispositive except in special circumstances such as an admission or judicial determination of fraud or inequitable conduct.

"The duty of disclosure requirements set forth in 37 CFR 1.56(a) will remain in effect pending modification by rulemaking procedure. The Office plans to propose a change in the standard of the duty of disclosure with respect to information to be submitted which an individual knows or should have known would render unpatentable any pending claim in an application. This would replace the present requirement to submit information which there is a substantial likelihood a reasonable examiner would consider important in deciding whether to allow an application to issue as a patent...."

All of this appears very logical from the point of view of the USPTO, but what might the reaction of the applicants and the courts be? The CAFC has made it clear in recent opinions that it is disturbed by having fraud and inequitable conduct raised in every case. The USPTO does not help in this regard by leaving it solely for the courts to decide. Also, an applicant may wonder what happens to the presumption of validity and burden of proof in the fraud and inequitable conduct areas.

It should be noted in passing that this matter is the subject of pending legislation. A bill introduced by Representative Kastenmeier (HR 4086) would amend the Title 35 of the United States Code to define fraud or other inequitable conduct in procuring a patent. The definition includes the tests of intentional or gross negligence, knowledge and materiality in the sense of rendering a claim unpatentable. It is unlikely that this legislation will be enacted this year, but it is another indication, as Representative Kastenmeier stated when introducing the legislation, that "the need to settle the law in this area is extremely urgent."

The law will remain unsettled and confusing for the foreseeable future until the CAFC arrives at and states in a clear way what the new standards of materiality and intent are or until new legislation is enacted for the same purpose.

ATTACHMENT

Patent and Trademark Office Implementation of 37 CFR 1.56

(Note: This notice has been signed by Commissioner of Patents and Trademarks Donald J. Quigg and is scheduled for publication in the Official Gazette on October 4, 1988. The text below was retyped by IPO to facilitate reproduction.)

The Patent and Trademark Office has been reviewing, and discussing in conjunction with various private sector groups, its implementation of 37 CFR 1.56 which deals with the duty of disclosure and inequitable conduct. Determination of inequitable conduct issues requires an evaluation of the intent of the party involved. While some court decisions have held that intent may be inferred in some circumstances, consideration of the good faith of the party, or lack thereof, is often required. In several recent court decisions, a high level of proof of intent to mislead the Office was required in order to prove inequitable conduct under 37 CFR 1.56. See In re Harita, 847 F.2d 801, 6 USPQ 2d 1930 (Fed. Cir. 1988) and FMC Corp. v. Manitowoc Co. Inc., 835 F.2d 1411, 5 USPQ 2d 1112 (Fed. Cir. 1988).

The Office is not the best forum in which to determine whether there was an "intent to mislead", such intent is best determined when the trier of facts can observe demeanor of witnesses subjected to cross-examination. The Office is not presently equipped to handle live testimony. Modifying Office procedures to do so would not be an effective utilization of resources. A court, with subpoena power, is presently the best forum to consider duty of disclosure issues under the present evidentiary standard for finding an "intent to mislead". The court proceeding involves two participating adverse parties. This is not the case in the Office, since even "protesting" parties are not permitted to participate under the Rules. Also, it is the courts and not the Office that are in the best position to fashion an equitable remedy to fit the precise facts in those cases where inequitable conduct is established. Furthermore, inequitable conduct is not set by statute as a criteria for patentability but rather is a judicial application of the doctrine of unclean hands which is appropriate to be handled by the courts rather than by an administrative body. Because of the lack of tools in the Office to deal with this issue and because of its sensitive nature and potential impact on a patent, Office determinations generally will not deter subsequent litigation of the same issue in the courts on appeal or in separate litigation. Office determinations significantly add to the expense and time involved in obtaining a patent with little or no benefit to the patent owner or any other parties with an interest.

Accordingly, the Office will no longer investigate and reject original or reissue applications under 37 CFR 1.56 and to the extent 37 CFR 1.56 now requires the Office to do so, it is hereby waived. Likewise, the Office will not comment upon duty of disclosure issues which are brought to the attention of the Office in original or reissue applications except to note in the application, in appropriate circumstances, that such issues are no longer considered by the Office during its examination of patent applications. Examination of lack of deceptive intent in reissue applications will continue but without any investigation of inequitable conduct issues. Applicant's statement of lack of deceptive intent normally will be accepted as dispositive except in special circumstances such as an admission or judicial determination of fraud or inequitable conduct.

The duty of disclosure requirements set forth in 37 CFR 1.56(a) will remain in effect pending modification by rulemaking procedure. The Office plans to propose a change in the standard of the duty of disclosure with respect to information to be submitted which an individual knows or should have known would render unpatentable any pending claim in an application. This would replace the present requirement to submit information which there is a substantial likelihood a reasonable examiner would consider important in deciding whether to allow an application to issue as a patent. The Office also plans to propose that 37 CFR 1.97-1.99 concerning information disclosure statements be modified to clarify the manner and time for submission of information to the Office for consideration in an application. Further, the Office has already indicated its support for legislation proposed by Congressman Kastenmeier in H.R. 4086 with certain clarifying changes.

This change in practice will not reduce incentives to disclose information to the Office promptly. A judicial finding of inequitable conduct or fraud will still render a patent unenforceable or invalid. Therefore, applicants will still be encouraged to comply with the Rule, as applied by the courts. Practitioners found to have participated in inequitable conduct or fraud shall be subject to disciplinary proceedings. 37 CFR Part 10.

Any response due to an outstanding requirement for information regarding the duty of disclosure or rejection under 37 CFR 1.56 may merely make reference to the change in practice set forth in this Notice. Such a response will be considered complete if timely filed. A paper will then be mailed and placed of record merely noting that the Office no longer examines patent applications for compliance with 37 CFR 1.56.

Applications in which there is no outstanding requirement for information regarding the duty of disclosure or outstanding rejection under 37 CFR 1.56, but in which a duty of disclosure issue has been noted on the record, will have a paper placed in the record and mailed to the applicant terminating consideration of the duty of disclosure issue and noting that the Office no longer examines patent applications for compliance with 37 CFR 1.56. Thereafter, no further action will be undertaken by the Office regarding the duty of disclosure issue.

The Board of Patent Appeals and Interferences will henceforth not review any rejection under 37 CFR 1.56 but will treat the rejection as withdrawn and merely note that the Office no longer examines patent applications for compliance with 37 CFR 1.56.

Questions regarding this change of practice may be directed to the Special Program Examination Unit at (703) 557-8384.

9-8-88
DATE

(Signed)
Donald J. Quigg
Assistant Secretary and Commissioner
of Patents and Trademarks

Appeal System and the Present State Thereof

Japanese Group, Committee No. 1

Subcommittee No. 3

Yoriko Akane	Asahi Chemical Industry Co., Ltd.
Makoto Inabayashi	Toshiba Corporation
Tsutomu Sugie	Toyota Central Res. & Develop. Labs., Inc.
Kunihiro Ishine	Mitsubishi Heavy Industries, Ltd.
Saburo Moriwaki	Mitsubishi Petrochemical Co., Ltd.
Koji Ebata	Ricoh Company, Ltd.
Yoshiaki Matsui	Mitsubishi Rayon Co., Ltd.

Abstract

Under the Japanese Patent Law, there is provided an appeal system dealing with seven kinds of demands including revocation of faulty decision, invalidation of faulty patent or revision of faulty patent specification. Annual average number of such demand for trial are about 11,500 cases of which 98 % is occupied by trials against final rejection, and rate of trial (proportion of the number of demand for trial to the number of decision of rejection) is 25 % in annual average. Of those demands for trial against decision of rejection, about 20 % is patented by prior examination, about 10 % withdrawn and the remaining 70 % undergoes proceedings at the real trial. Proportion of cases where decision of rejection is revoked and patent is granted as the result of trial to the number of total decisions is about 60 %. As for a period for carrying out the trial, of the soonest-processed cases (where publication and decision of opposition took place in the prior examination), about 60 % is 2 years or less and 90 % 4 years or less, and of the latest-processed cases (where no publication nor decision of opposition took place in the examination) 60 % is about 5 years or less and about 90 % 7 years or less. Further, such rate of revocation of decision of rejection and the period of process are found different slightly among technical fields.

1. In the beginning

Any decision of rejection and decision of patent as the final disposition by the examiner of the patent application filed that might prejudice the applicant and a third party, if ever proved faulty is, needless to say, required to be provided with means to rectify such fault.

As a means for such purpose, the Patent Law provides an appeal system with the intension to revoke any faulty decision, to invalidate any faulty patent or to correct any faulty patent specification or drawings.

Contents of appeal system and outline of the latest decisions will be described in the following centering on the trial against decision of rejection.

2. Kind and contents of trial

The trial includes ① trial against decision of rejection (Art. 121), ② trial against decision of declining of amendment (Art. 122), ③ trial for invalidation of patent (Art. 123), ④ trial for correction (Art. 126), ⑤ trial for invalidation of correction (Art. 129), ⑥ trial for invalidation of patent based on proper reason for international patent application (Art. 184-15) and ⑦ trial for invalidation of registered extended period for the duration. (Art. 125bis) The contents of trial referred to in ① thru ⑤ out of them will be given brief explanation in the following.

(1) Trial against decision of rejection (Art. 121)

This is a trial for which a person having suffered decision of rejection may demand for any complaint, and assumes the nature as renewal of examination (Art. 158 and 159). [Refer to Chart 11 for summary of proceedings.]

(i) Period during which demand may be made

Period during which demand may be made is within 30 days after the attested copy of rejection has been served (Art. 121, Subsec. 1), however, if the trial demandant lives at a distant place or at a place inconvenient for communication (Art. 4 Subsec. 1), or the demandant is prevented from filing a demand within said 30 days due to any reason not attributed to him (Art. 121, Subsec. 2), such period may be extended.

(ii) Prior examination

If the patent specification or drawings are amended within 30 days from the date of demand for trial, that demand is let to be reexamined by the examiner (as a rule, one who decided on rejection) prior to the proceedings in the trial

(Art. 161-2). The examiner must revoke such decision of rejection before he makes decision of patent as the result of reexamination (Art. 161-4, Subsec. 1), and the demand for trial is to be extinct as the purpose of demand has been attained.

If decision of patent can not be made even after such amendment, the result of examination must be reported to Director-General of the Patent Office without being finalized with decision of rejection (Art. 161-4, Subsec. 3), and upon acceptance of this report, the Director-General of the Patent Office appoints a trial examiner and the case is referred to the proceedings of the proper trial (Art. 137, Subsec. 1).

(iii) Proceedings of trial

The trial is held by a council of three or five (usually three) examiners and decision is made by the majority of votes at the council of examiners (Art. 136, Subsec. 1 and 2). If the ground of decision of rejection is reasonable in the opinion of the council as the result of the proceedings, the demand for trial is rejected on the ground that it is without foundation. On the contrary, if the ground of decision of rejection is unreasonable in the opinion of the council, decision is made to such effect that the decision of rejection is revoked and the application is referred to the examination (Art. 160), or, in the progress of proceedings, investigation is made by virtue of the authority of office to see whether there is any ground of rejection or not and if new ground of rejection is found, this must be notified to the trial demandant to give him an opportunity to file an argument and/or amendment (Art. 159, Subsec. 2), and if it is right to reject in the opinion of the council under said argument and/or amendment, the council is to reject such demand on the ground that the demand for trial is without foundation.

When investigation by virtue of the authority of office does not result in the discovery of any ground of rejection, the examiners will decide on publication of application (Art. 159, Subsec. 3). However, if the publication of application has already been made, without further publication of patent application, decision must be made to such effect that the

decision of rejection is revoked and patent is granted (Art. 159, Subsec. 4). With regard to the publication of application made in the trial, any person may raise an opposition as in the examination, and formalities for examination applies to proceedings when any opposition is raised (Art. 159, Subsec. 3).

(2) Trial against declining amendment (Art. 122)

If the amendment of specification or drawings made before the attested copy of decision of publication is served, effects change to the essentials of such specification of drawings, the trial examiner must decide to decline such amendment (Art. 53, Subsec. 1); however, if the demandant is dissatisfied with it, he may demand a trial within 30 days from the date of service of the attested copy of said decision (however, there is same exception to it as one to the demand for trial against decision of rejection). If no amendment results in any change as the result of trial in the opinion of the trial examiner, declining of amendment is invoked and the judgement in such case shall bind the examiner (Art. 162).

Although no objection is allowed to be raised independently against decision by the examiner of declining of amendment (Art. 54, Subsec. 1) after the service of the attested copy of decision of publication, on the ground that said amendment is against Art. 64, if the decision of rejection is made, objection may be raised at the trial against the decision of rejection (Art. 54, Subsec. 3).

(3) Trial for invalidation of patent (Art. 123)

Demand may be made for trial for invalidation of patent with fault. It is understood that such demandant must be a person who is interested in invalidation of the patent although such is not provided in the Patent Law and that a demandee must be patentee.

Such trial may be demanded even after the lapse of patent (Art. 123, Subsec. 2).

(i) Reason for invalidation of patent

Reason for invalidation of patent (Art. 123) is similar to one for rejection of patent application (Art. 49) more or less except that any offence against the official form of entry in the claim of patent (Art. 36, Subsec. 4, Para. 3) or against the simplicity of application (Art. 37) will constitute a reason for rejection but not one for invalidation.

It is understood that any reason arising after a patent is granted (Art. 123, Subsec. 1, Para. 5) does not constitute a reason for rejection of application.

(ii) Manner of proceedings

Manner of proceedings at the trial for invalidation is based on reciprocal arrangement which affords the demandant and a demandee an equal chance to extend what each has to say.

(iii) Effect of invalidation of patent

When a patent is invalidated, the patent is deemed non-existent from the beginning (Art. 125), and pursuant thereto, right to provisional protection is deemed non-existent from the date of publication of patent application (Art. 52, Subsec. 3).

Further, any patent invalidated by coming under any later-happening reason is deemed non-existent from the date of coming under said reason for the patent (Art. 125, Proviso).

(4) Trial against amendment (Art. 126)

A patentee may demand a trial against correction of specification of drawing. This trial, which is a means for defence or protection against offence for invalidation of patent, may be demanded even after a patent right is extinct, but not after the patent is invalidated under the trial for invalidation of patent (Art. 126, Subsec. 4).

(i) Correctable matter

Matters that can be corrected under this trial are limited to ① reduction of claim, ② correction of errors in writing, ③ vindication of unclear entry (Art. 126, Subsec. 1), and such correction must neither be extention of nor change in claim even though the purpose of correction is

formally either of matters as mentioned above (Art. 126, Subsec. 2).

Further, correction for reduction in claim, which could not be patented if independently applied for patent, may not be approved as it carries no practical benefit (Art. 126, Subsec. 3).

(ii) Manner of proceedings

Proceedings at the trial for correction is to be conducted similarly as at the examination of patent application; that is to say, if the demand does not comply with the provisions of Art. 126, Subsec. 1 thru 3 as the result of proceedings for the demand, the presiding judge must notify the demandant of the reason thereof, giving a reasonable period for filing an argument (Art. 164, Subsec. 1), and, if such demand complies with said provisions, he must make a decision to make publication of demand (Art. 164, Subsec. 2). Procedure for publication of patent application applies to that for publication of demand (Art. 165.)

(iii) Effect of correction

If, as the result of trial for correction, a decision is made to approve the correction, the effect of the correction is retroactive to the time of patent application (Art. 128).

(5) Trial for invalidation of correction (Art. 129)

If correction of specification of drawings made under the trial for correction is in violation of the provisions of Art. 126, Subsec. 1 thru 3, demand for trial may be made to invalidate such correction, and such trial may be applied for also after the patent is extinct (Art. 129, Subsec. 2).

Manner of proceedings is similar to one for trial for invalidation of patent (Art. 145). When the trial to invalidate the correction of specification of drawings is finalized, the correction is deemed non-existent from the beginning (Art. 130).

3. Summary of trial

(1) Demand for trial classified under kind and disposition

thereof during past five years (1983 - 1987)

(i) Trial against rejection of patent (Table 2-1 and Chart 2)

The number of demands for trial against rejection of patent is about 11,000 cases in annual average (about 98 % of the total demand for trial for patent), predominantly large number compared to other trials, and the rate of demand (number of demands/number of decisions of rejection x 100 %) is about 25 %.

Out of demands for trial, about 20 % was patented by prior examination, about 10 % withdrawn and about 1 % rejected as one not proper in procedure, and practically about 70 % undergoes examination.

Proportion of demands of which decision of rejection was revoked and patent was granted (rate of achievement) is fairly high at about 60 %.

(ii) Trial against declining of amendment (Table 2-2)

The number of demands for this kind of trial is low at about 100 cases in annual average, and the rate of achievement where declining of amendment was revoked at the examination is about 70 %, higher than one for the trial against rejection.

(iii) Trial for invalidation of patent (Table 2-3)

The number of demands for this kind of trial is about 120 cases in annual average, close on that of demands for trial against declining of amendment, and the rate of withdrawal of demand is fairly high at 30 %. This high rate indicates, it seems, more cases of withdrawal due to compromise between patentee and demandant for trial.

(iv) Trial for correction (Table 2-4)

The number of demands for this trial is very low at 42 cases in annual average and the rate of withdrawal of demand is about 30 %, high at the same level as one for the trial for invalidation of patent.

Proportion of cases where correction is approved is about 66 %. Trial for invalidation of correction is omitted because of little data available.

(2) Summary of decision at trial against rejection for the

past five months (January to May 1988)

Out of cases of decision contained in Patent Decision Bulletin issued in January to May this year, cases of examination (including preliminary examination) where filing of opposition to grant of patent is involved in the examination (totaling 278 cases: hereinafter referred to as Case A, thick-lined in Chart 11) and cases of trial where filing of oppositions to grant of patent is involved in the trial (totaling 253 cases: hereinafter referred to as Case B, double-lined in Chart 11) will be summarized in the following. Reason why selection of decisions is limited to Case A and Case B as mentioned above is because, regarding trial against rejection, all decisions are not included in the said Bulletin and it is to assure the accuracy of the data to limit to Case A and Case B both of which are to include, as a rule, all of the decisions. By the way, Case A and Case B altogether include 531 cases representing about 20 % of all decisions while Case C shown in ~~wave~~ dotted-line (cases rejected at the examination and trial without publication) is about 30 % and Case D shown in ~~chain~~ double dotted-line (cases patented with publication and without opposition at the trial) is about 50 %.

(i) Period of disposition

[Case A] (Table 3)

(a) As a whole (Chart 3): About 60 % was completed within 2 years and about 90% within 4 years. In case of Case A, period of disposition is comparatively short, because decision of publication of patent application are to be made at the stage of examination, thus eliminating necessity for another publication of patent application in case of revocation and patenting. (The shortest case of the period of disposition, similar in level to Case C)

(b) Classified by technical field: Classified by technical field with 30 or more cases (Shaping with 38 cases, Chemistry with 60 cases, Instruments with 59 cases, Electricity with 36 cases), cases of Instruments were completed of about 70 % within 2 years while Shaping and Chemistry were completed of about 50 % within 2 years respectively, indicating some difference among technical fields.

[Case B] (Table 4)

(a) As a whole (Chart 4): About 60 % was completed within 5 years and about 90 % within 7 years. Compared to Case A, period of disposition for Case B is longer by 3 years which correspond to a period from publication of patent application at the stage of examination to the decision of opposition to patent, representing the longest period of disposition of all cases.

(b) Classified by technical field: Classified by technical field with 30 or more cases (Shaping with 30 cases, Chemistry with 39 cases, Instruments with 32 cases, Electricity with 57 cases), Chemistry was completed of about 70 % within 5 years while the rest is almost same as the average level of the whole.

(ii) Conclusion of decision

[Case A]

(a) As a whole (Table 5 and Chart 5): Proportion of achievement (WY) is about 51 % which is 10 % lower than the past 5 year average of 60 % shown in Table 2-1. In case of Case A, decision is made under the condition that a demurrant to original decision is not allowed to participate officially in the examination, and such method appears doubtful in view of impartiality of the examination.

(b) Classified by technical field (Table 5): Classified by technical field with 30 or more cases (4 fields), Chemistry is 62 %, Instruments 51 %, Shaping 47 %, Electricity 42 % in the order of proportion of achievement, indicating fair difference among technical fields.

(c) Classified by applied law (Table 7 and Chart 7): In the order of high rate of application, Art. 29, Subsec. 2 (Inventive step including concurrence with other provisions) is 82 %, Art. 29-2 (identification with invention specified in specification in the prior patent application) about 9 %, Art. 29, Subsec. 1 (novelty) about 60 %, Art. 36 (requirement for entry in specification) and Art. 39 (prior application) about 1 %, showing predominantly high percentage of the application of Art. 29, Subsec. 2. As for the proportion of achievement classified by applied provision, in the highest

side, Art. 36 is 100 % though the number of cases is so few as 5, and Art. 29-2 is 63 %. From such percentages it seems easy to conquer the reason for rejection through amendment or other. In the lower side, Art. 29, Subsec. 1 is about 40 %. Such low proportion may be accounted for by a fact that the invention was so devoid of originality that the examiner of original examination rejected the demand under Art. 29, Subsec. 1 without taking trouble of applying Art. 29, Subsec. 2. This may be known by another fact that proportion of Z (examiners who supported the reason for rejection) in the case of application of said paragraph is about 56 %.

In the next place, proportion of cases where objects and effects were taken into consideration in addition to constituents of the invention is about 75 %, and in particular, proportion of achievement is 83 %, indicating high degree of effectiveness of the appropriate entry about objects and effects.

(d) Classified by with or without amendment and time of amendment (Table 9 and Chart 9-1 thru 9-3): Proportion of achievement of demand is 36 % for the case where no amendment was made upon demand for trial (including 30 days after demand) or later, and 51 % for the case where amendment was made upon demand for trial and, in particular, 82 % for the case where amendment was made after demand for trial (however, amendment may not be made unless a notice of reason for rejection is made). Such percentages show how effective post-demand amendment is.

[Case B]

(a) As a whole (Table 6 and Chart 6): Proportion of achievement of demand (WY) is 62 %, nearly same rate as the past 5-year-average of 60 % shown in Table 1.

In this Case B, nothing of conclusion corresponds to Z because publication of application was made at the trial to such effect that reason for decision of rejection contained nothing to support.

(b) Classified by technical field (Table 6): In the order of high proportion of achievement with limitation to technical field with 30 or more cases (4 fields), first comes 75 % for

Instruments followed by 69 % for Chemistry and Shaping respectively. Instruments and Chemistry are prominent.

(c) Classified by applied law (Table 8 and Chart 8): In the order of high rate of application, Art. 29, Subsec. 2 (inventive step inclusive of concurrence with other provisions) is about 87 %, Art. 29-2 (identification with invention set forth in the specification of the prior application) about 7 %, Art. 29, Subsec. 1 (novelty) about 5 % and Art. 36 (requirements for entry in the specification) about 1 %, showing much higher application rate of Art. 29, Subsec. 2 compared to Case A.

As for the rate of achievement classified by applied law, in the higher side, there are 2 cases which are 100 % and in the lower side, Art. 29, Subsec. 1 is 14 %.

(d) Classified by with or without amendment and time for amendment (Table 10 and Chart 10-1 thru 10-3): Proportion of achievement is 64 % for the case where no amendment was made upon demand for trial or after demand, and 19 % for the case where amendment was made upon demand for trial, and 69 % for the case where amendment was made after demand for trial, indicating impressively low proportion for the case where amendment was made upon demand for trial; this, however, may not show a general trend as such because the number of cases involved is only 16.

4. Conclusion

As seen in the brief description so far made about appeal system in Japan and actual state thereof, there is a remarkable difference in terms of form from the system in the U.S. in that Japanese system has seven kinds of trial on Patent.

However, the U.S. patent institution, as a whole, includes some system and proceedings rather similar to the appeal system in Japan; for example, reissue in the U.S. is similar to trial for amendment in Japan, and reexamination in the U.S. may be understood to be a system similar to a trial for invalidation in Japan, and further, there are adopted in

the appeal of the U.S. such proceedings which are quite close to the preliminary steps of examination in Japan.

On the other hand, viewed from the point of actual state, the proportion of achievement of the demand for trial against final rejection in Japan is rather high of 60 %; however, this high percentage can not be compared simply to the achievement percentage in the U.S. appeal because high proportion of achievement in Japan includes pretty large percentage (about 17 % for Case A and about 24 % for Case B) of achievement realized through amendment to specification and other after demand for trial (excluding amendments made within 30 days after demand) while amendment to claim after demand for appeal is not approved in the U.S.

It is recognized as seen above that trial system in Japan carries similar as well as dissimilar points to the U.S. appeal system and other system in terms of system itself and definite proceedings, and it seems practically useful to give consideration to the details as to the differene such as mentioned above. However, because of limited time available, this time, our description has been limited to the brief introduction to the Japanese appeal system and present state thereof, and that, among the three parties including EPC, will be invenstigated if possible when there is a chance in the near future.

Attachment

(Table 1) The number of cases of examination. disposition of patent application

(Table 2-1) The number of cases of demand for trial and disposition thereof

(Table 2-2) The number of cases of demand for trial against final declining of amendment and disposition thereof

(Table 2-3) The number of cases of demand for trial for invalidation of patent and disposition thereof

(Table 2-4) The number of cases of demand for trial for correction and disposition thereof

(Table 3) Period of disposition for Case A (classified by IOC subsection)

(Table 4) Period of disposition for Case B (classified by IPC subsection)

(Table 5) Conclusion of Case A (classified by IPC subsection)

(Table 6) Conclusion of Case B (classified by IPC subsection)

(Table 7) Conclusion of Case A (classified by applied law)

(Table 8) Conclusion of Case B (classified by applied law)

(Table 9) Conclusion of Case A (classified by with or without amendment and time of amendment)

(Table 10) Conclusion of Case B (classified by with or without amendment and time of amendment)

(Chart 1) The number of cases of examination. disposition of patent application (average of Table 1)

(Chart 2) The number of cases of demand for trial against rejection. disposition thereof (average of Table 2-1)

(Chart 3) Period of disposition of Case A (total of Table 3)

(Chart 4)	Period of disposition of Case B (total of Table 4)
(Chart 5)	Conclusion of Case A (total of Table 5)
(Chart 6)	Conclusion of Case B (total of Table 6)
(Chart 7)	Applied laws for Case A (total of Table 7)
(Chart 8)	Applied laws for Case B (total of Table 8)
(Chart 9-1)	Conclusion of the case where amendment is made upon demand for trial (Table 9)
(Chart 9-2)	Conclusion of the case where amendment is made after demand for trial (Table 9)
(Chart 9-3)	Conclusion of the case where no amendment is made (Table 9)
(Chart 10-1)	Conclusion of the case where amendment is made upon demand for trial (Table 10)
(Chart 10-2)	Conclusion of the case where amendment is made after demand for trial (Table 10)
(Chart 10-3)	Conclusion of the case where no amendment is made (Table 10)
(Chart 11)	Chart for summary of system of proceedings for trial against rejection

(Table 1) The number of cases of examination. disposition of patent application

Year	appli-cation	disposi-tion	withdraw abandon	%	conver-tion	%	decision of patent	%	decision of rejection	%
1983	254,956	96,778	2,471	2.6	2,973	3.1	49,686	51.3	41,646	43.0
1984	284,767	96,746	1,870	1.9	2,591	3.0	49,094	50.7	43,191	44.6
1985	302,089	102,016	2,641	2.6	2,378	2.3	49,291	48.3	47,706	46.8
1986	320,089	113,754	8,916	7.8	2,076	1.8	51,937	45.7	50,825	44.7
1987	341,095	112,128	12,340	11.0	1,131	1.0	54,162	48.3	44,495	39.7
Ave.	300,780	104,284	5,648	5.4	2,230	2.2	50,834	48.7	45,573	43.7

(Table 2-1) The number of cases of demand for trial and disposition thereof

Year	decision of rejection	demand for trial	* %	decision of patent (Art.161-4)	%	send back	dis-missal	with-drawal	%	affirmed (rejection)	%	reversed (patent)	** %
1983	41,646	10,295	24.7	2,420	24.0	1	79	846	8.2	2,684	41.9	3,718	58.1
1984	43,191	10,125	23.4	2,369	23.4	1	63	757	7.5	2,933	42.4	3,993	57.6
1985	47,706	11,408	23.9	2,007	17.6	2	123	1,007	8.8	2,690	40.0	4,028	60.0
1986	50,825	12,589	24.3	2,113	16.8	1	115	1,245	9.9	2,997	41.0	4,320	59.0
1987	44,495	11,692	26.3	2,491	21.3	1	88	1,318	11.3	3,373	36.7	5,892	63.3
Ave.	45,573	11,222	24.6	2,280	20.3	1	94	1,035	9.2	2,935	40.4	4,378	59.6

* demand for trial (%) : (number of demands)/(number of decisions of rejection) × 100(%)

** reversed (%) : (number of "reversed")/(total number of "reversed" and "affirmed") × 100(%)

(Table 2-2) The number of cases of demand for trial against final declining of amendment and disposition thereof

Year	demand	dis-missal	with-drawal	%	affirmed (rejection)	%	reversed (patent)	%
1983	144		15	10.4	46	33.8	90	66.2
1984	91	4	9	9.9	32	30.2	74	69.8
1985	91		6	6.6	19	24.4	59	75.6
1986	101	1	1	1.0	31	30.4	71	69.6
1987	66	2	8	12.1	30	32.0	49	62.0
Ave.	99	1	8	8.1	32	31.4	69	68.6

(Table 2-3) The number of cases of demand for trial for invalidation of patent and disposition thereof

Year	demand	dis-missal	with-drawal	%	affirmed (rejection)	%	reversed (patent)	%
1983	104	6	27	26.0	44	44.9	54	55.1
1984	132	3	31	23.5	48	49.5	49	50.5
1985	133	10	34	26.0	55	44.5	46	45.5
1986	135	5	43	32.0	76	66.7	38	33.3
1987	95	1	35	37.0	52	67.5	25	32.5
Ave.	120	5	34	28.3	55	56.6	42	43.4

(Table 2-4) The number of cases of demand for trial for correction and disposition thereof

Year	demand	dis-missal	with-drawal	%	affirmed (rejection)	%	reversed (patent)	%
1983	37		13	35.0	14	40.0	21	60.0
1984	42	12	13	31.0	10	28.6	25	71.4
1985	55	5	13	23.6	6	23.1	20	76.9
1986	41		14	34.1	18	43.9	23	56.1
1987	34	1	13	38.0	9	33.3	18	66.7
Ave.	42	4	13	31.0	11	33.8	21	66.2

(Table 3) Period of disposition for Case A

Sub-sections	0~1(α)	1~2	2~3	3~4	4~5	5~6	6~7	7~8	8~9	9~10	10~11	12~13	TOTAL
Agriculture	1	1											2
Foodstuffs and tabacco	1	1	1		1								4
Individual or household articles	2				1								3
Health and amusements	1		2	3	1								7
Separating and mixing	4	3	3	3	1								14
Shaping	9	11	6	9	2			1					38
Printing		2											2
Transporting	6	3		1								1	11
Chemistry	10	21	17	9	2	1							60
Metallurgy	1	3		2									6
Textiles	5	5	1	1									12
Paper	1												1
Building		7											7
Engines and pumps	2	2											4
Engineering		3	1	2									6
Lighting and heating	4	1	1										6
Arms and ammunition													0
Instruments	24	19	6	6	4								59
Nucleonics													0
Electricity	14	9	8	4	1								36
TOTAL	85	91	46	40	13	1	0	1	0	0	0	1	278

(Table 4) Period of disposition for Case B

Sub-sections (IPC)	0~1(Y)	1~2	2~3	3~4	4~5	5~6	6~7	7~8	8~9	9~10	10~11	12~13	TOTAL
Agriculture	1		2		1	1							5
Foodstuffs and tabacco	1	1			2			1					5
Individual or household articles				2				1					3
Health and amusements			2	1			1	1					5
Separating and mixing						2	2	1			1		6
Shaping		6	5	5	1	2	5	5		1			30
Printing			1	1		1							3
Transporting		1	2	4	2	2							11
Chemistry		1	11	10	6	6	2	2		1			39
Metallurgy	1	1	3	2	2	2	1						12
Textiles			2	4	1	2		1					10
Paper				1			1	1					3
Building				1	2	3			1				7
Engines and pumps		1		1	2	1	1						6
Engineering	1	1	3	2		2							9
Lighting and heating			2	1	1	2	2						8
Arms and ammunition													0
Instruments		5	11	3	1	3	4	4		1			32
Nucleonics				1				1					2
Electricity		5	13	14	3	10	7	2	3				57
TOTAL	4	22	57	53	24	39	26	20	4	3	1	0	253

(Table 5) Conclusion of Case A

Sub-sections (IPC)	WY	Z	WZ	TOTAL	reversed
Agriculture	2			2	100 (%)
Foodstuffs and tabacco	2	2		4	50
Individual or household articles	2	1		3	67
Health and amusements	2	4	1	7	29
Separating and mixing	4	10		14	29
Shaping	18	18	2	38	47
Printing	2			2	100
Transporting	5	6		11	45
Chemistry	37	21	2	60	62
Metallurgy	4	2		6	67
Textiles	5	6	1	12	42
Paper			1	1	0
Building	3	2	2	7	43
Engines and pumps	3	1		4	75
Engineering	4	2		6	67
Lighting and heating	5	1		6	83
Instruments	30	28	1	59	51
Nucleonics					
Electricity	15	16	5	36	42
TOTAL	143	120	15	278	51 (%)

(Table 6) Conclusion of Case B

WY	WZ	TOTAL	reversed
4	1	5	80 (%)
2	3	5	40
2	1	3	67
2	3	5	40
2	4	6	33
18	12	30	60
2	1	3	67
8	3	11	73
27	12	39	69
6	6	12	50
5	5	10	50
2	1	3	67
3	4	7	43
4	2	6	67
7	2	9	78
4	4	8	50
24	8	32	75
2		2	100
34	23	57	60
158	95	253	62 (%)

(WY): reversed (patent) (Z): affirmed (rejection)
(WZ): affirmed (rejection on the new ground)

(Table 7). Conclusion of Case A (classified by applied Art.)

Art.	WY	Z	WZ	TOTAL	applied	reversed
29·1	7	10	1	18	6 (%)	39 (%)
29·2 *	115 (96)	102 (65)	12 (1)	229 (172)	82 (62)	50 (56)
29 bis	15	8	1	24	9	63
36	5			5	2	100
39	1		1	2	1	50
TOTAL	143	120	15	278	100 %	51 %

*29·2( ) : the number of cases where objects and effects were taken into concideration in addition to constituents of the invention to find the inventive step.

(Table 8) Conclusion of Case B (classified by applied Art.)

Art.	WY	WZ	TOTAL	applied	reversed
29·1	2	12	14	5 (%)	14 (%)
29·2	143 (93)	77 (45)	220 (138)	87 (67)	65 (67)
29bis	11	6	17	7	65
36	2		2	1	100
TOTAL	158	95	253	100 %	62 %

(Table 9) Conclusion of Case A (classified by with or without amendment and time of amendment)

Time	WY	Z	WZ	TOTAL	reversed
on demand *	58	52	3	113	51 (%)
after demand	46	5	5	56	82
no amendment	39	63	8	109	36
TOTAL	143	120	15	278	51 %

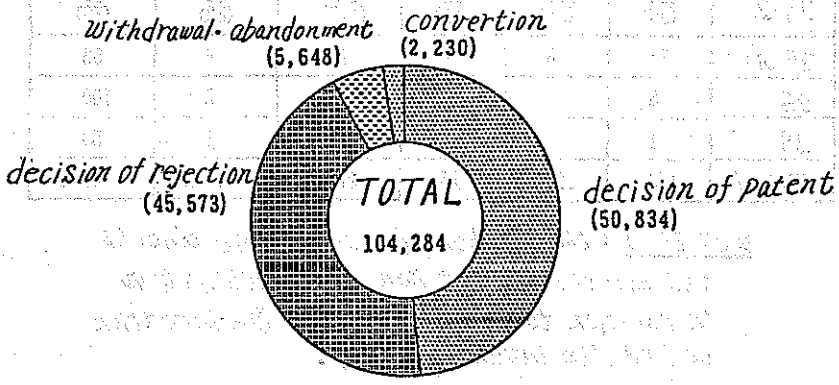
* "on demand" include amendments made within 30 days after demand

(Table 10) Conclusion of Case B (classified by with or without amendment and time of amendment)

Time	WY	WZ	TOTAL	reversed
on demand	3	13	16	19 (%)
after demand	61	28	89	69
no amendment	94	54	148	64
TOTAL	158	95	253	62 %

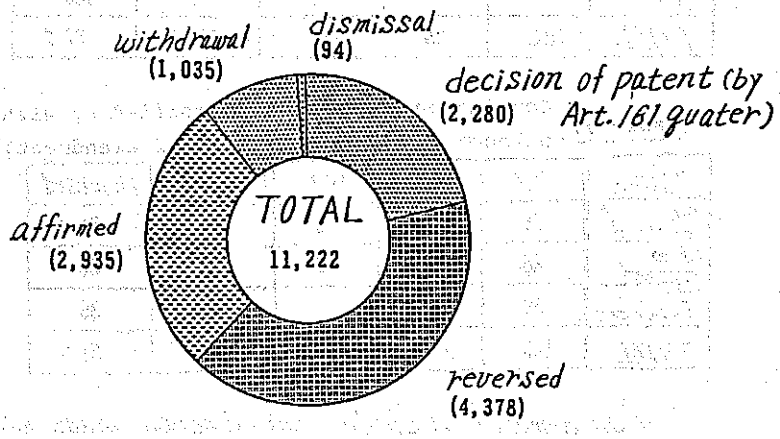
(Chart 1)

The number of cases of examination. disposition of patent application (average of Table 1)

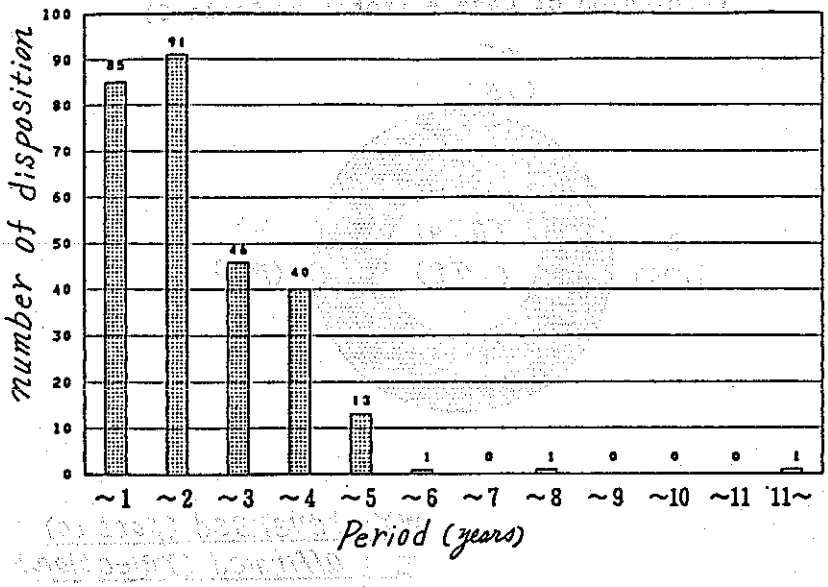


(Chart 2)

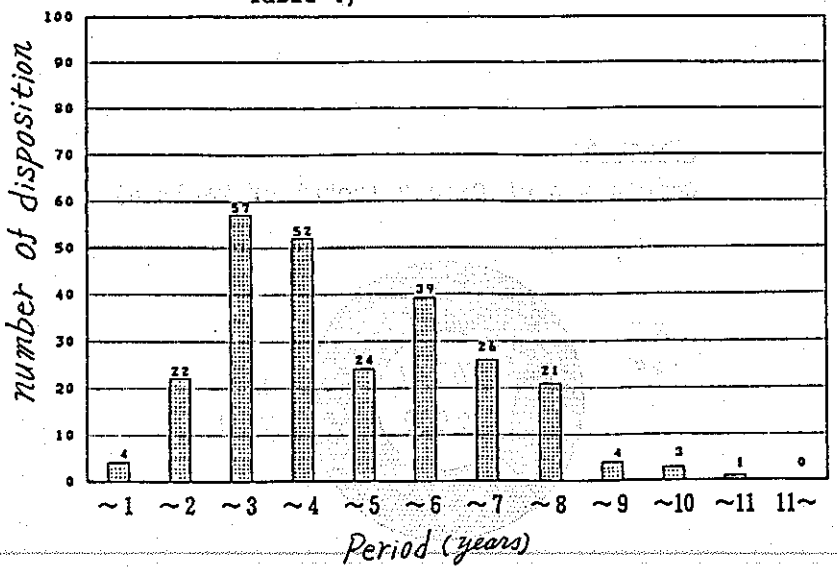
The number of cases of demand for trial against rejection. disposition thereof (average of Table 2-1)



(Chart 3) Period of disposition of Case A (total of Table 3)

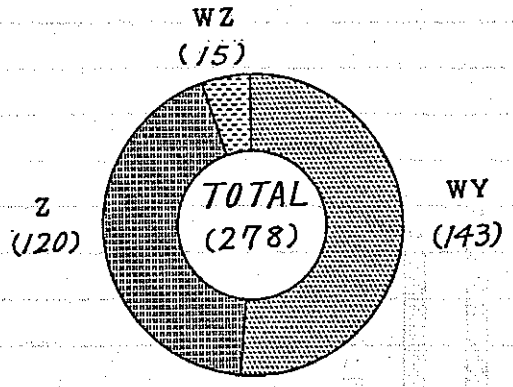


(Chart 4) Period of disposition of Case B (total of Table 4)



(Chart 5)

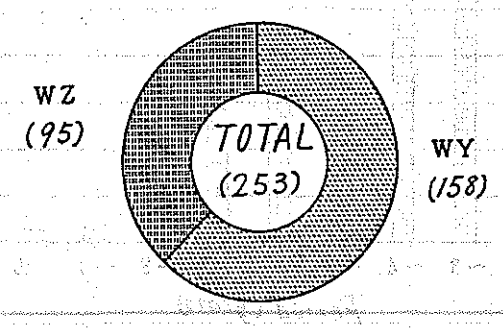
Conclusion of Case A (total of Table 5)



WY: reversed (patent)
Z : affirmed (rejection)
WZ: affirmed (rejection on the new ground)

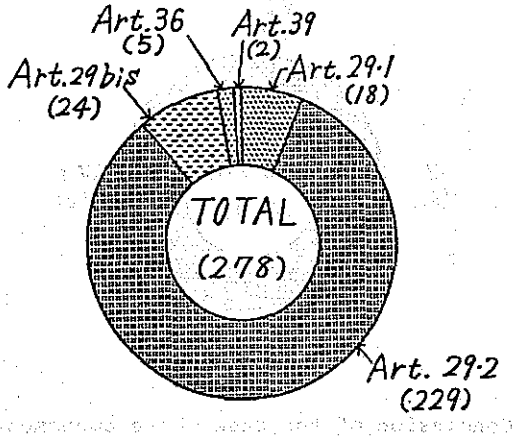
(Chart 6)

Conclusion of Case B (total of Table 6)



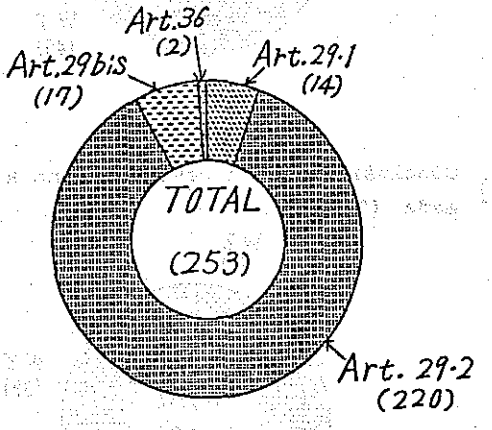
(Chart 7)

Applied laws for Case A (total of Table 7)

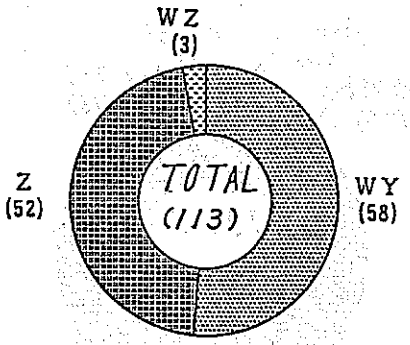


(Chart 8)

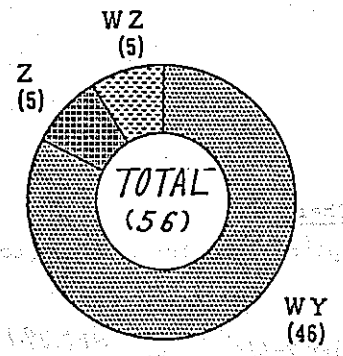
Applied laws for Case B (total of Table 8)



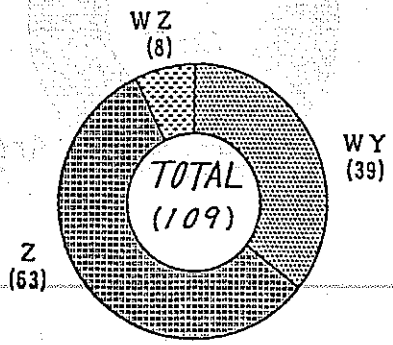
(Chart 9-1) Conclusion of the case where amendment is made upon demand for trial (Table 9)



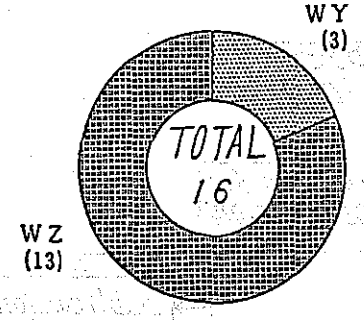
(Chart 9-2) Conclusion of the case where amendment is made after demand for trial (Table 9)



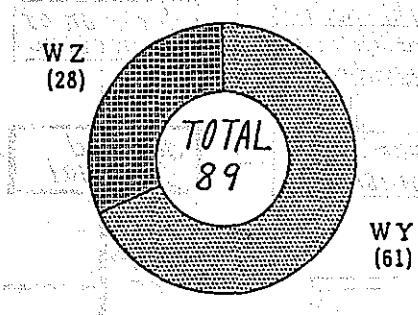
(Chart 9-3) Conclusion of the case where no amendment is made (Table 9)



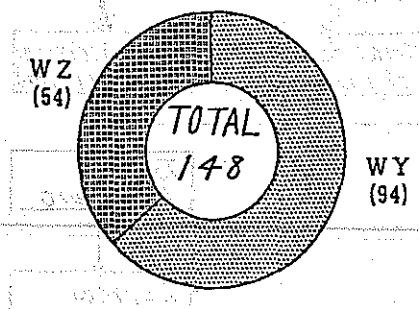
(Chart 10-1) Conclusion of the case where amendment is made upon demand for trial (Table 10)



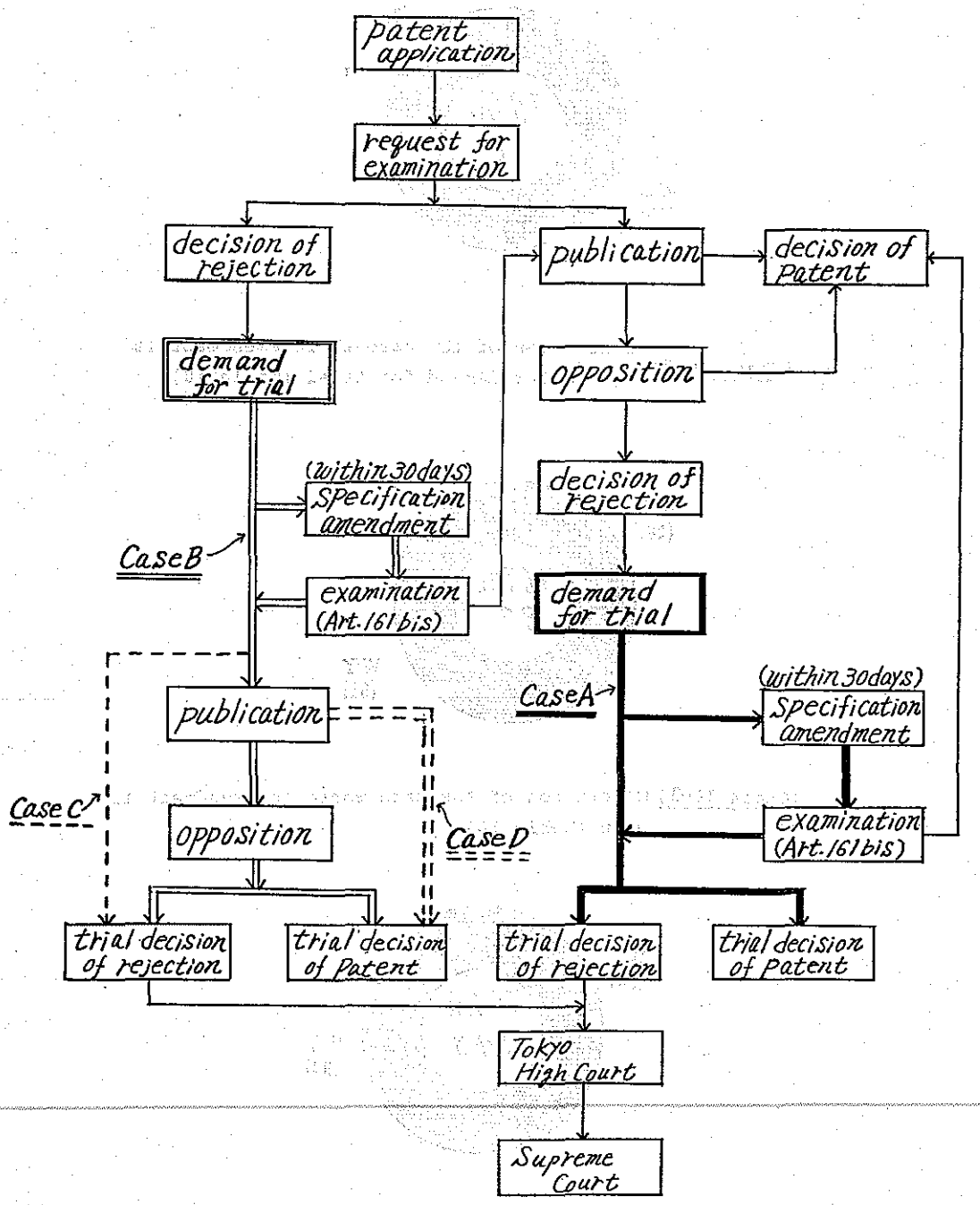
(Chart 10-2) Conclusion of the case where amendment is made after demand for trial (Table 10)



(Chart 10-3) Conclusion of the case where no amendment is made (Table 10)



(Chart 11) Chart for summary of system of proceedings for trial against rejection



INTERVIEW PRACTICE BEFORE THE UNITED STATES PATENT AND TRADEMARK OFFICE

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Overview

By the use of the term "Interview" I mean an oral discussion between the patent attorney and the patent examiner about a pending patent application. While my comments are directed primarily to personal, face-to-face interviews, most of them will apply equally well to interviews conducted by telephone. I shall speak briefly about the rules of practice concerning interviews and about the recent case law pertaining to interviews. I shall present a few observations based on my own experience in prosecuting patent applications and the experience of several of my colleagues. I shall also make a few suggestions, hopefully practical suggestions, and mention a point or two about which to be cautious.

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* The views expressed in this paper do not necessarily reflect those of The Procter & Gamble Company.

Regulatory Framework

The rules of practice in patent cases, as codified in 37 Code of Federal Regulations, are very clear. Rule 2 states unequivocally:

> All business with The Patent & Trademark Office should be transacted in writing. The personal attendance of applicants or their attorneys or agents at the Patent & Trademark Office is unnecessary. The action of the Patent & Trademark Office will be based exclusively on the written record in the office. No attention will be paid to any alleged oral promise, stipulation, or understanding in relation to which there is disagreement or doubt.[1]

The uninitiated reading that naked statement would doubtless conclude that patent examiners are isolated behind the postal system and not permitted to talk to patent attorneys. Those of us experienced in dealing with government bureaus, however, know that a clear, unequivocal statement is only a prelude to exceptions. In Rule 133, what the Patent Office seems to take away, it later gives back:

> (a) Interviews with examiners concerning applications and other matters pending before the patent office must be had in the examiners' rooms at such times, within office hours, as the respective examiners may designate. Interviews will not be permitted at any

other time or place without the authority of the Commissioner. Interviews for the discussion of the patentability of pending applications will not be had before the first official action thereon. Interviews should be arranged for in advance.

(b) In every instance where reconsideration is requested in view of an interview with an examiner, a complete written statement of the reasons presented at the interview as warranting favorable action must be filed by the applicant. An interview does not remove the necessity for response to office actions as specified in sections 1.111, 1.135.[2]

Finally, the Patent Office has used these rules as the basis for its own interview "how-to" procedures to guide patent examiners. These are found in the sections numbered 713 in the Manual of Patent Examining Procedure (MPEP). These sections of the MPEP are reproduced in the Appendix of this paper.

Normal Practice

A patent application is filed. Some months later, the examiner rejects some or all of the claims in a formal office action. This is the beginning of the crucial stage in the prosecution of any patent application. It is a particularly crucial stage under the second-action-final-procedure the PTO adopted several years ago.[3] What happens between the first and second office actions frequently determines the course of the prosecution.

Experience shows that a well planned interview, properly conducted, goes far to securing allowance of the application, on the terms the patent attorney desires, after the first office action and before a final rejection necessitates an appeal.

As an aside, let me emphasize that an interview will not and should not serve to obtain allowance of a patent for a basically unpatentable invention. Such a patent will not help one's client or one's employer or industry as a whole. An interview may help obtain allowance of an application in close cases. It frequently leads to the allowance of better, stronger, more clearly drafted claims. If one needs support for this statement that an interview will frequently be instrumental in securing allowance of an important application, I direct your attention to the first eight case mentioned in the bibliography. These cases represent a decidedly non-exhaustive list of patents which were issued only after an interview with the examiner. These patents were, obviously, important to their owners since they were litigated.[4-11]

Even a cursory philosophical consideration of the subject causes one to ask, "Why is an interview frequently so effective in obtaining allowance of a case?" There are two sound reasons; one is logical and overt, the second a bit more subtle.

First, the written record (on which the PTO conducts all its business because of Rule 2) is a flat, precise record which is necessarily limited in scope because of the constraints of space. It matters not that the attorney or

agent has done his job well and described and claimed the invention with care and precision. Subtle, significant points which sometimes fail to exhibit their true significance on the typed page not infrequently take on their true worth when the attorney tells the examiner about the invention. Along with our modern, formal educations, our cultures have retained in large measure their dependence on oral tradition. When the attorney talks with the Examiner, he* can place emphasis where it must be placed for the examiner to understand the invention. Without full understanding, there can be no strong patent.

An examiners' rejections actually are an expression of his concern about the patentability of the invention. In the United States these rejections are normally expressed in patent office jargon. From this shorthand representation, the attorney frequently cannot determine the examiner's actual concerns about patentability. When the attorney talks directly with the examiner, he can begin to understand the examiners' position, the examiners' problems. When the attorney understands the examiners' problems, he can begin to address them and work toward a meeting of the minds. The Petrow case is a prime example of this situation. To quote Judge Almond:

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*While I speak of the patent attorney and the examiner as "he," we are all aware that many attorneys, agents, and examiners are female. I do not intend to slight the distaff side of the profession by speaking of males only; I merely wish to save time and promote clarity by eliminating "he or she."

> Applicants' attorney, being as mystified as this court as to why the examiner thought this was a product-by-process claim at all, let alone an improper one, held an interview with the examiner. Applicants' attorney concluded at the interview that the examiner's real concern was his feeling that no true product claim could issue based upon this specification, but that a proper product-by-process claim would be allowable. Applicants' attorney therefore cancelled his true product claim, and replaced it 'by one proper product-by-process claim, namely claim 6...applicants' patent subsequently issued containing this product-by-process claim....'[12]

After the interview, the attorney normally files an amendment.[13] The interview has not only prepared the examiner for the substance of the amendment, but it has probably served to reduce the complexity and length of the amendment. A lengthy amendment tends to intimidate an examiner. Perversely, it appears that the longer the amendment, the less of it the examiner seems to read. If the examiner does not read the amendment carefully, he is unable to understand the nature of the argument. Because of the interview, the attorney has some degree of confidence that the examiner has at least heard the argument. The examiner may not accept the argument, but he has heard it.

The second reason for having an interview with an examiner is more subtle in nature. The fact of the interview itself is a major psychological point in favor of the attorney. If the examiner sees that an attorney takes the time to prepare for the interview, and perhaps the time to travel to Washington, the

examiner will realize that an important case is involved and may well be prepared to devote extra time and effort to it. As I have implied, the more attention the examiner pays to the case, the more he considers the prior art, the more he reviews the claim structure, the stronger the patent.

Case Law

As part of my preparation of this paper, I caused a relatively extensive search of the case law to be prepared. I was looking for cases in which the activity at an interview between patent attorney and patent examiner during the prosecution of the patent application subsequently came to be the subject of judicial notice and comment. To my surprise, there is a distinct paucity of modern decided cases on this point. There are numerous cases in which an interview is acknowledged by the court, but very few in which the interview itself was a pivotal consideration.

I analyzed the few cases in an attempt to categorize them as to areas of concern expressed by the courts. To no-one's surprise, I can state categorically that the overwhelming concern of the courts vis-a-via patent office interviews is the same as it is with other aspects of patent office practice: inequitable conduct or fraud. When the court inquired into the conduct of the patent attorney before the patent office during the prosecution of a case, the interview was merely part of the overall pattern of conduct by the attorney. The standard of conduct expected by an attorney at an interview is no different than the standard of conduct expected from the attorney in written communications with the patent office. PIPA has been and will be the recipient of sound commentary on the subject of fraud and inequitable conduct.

I do not intend to rehash that topic in this paper. I will merely note that the Thyssen[14] case confirms that failure to cite relevant prior art at an interview is just as devastating to the enforceability of a patent as the failure to cite relevant prior art in a written communication. I will also note that the Benchcraft[15] and Scripps[16] cases are relatively recent discussions of the subject of inequitable conduct as viewed by the district courts. I commend them to your attention.

Apart from the topic of inequitable conduct, the few recent decisions have one important lesson to teach: follow the rules of practice.

The Cogar[17] case supports the Commissioner's view that an interview (or hearing) before the patent office is discretionary with the examiner. The applicant can not be heard to complain that he was denied due process if the examiner declines to talk with him.

Rule 133[18] expressly prohibits interviews prior to the first office action. The Mooney[19] case elaborates reasons for the rule (i.e., the public is best served by an independent examination by an examiner unbiased by the opinions of an attorney.) The court went so far as to impose sanctions for breach of the rule: any presumption of validity that would otherwise attach to the consideration of prior art cited in the case is diminished. While the Mooney case actually concerned a reissue application, I consider its holding to be applicable to normal examination procedures.

As I have mentioned on several occasions, Rule 2 states that the business of the patent office will be conducted in writing. In supporting this

proposition, Rule 133 (b)[20] mandates a written record of the substance of the interview. I direct your attention to Section 713.04 of the MPEP for a complete discussion of interview records.

The Litton[21] case should provide adequate warning about the hazards a patentee can face because of the absence of a written interview record. The rule requires that the written record be filed by the applicant; the court emphasized that responsibility and demands that the record be adequate to fully describe the interview. To quote from the decision; "Litton, in this case, simply filed a perfunctory paper, which, Litton admitted during the oral argument, said virtually nothing. As a result of Litton's own failure to document results of its interview with the patent examiners, Litton is now estopped from showing...." As you can well imagine, the results were untoward.

While the burden is on the applicant to provide a written record of the interview, the MPEP[22] mandates a preparation of an "Examiner Interview Summary Form" by the examiner. One of the little blocks on the form allows the examiner to inform "the applicant that he or she need not supplement the form by submitting a separate record of the substance of the interview." The Court of Appeals for the Federal Circuit has agreed that the examiner can relieve the applicant of his responsibility for filing a complete record by merely checking this block.[23] The better practice is for the attorney to summarize the interview in the next paper filed in the case. After all, the attorney wants his view of the prosecution to be in the record.

General Comments

At the outset of this paper, I said I would make a brief comment from my personal experience and from that of my colleagues.

The attorney's job is to educate the examiner as to the true nature of the invention and the differences between the invention and the prior art. Frequently, words are not enough. At an interview the attorney can use the ultimate teaching technique: a demonstration. The Norton[24] case illustrates the effectiveness of demonstrations in obtaining allowance of an application. It goes without say that the demonstration should involve the actual invention and not something that is "similar to" or "almost" the invention. If appropriate, the demonstration can also illustrate the prior art so that differences between the invention of the prior art can be emphasized. If the nature of the invention does not admit it to being carried about in a briefcase, video tapes of the invention can be used.[25] And since many of the inventions PIPA members will be called upon to demonstrate exist only in Japan, video tapes may represent the only practical way in which to demonstrate them. One should be aware that prior approval of the use of a video tape must be obtained from a supervisory primary examiner before it is shown to the examiner. There are no cases relating to this last point, but a conservative approach would be to follow the MPEP.

Demonstrations are not without their hazards. I can personally attest to the fact that three minutes can represent eternity when the demonstration does not work.

The most successful interviews I have personally conducted have used a technique that may not, on the surface, appear to be practical for many PIPA members. The physical presence of the inventor has aided me and my colleagues in the prosecution of a number of cases. Examiners seem to appreciate the different perspective a non-attorney brings to the examination process. Frequently, the named inventor is the person engaged to assist the attorney at an interview. Of course, this is frequently impractical in the case of Japanese inventors; problems of expense and language may actually make attendance of the inventor impossible. The person assisting the attorney need not be a named inventor; any articulate, technically trained person who understands the invention and the art can aid in the prosecution. This person can serve the same function as a technical expert in litigation. The non-lawyer technical expert must be carefully briefed before the interview on the duty of disclosure and the responsibility of the attorney for the expert's conduct.

In closing, I will merely mention the Ashlow[26] case as being of particular value as an illustration of how not to prosecute a patent application or conduct an interview.

Cincinnati
September, 1988.

REFERENCES

1. 37 C.F.R. §1.2

2. 37 C.F.R. §1.133

3. 37 C.F.R. §1.113; Manual of Patent Examining Procedure (5th ed., 8th rev. May, 1988) (hereinafter MPEP) §706.07.

4. Ajem Laboratories, Inc. v. C.M. Ladd Co., Inc., 424 F.2d 1124, 165 USPQ 737 (6th Cir. 1970)

5. Hycor Corp. v. The Schlueter Co., 740 F.2d 1529, 222 USPQ 553 (Fed. Cir. 1984)

6. Yarway Corp. v. Eur-Central U.S.A., Inc., 775 F.2d 268, 227 USPQ 352 (Fed. Cir. 1985)

7. The Standard Oil Co. v. American Cyanamid Co., 774 F.2d 448, 227 USPQ 293 (Fed. Cir. 1985)

8. Union Carbide Corp. v. The Dow Chemical Co., 619 F. Supp. 1036, 229 USPQ 401 (Del. 1985)

9. Indecor, Inc. v. Fox-Wells & Co., 642 F. Supp. 1473, 1 USPQ 2d 1847 (S.D.N.Y. 1986)

10. Corning Glass Works v. Sumitomo Electric U.S.A., 671 F. Supp. 1369, 5 USPQ 2d 1545 (S.D.N.Y. 1987)

11. Intra Corp. v. Hamar Laser Instruments, 662 F. Supp. 1420, 4 USPQ 2d 1337 (E.D. Mich. 1987)

12. In re Petrow, 402 F.2d 485, 159 USPQ 449 (C.C.P.A. 1968)

13. 37 C.F.R. §1.133.

14. Thyssen Edelstahlwerke A.G. v. Turbine Components Corp., 633 F. Supp. 900, 4 USPQ 2d 1235 (Conn. 1987)

15. Benchcraft, Inc. v. Broyhill Furniture Industries, Inc., 681 F. Supp. 1190 (N.D. Miss. 1988)

16. Scripps Clinic and Research Foundation v. Genentech, Inc., 666 F. Supp. 1379, 3 USPQ 2d 1481 (N.C. Cal. 1987)

17. Cogar v. Schuyler, 464 F. 2d 747, 173 USPQ 389 (D.C. 1972)

18. 37 C.F.R. §1.133.

19. Mooney v. Brunswick Corp., 663 F. 2d 724, 212 USPQ 401 (7th Cir. 1981)

20. 37 C.F.R. §1.133 (b)

21. Litton Systems Inc. v. Whirlpool Corp., 728 F. 2d 1423, 221 USPQ 97 (Fed. Cir. 1984)

22. MPEP §713.04

23. Rite-Hite Corp. v. Kelly Co., Inc., 819 F. 2d 1120, 2 USPQ 2d 1915 (Fed. Cir. 1987)

24. Norton v. Curtiss, 433 F. 2d 779, 167 USPQ 532 (C.C.P.A. 1970)

25. MPEP §713.01

26. Ashlow Ltd. v. Morgan Construction Co., 213 USPQ 671 (S. Car. 1982)

APPENDIX

Manual of PATENT EXAMINING PROCEDURE

Original Fifth Edition, August 1983
Latest Revision May 1988

713 Interviews

The personal appearance of an applicant, attorney, or agent before the examiner or a telephone conversation between such partys presenting matters for the latter's consideration is considered an interview.

713.01 General Policy, How Conducted [R-6]

37 CFR 1.133. Interviews.

(a) Interviews with examiners concerning applications and other matters pending before the Office must be had in the examiners' rooms at such times, within office hours, as the respective examiners may designate. Interviews will not be permitted at any other time or place without the authority of the Commissioner. Interviews for the discussion of the patentability of pending applications will not be had before the first official action thereon. Interviews should be arranged for in advance.

(b) In every instance where reconsideration is requested in view of an interview with an examiner, a complete written statement of the reasons presented at the interview as warranting favorable action must be filed by the

applicant. An interview does not remove the necessity for response to Office actions as specified in §§ 1.111, 1.135.

Interviews are permissible on any working day except during periods of overtime work.

An interview should normally be arranged for in advance, as by letter, telegram or telephone call, in order to insure that the primary examiner and/or the examiner in charge of the application will be present and available in the Office. When a second art unit is involved (Patentability Report), the availability of the second examiner should also be checked. (See >MPEP< § 705.01(f).) An appointment for interview once arranged should be kept. Many applicants and attorneys plan trips to Washington in reliance upon such appointments. When, after an appointment has been made, circumstances compel the absence of the examiner or examiners necessary to an effective interview, the other party should be notified immediately so that substitute arrangements may be made.

When a telephone call is made to an examiner and it becomes evident that a lengthy discussion will ensue or that the examiner needs time to restudy the situation, the call should be terminated with an agreement that the examiner will call back at a specified time. Such a call and all other calls originated by the examiner should be made through the FTS (Federal Telecommunications System) even though a collect call had been authorized. It is helpful if amendments and other papers, such as the letter of transmittal, include the complete telephone number with area code and extension, preferably near the signature of the writer.

The unexpected appearance of an attorney or applicant requesting an interview without any previous notice to the examiner may well justify his refusal of the interview at that time, particularly in an involved case.

An examiner's suggestion of allowable subject matter may justify indicating the possibility of an interview to accelerate early agreement on allowable claims.

An interview should be had only when the nature of the case is such that the interview could serve to develop and clarify specific issues and lead to a mutual understanding between the examiner and the applicant, and thereby advance the prosecution of the application. Thus the attorney when presenting himself or herself for an interview should be fully prepared to discuss the issues raised in the Office action. When it is obvious that the attorney is not so prepared, an interview should not be permitted. It is desirable that the attorney or applicant indicate in advance what issues he or she desires to discuss at the interview.

Examiners should avoid unnecessary interruptions during interviews with attorneys or inventors. In this regard, examiners should notify their receptionist, immediately prior to an interview, to not complete incoming telephone calls unless such are of an emergency nature. As appropriate, examiners should familiarize themselves with the status and existing issues in an application or reexamination proceeding before an interview.

The examiner should not hesitate to state, if such be the case, that claims presented for consideration at the interview require further search and study. Nor should the examiner hesitate to conclude an interview when it appears that no common ground can be reached nor when it becomes apparent that the application requires further amendment or an additional action by the examiner. However, the examiner should attempt to identify issues and resolve differences during the interview as much as possible.

It is the responsibility of both parties to the interview to see that it is not extended beyond a reasonable period, usually not longer than thirty minutes. It is the duty of the primary examiner to see that an interview is not extended beyond a reasonable period even when he does not personally participate in the interview.

During an interview with an applicant who is prosecuting his or her own case and is not familiar with Office procedure the examiner may make suggestions that will advance the prosecution of this case; this lies wholly within his or her discretion. Too much time, however, should not be allowed for such interviews.

Examiners may grant one interview after final rejection. See >MPEP< § 713.09.

Where the response to a first complete action includes a request for an interview or a telephone consultation to be initiated by the examiner, or where an out-of-town attorney under similar circumstances requests that the examiner defer taking any further action on the case until the attorney's next visit to Washington (provided such visit is not beyond the date when the Office action would normally be given), the examiner, as soon as he or she has considered the effect of the response, should grant such request if it appears that the interview or consultation would result in expediting the case to a final action.

Where agreement is reached as a result of an interview, applicant's representative should be advised that an amendment pursuant to the agreement should be promptly submitted. If the amendment prepares the case for final action, the examiner should take the case up as special. If not, the case should await its turn.

Consideration of a field amendment may be had by hand delivery of a duplicate copy of said amendment.

Early communication of the results of the consideration should be made to applicant; if requested, indicate on attorney's copy any agreement; initial and date both copies.

Although entry of amendatory matter usually requires actual presence of the original paper, examiner and clerical processing should proceed as far as practicable based on the duplicate copy. The extent of processing will depend on each amendment.

The substance of any interview, whether in person or by telephone must be made of record in the application. See >MPEP< § 713.04.

>VIEWING OF VIDEO TAPES DURING INTERVIEWS

The Patent and Trademark Office has video tape equipment available in the facilities of the Patent Academy for viewing video tapes from applicants during interviews with patent examiners.

The video tape equipment may use VHS and UHS (3/4 inch tape) cassettes.

Attorneys or applicants wishing to show a video tape during an examiner interview must be able to demonstrate that the

content of the video tape has a bearing on an outstanding issue in the application and its viewing will advance the prosecution of the application. Prior approval of viewing of a video tape during an interview must be granted by the Supervisory Primary Examiner. Also, use of the room and equipment must be granted by the Training Manager to avoid any conflict with the Patent Academy.

Requests to use video tape viewing equipment for an interview should be made at least one week in advance to allow the Patent Academy staff sufficient time to ensure the availability and proper scheduling of both a room and equipment.

Interviews using Office video tape equipment will be held only in the Patent Academy facilities located in One Crystal Park, Room 502. Attorneys or applicants should not contact the Patent Academy directly regarding availability and scheduling of video equipment. All scheduling of rooms and equipment should be done through and by the examiner conducting the interview.<

EXAMINATION BY EXAMINER OTHER THAN THE ONE WHO CONDUCTED THE INTERVIEW

Sometimes the examiner who conducted the interview is transferred to another group or resigns, and the examination is continued by another examiner. If there is an indication that an interview had been held, the second examiner should ascertain if any agreements were reached at the interview. Where conditions permit, as in the absence of a clear error or knowledge of other prior art, the second examiner should take a position consistent with the agreements previously reached. See >MPEP< § 812.01 for a statement of telephone practice in restriction and election of species situations.

713.02 Interviews Prior to First Official Action

Prior to filing, no interview is permitted. However, in the examiner's discretion, a limited amount of time may be spent in indicating the field of search to an attorney, searcher or inventor.

A request for an interview prior to the first Office action is ordinarily granted in continuing or substitute applications. A request for an interview in all other applications before the first action is untimely and will not be acknowledged if written, or granted if oral; 37 CFR 1.133 (a).

SEARCHING IN GROUP

Search in the group art unit should be permitted only with the consent of a primary examiner.

EXPOUNDING PATENT LAW

The Patent and Trademark Office cannot act as an expounder of the patent law, nor as a counsellor for individuals.

713.03 Interview for "Sounding Out" Examiner Not Permitted

Interviews that are solely for the purpose of "sounding out" the examiner, as by a local attorney acting for an out-of-town attorney, should not be permitted when it is apparent that any agreement that would be reached is conditional upon being satisfactory to the principal attorney.

713.04 Substance of Interview Must Be Made of Record [R-6]

A complete written statement as to the substance of any face-to-face or telephone interview with regard to an application must be made of record in the application, whether or not an agreement with the examiner was reached at the interview. See 37 CFR 1.133(b), >MPEP< § 713.01.

37 CFR 1.133 Interviews

* * * * *

(b) In every instance where reconsideration is requested in view of an interview with an examiner, a complete written statement of the reasons presented at the interview as warranting favorable action must be filed by the applicant. An interview does not remove the necessity for response to Office actions as specified in §§ 1.111, 1.135.

37 CFR 1.2 Business to be transacted in writing.

All business with the Patent and Trademark Office should be transacted in writing. The personal attendance of applicants or their attorneys or agents at the Patent and Trademark Office is unnecessary. The action of the Patent and Trademark Office will be based exclusively on the written record in the Office. No attention will be paid to any alleged oral promise, stipulation, or understanding in relation to which there is disagreement or doubt.

The action of the Patent and Trademark Office cannot be based exclusively on the written record in the Office if that record is itself incomplete through the failure to record the substance of interviews.

It is the responsibility of the applicant or the attorney or agent to make the substance of an interview of record in the application file, unless the examiner indicates he or she will do so. It is the examiner's responsibility to see that such a record is made and to correct material inaccuracies which bear directly on the question of patentability.

Examiners must complete a two-sheet carbon interleaf Interview Summary Form for each interview** where a matter of substance has been discussed during the interview by checking the appropriate boxes and filling in the blanks in neat handwritten form using a ball point pen. Discussions regarding only procedural matters, directed solely to restriction requirements for which interview recordation is otherwise provided for in >MPEP< § 812.01, or pointing out typographical errors in Office actions or the like, are excluded from the interview recordation procedures below.

The Examiner Interview Summary Form PTOL — 413 shall be given an appropriate paper number, placed in the right hand portion of the file, and listed on the "Contents" list on the file wrapper. ** In a personal interview, the duplicate copy of the Form is removed and given to the applicant (or attorney or agent) at the conclusion of the interview. In the case of a telephonic interview, the copy is mailed to the applicant's correspondence address either with or prior to the next official communication. If additional correspondence from the exam-

iner is not likely before an allowance or if other circumstances dictate, the Form should be mailed promptly after the telephonic interview rather than with the next official communication.

The Form provides for recordation of the following information:

— Serial Number of the application
— Name of applicant
— Name of examiner
— Date of interview
— Type of interview (personal or telephonic)
— Name of participant(s) (applicant, attorney or agent, etc.)
— An indication whether or not an exhibit was shown or a demonstration conducted
— An identification of the claims discussed
— An identification of the specific prior art discussed
— An indication whether an agreement was reached and if so, a description of the general nature of the agreement (may be by attachment of a copy of amendments or claims agreed as being allowable). (Agreements as to allowability are tentative and do not restrict further action by the examiner to the contrary.)
— The signature of the examiner who conducted the interview
— Names of other Patent and Trademark Office personnel present.

The Form also contains a statement reminding the applicant of his or her responsibility to record the substance of the interview.

It is desirable that the examiner orally remind the applicant of his or her obligation to record the substance of the interview in each case unless both applicant and examiner agree that the examiner will record same. Where the examiner agrees to record the substance of the interview, or when it is adequately recorded on the Form or in an attachment to the Form, the examiner will check a box at the bottom of the Form informing the applicant that he or she need not supplement the Form by submitting a separate record of the substance of the interview.

It should be noted, however, that the Interview Summary Form will not be considered a complete and proper recordation of the interview unless it includes, or is supplemented by the applicant or the examiner to include, all of the applicable items required below concerning the substance of the interview.

The complete and proper recordation of the substance of any interview should include at least the following applicable items:

(1) A brief description of the nature of any exhibit shown or any demonstration conducted,

(2) an identification of the claims discussed,

(3) an identification of specific prior art discussed,

(4) an identification of the principal proposed amendments of a substantive nature discussed, unless these are already described on the Interview Summary Form Completed by the examiner,

(5) the general thrust of the principal arguments of the applicant and the examiner should also be identified, even where the interview is initiated by the examiner. The identification of arguments need not be lengthy or elaborate. A verbatim or highly detailed description of the arguments is not required. The identification of the arguments is sufficient if the general nature or thrust of the principal arguments can be understood in the context of the application file. Of course, the applicant may desire to emphasize and fully describe those arguments which he or she feels were or might be persuasive to the examiner.

(6) a general indication of any other pertinent matters discussed, and

(7) if appropriate, the general results or outcome of the interview unless already described in the Interview Summary Form completed by the examiner.

Examiners are expected to carefully review the applicant's record of the substance of an interview. If the record is not complete or accurate, the examiner will give the applicant one month from the date of the notifying letter or the remainder of any period for response, whichever is longer, to complete the response and thereby avoid abandonment of the application by using Form paragraph 7.84 (37 CFR 1.135(c)).

7.84 Amendment is Non-Responsive to Interview

The communication filed on [1] is non-responsive because it fails to include a complete or accurate record of the substance of the [2] interview. [3]

APPLICANT IS GIVEN A ONE MONTH TIME LIMIT FROM THE DATE OF THIS LETTER, OR UNTIL THE EXPIRATION OF THE PERIOD FOR RESPONSE SET IN THE LAST OFFICE ACTION, WHICHEVER IS THE LONGER, TO COMPLETE THE RESPONSE. NO EXTENSION OF THIS TIME LIMIT MAY BE GRANTED UNDER EITHER 37 CFR 1.136(a) OR (b).

Examiner Note:
In bracket 2, insert the date of the interview.
In bracket 3, explain the deficiencies.

EXAMINER TO CHECK FOR ACCURACY

Applicant's summary of what took place at the interview should be carefully checked to determine the accuracy of any argument or statement attributed to the examiner during the interview. If there is an inaccuracy and it bears directly on the question of patentability, it should be pointed out in the next Office letter. If the claims are allowable for other reasons of record, the examiner should send a letter setting forth his or her version of the statement attributed to him or her.

If the record is complete and accurate, the examiner should place the indication "Interview record OK" on the paper recording the substance of the interview along with the date and the examiner's initials.

713.05 Interviews Prohibited or Granted, Special Situations [R-6]

Saturday interviews, see >MPEP< § 713.01.

Except in unusual situations, no interview is permitted after the brief on appeal is filed or after a case has been passed to issue.

An interview may be appropriate before applicant's first response when the examiner has suggested that allowable subject matter is present or where it will assist applicant in judging the propriety of continuing the prosecution.

Office employees are forbidden to hold either oral or written communication with an unregistered or a disbarred attorney regarding an application unless it be one in which said attorney is the applicant. See >MPEP< § 105.

Interviews are frequently requested by persons whose credentials are of such informal character that there is serious question

as to whether such persons are entitled to any information under the provisions of 37 CFR 1.14. In general, interviews are not granted to persons who lack proper authority from the applicant or attorney of record in the form of a paper on file in the case or do not have in their possession a copy of the application file. A MERE POWER TO INSPECT IS NOT SUFFICIENT AUTHORITY FOR GRANTING AN INTERVIEW INVOLVING THE MERITS OF THE APPLICATION.

However, interviews may be granted to registered individuals who are known to be the local representatives of the attorney in the case, even though a power of attorney to them is not of record in the particular application. When prompt action is important an interview with the local representative may be the only way to save the application from abandonment. (See >MPEP< § 408.)

If a registered individual seeking the interview has in his or her possession a copy of the application file, the examiner may accept his or her statement that he or she is authorized to represent the applicant under 37 CFR 1.34 or is the person named as the attorney of record.

Interviews normally should not be granted unless the requesting party has authority to bind the principal concerned.

The availability of personal interviews in the "Conference Period", which is the time between the filing of applicant's thorough first response and a concluding action by the the examiner, for attorneys resident or frequently in Washington is obvious. For others more remote, telephone interviews may prove valuable. However, present Office policy places great emphasis on telephone interviews initiated by the examiner to attorneys and agents of record. See >MPEP< § 408.

The examiner, by making a telephone call, may be able to suggest minor, probably quickly acceptable changes which would result in allowance. If there are *major* questions or suggestions, the call might state them concisely, and suggest a further telephone or personal interview, at a prearranged later time, giving applicant more time for consideration before discussing the points raised.

For an interview with an examiner who does not have negotiation authority, arrangements should always include an examiner who does have such authority, and who is familiar with the case, so that authoritative agreement may be reached at the time of the interview.

GROUPED INTERVIEWS

For attorneys remote from Washington who prefer personal interviews, the grouped interview practice is effective. If in any case there is a prearranged interview, *with agreement to file a prompt supplemental amendment putting the case as nearly as may be in condition for concluding action*, prompt filing of the supplemental amendment gives the case special status, and brings it up for immediate special action.

713.06 No Inter Partes Questions Discussed Ex Parte [R-6]

The examiner may not discuss inter partes questions *ex parte* with any of the interested parties. **

713.07 Exposure of Other Cases [R-6]

Prior to an interview the examiner should arrange his or her desk so that all files, drawings and other papers, except those necessary in the interview, are placed out of view. See >MPEP< § 101.

713.08 Demonstration, Exhibits, Models [R-6]

The invention in question may be exhibited or demonstrated during the interview by a model thereof. A model received by the examiner from the applicant or his or her attorney must be properly recorded on the "Contents" portion of the application file wrapper. See >MPEP< §§ 608.03 and 608.03(a).

Oftentimes a model or exhibit is not given into the custody of the Office but is brought directly into the group by the attorney solely for inspection or demonstration during the course of the interview. This is permissible. Demonstrations of apparatus or exhibits too large to be brought into the Office may be viewed by the examiner outside of the Office, (in the Washington area) with the approval of the supervisory primary examiner. It is presumed that the witnessing of the demonstration or the reviewing of the exhibit is actually essential in the developing and clarifying of the issues involved in the application.

713.09 Finally Rejected Application [R-6]

Normally, one interview after final rejection is permitted. However, the intended purpose and content of the interview must be presented briefly, either orally or in writing. Such an interview may be granted if the examiner is convinced that disposal or clarification for appeal may be accomplished with only nominal further consideration. Interviews merely to restate arguments of record or to discuss new limitations which would require more than nominal reconsideration or new search should be denied. See >MPEP< § 714.13.

713.10 Interview Preceding Filing Amendment Under Section 1.312 [R-6]

After a case is sent to issue, it is technically no longer under the jurisdiction of the primary examiner, 37 CFR 1.312. An interview with an examiner that would involve a detailed consideration of claims sought to be entered and perhaps entailing a discussion of the prior art for determining whether or not the claims are allowable should not be given. Obviously an applicant is not entitled to a greater degree of consideration in an amendment presented informally than is given an applicant in the consideration of an amendment when formally presented, particularly since consideration of an amendment filed under >MPEP< § 1.312 cannot be demanded as a matter of right.

Requests for interviews on cases already passed to issue should be granted only with specific approval of the group director upon a showing in writing of extraordinary circumstances.

Problems concerning trademark search and applications caused by the planned adoption of INTERNATIONAL CLASSIFICATION OF GOODS and countermeasures therefor

Japanese Group, Committee No.1

Trademark Subcommittee

Nagahisa Yuasa	NEC Corporation
Masaharu Hashimoto	Toyota Motor Corporation
Hajime Kuwayama	Toray Industries, Inc.
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Katsumi Fujitani	Ricoh Company, Ltd.

Speaker : Hajime Kuwayama Toray Industries, Inc.

(Abstract)

The Patent Office of Japan is, with an aim of the nation's participation at the end of 1989 in the Nice Agreement prescribing International Classification of goods for trademark registration and also aiming at its adoption of the said classification, presently making preparations therefor. At this time, it is not certain what position the Patent Office will give to the classification and what standards the Office will prescribe finally with respect to examination of similarity of goods after the adoption. However, this paper is written in order to clarify anticipated problems concerning applications caused by the planned adoption of the International Classification and to propose countermeasures therefor to be taken by applicants, taking into consideration the first draft of the "standards for examination of similarity of goods" already published by the Patent Office and subsequent actions taken by the Office. Further, we have attempted to highlight several points to which U.S. applicants should pay attention in view of the Japanese trademark system.

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Problems concerning trademark search and applications caused by the planned adoption of INTERNATIONAL CLASSFICATION OF GOODS and countermeasures therefor

Japanese Group, Committee No. 1
(Trademark Subcommittee)

1. Preface

In Japan, since the Trademark Regulations were promulgated in 1884 for the first time, classification of goods changed several times with revisions in the Trademark Law. At present, Japan has a unique system of classification of goods under which goods are classified into 34 classes. This classification has, after the adoption in 1960, become familiar and popular to the Japanese enterprises as a system suitable to the actual state of trade in the nation.

On the other hand, as the Japanese classification is different from those of other countries, the Japanese enterprises have to undergo troubles in trademark applications and search in foreign countries.

Thus, on the basis of the actual state that international harmonization concerning intellectual property right systems among many countries is being advanced, Japan is willing to join at the end of 1989 the Nice Agreement which sets forth the International Classification of goods for trademark registration, and is making preparations for adopting the International Classification as well.

However, in view of the basic fact that Japan has been subject to its unique system of "classification of goods" over a long period of time, we have to be aware of several problems to be solved in connection with the planned adoption.

This Subcommittee would, reviewing developments of

classification of goods in Japan, like to clarify such problems which may arise out of the adoption of the International Classification of goods.

2. Developments of "classification of goods" in Japan

(1) The system of "classification of goods" in Japan was started at the same time as the introduction of the "Trademark Regulations" which were promulgated and enforced in 1884 for the first time as a modern trademark system.

The classification was, after the start of operation, changed with the revision in Trademark Law as shown in the following table in the aspects of the number of classes and goods to be covered by each class according to changes or developments of commercial trade and goods,also affected by "International Classification of goods" to some extent and has become to the existing classification through such developments.

Developments of classification of goods
(Source: "Classifications of goods" edited by the Patent Office)

	Legislation	Promulgated on	Enforced on	No. of class
1	Trademark Regulations	6/7/1884	10/1/1884	65
2	Trademark Regulations	12/20/1888	2/1/1889	66
3	Trademark Law (oldest law)	3/2/1899	3/2/1899	73
4	Revised	1/4/1905	1/1/1906	74
5	Trademark Law (older law)	4/5/1909	11/1/1909	67
6	Trademark Law (old law)	4/5/1921	1/11/1922	70
7	Revised	1/22/1957	4/1/1957	63
8	Trademark Law (existing law)	4/13/1959	4/1/1960	34

(2) In Japan, during some time after the introduction of the "Trademark Regulations", it was considered that the trademark rights would be protected only in the scope of "sameness of goods". However, as the forms of business activities became complicated and diversified owing to economic developments, it became difficult to know the connection between goods and its source of origin. To cope with this situation, at the chance of revising the Trademark Law in 1922, a concept of "similarity of goods" was introduced to extend the scope of protection by trademark rights so far to cover "similar goods". As a result, it became necessary for the Patent Office to examine similarity of goods, too.

And in Japan,"classification of goods" grew up to function as a large framework to presume similar goods. In fact, though Article 6, Paragraph 2 of the existing

Trademark Law prescribes that classification of goods shall not decide any scope of similarity of goods, no examination of trademarks is carried out between goods belonging to different classes in principle in the process of practical trademark examination (in other words, such case is judged there exists no similar goods substantially). The examination about similarity of goods is, in principle, carried out only within such scope as a single class, which is stated in detail in the subsequent section.

The Patent Office prepared a guidebook called "Examples of similar goods" in 1932 on the basis of the classification of goods promulgated and enforced simultaneously with the revision in the Trademark Law in 1922, and used it to standardize the ideas of examiners as one criterion for making judgment of similarity of goods in the Patent Office. Thereafter, the Office issued a new edition of the said guidebook in 1953 to make it available to the general public in order to enable applicants to use it for their convenience. The guidebook was thereafter modified several times by the Office which heard and took into account opinions from the public.

(3) The "classification of goods" presently effective came into force in 1960 together with the existing Trademark Law. It was revised fundamentally from the classification used theretofore. Under the former classification, the similarity of goods was decided on the basis of kinds of materials and manufacturers of goods. Meanwhile, the current classification is on the basis of kinds of usage of goods and trade channels. Concretely, goods of which usage and trade channels are the same are prescribed those belonging to one same class, but goods of which usage and trade channels are different are prescribed those belonging

to different classes.

The Patent Office then enlarged the scope of each class to make much more goods be included in one class and greatly reduced the number of classes to one half.

The reason why such large-scale revision was made in the classification was that the adoption of the classification under the situations of further advancement of complification and diversification of forms of business like penetration of many enterprises into related businesses (goods) was considered useful to secure the protection of trademark owners and consumers more firmly.

In addition, the reduction of the number of classes to one half was made by the Patent Office's being conscious of International Classification somewhat because it had an aim to make applicantions from abroad easier. This revision was a step towards Japan's internationalization in terms of the trademark system.

Furthermore, with the revision of the "classification of goods", it was decided to prescribe new standards for judgment of similarity of goods adapted to the revised classification. The existing "standards for examination of similarity of goods" were issued and enforced in next 1961 after hearing opinions from the general public. The standards have been continuously used until today with several revisions.

(4) Now, as a part of harmonization relating to industrial property rights to be promoted on a global basis, Japan is going to adopt the "International Classification of goods". As a part of preparations for acceptance of the classification, the Patent Office worked to prepare new "standards for examination of similarity of goods" which might conform with the "International Classification", and

as a result, a first draft of the standards was released to the bodies and associations concerned in October 1987. The Office has been hearing opinions therefrom and continues to review the standards now.

3. Actual state of judgment of similarity of goods and designation of goods - Comparison between Japan and the United Sates.

(1) Method of judgment of similarity of goods:

In Japan, it is considered that judgment as to whether goods are similar or not should be made after full consideration of the actual condition of trade of goods as well as synthetic consideration of sameness of manufacturers and merchants of goods, sameness of raw material and quality, sameness of usage, sameness of scope of consumers, relationship of finished products and parts or components, etc.

However, actual examination of applied trademarks is, although the aforesaid preconditions are taken into account of course, carried out by using the "standards for examination of similarity of goods" for convenience of application and other procedures. Under this standards, such goods as belonging to different classes are judged dissimilar goods each other in principle. Then, several groups of goods are established for each class and goods covered by one same group are presumed to be similar goods each other in principle. (On the other hand, goods which belong to one same class but belong to different groups are presumed to be dissimilar goods in principle.) Thus, similarity or dissimilarity of goods is decided on the basis of the "standards" previously prescribed. This is the way of determination of similarity of goods in Japan. Meanwhile

in the United States, similarity of goods is decided case by case with respect to designated goods related to each individual application for a trademark.

Example

An example of practical way to judge similarity of goods in Japan is shown by the following chart which is extracted the existing standards of similarity of goods. The trademark "KING" for electric iron and the trademark "KING" for telephone can co-exist because each goods belongs to different groups. Meanwhile, the trademark "KING" for electric iron and the trademark "KING" for electric stove cannot co-exist because both goods belong to one same group.

Class: Class heading	Class 11: Electric machinery and appliances, electric communication machinery and appliances, electronic applied machinery and appliances (excluding those belonging to medical machinery and appliances), electric material							
Name of group of goods	Electric machinery and appliances for the people's livelihood	←x→	Electric communication machinery and appliances	←x→	Electric magnetic measuring instruments	←x→	Electric bulbs and lighting devices	
Individual goods	Electric iron ‖ Electric stove ‖ Electric washing machine ‖ Air conditioner ‖ Etc.	←x→	Telephone ‖ Record player ‖ Video camera ‖ Antenna ‖ Etc.	←x→	Galvanometer ‖ Circuit meter ‖ Oscillator ‖ Oscillograph ‖ Etc.	←x→	Miniature bulb ‖ Fluorescent light ‖ Neon light ‖ Spot light ‖ Etc.	

x : Dissimilar = : Similar

(2) Method of designation of goods:

Since Japan adopts a prior application system, applicants for trademark registration are not required to designate goods by limiting to the goods for which the trademark is used. This point is different from the United States where a prior use system is adopted.

Thus, in Japan, in typical trademark application cases, it is possible and usual for the applicant to designate various goods within one same class as many as possible to

cover goods belonging to different groups which are presumed dissimilar goods under the "standards for examination of similarity of goods" rather than to designate only such goods for which the trademark is actually used or is intended to be used in a near future. This is used for obtaining a broader trademark right taking into consideration the above-mentioned diversified business activities and forms of trade changing and expanding moment by moment. (Usually in such cases, all the goods belonging to the same class are designated. In making designation in this manner, it is not required to enter all the names of goods one by one in the application form but the applicant is permitted to file application by entering class heading capable of representing these goods as one mass.

For example, in case of the above-mentioned class 11,merely to indicate its class heading "electric machinery and appliances, electric communication machinery and appliances, electronic applied machinery and appliances (excluding those belonging to medical machinery and appliances), electric material" is sufficient to designate all the goods belonging to the class.)

In this respect, it may be said that the scope of trademark rights granted to the applicant under the Japanese current trademark system is much broader than that in the United States.

4. Problems concerning the planned adoption of International Classification of goods

Article 6, Paragraph 2 of the Japanese Trademark Law prescribes that classification of goods shall not decide similarity of goods. According to this purport, shifting to the International Classification is nothing but a formal and

administrative change in categorization and would not bring any effect on the judgement of similarity of goods by itself. However, in examination practice by the Patent Office, classification of goods is a very important factor in judging similarity of goods as stated above. Therefore, the planned change in classification is expected to affect judgment of similarity of goods under the present system. In fact, the first draft of standards for examination of similarity of goods has attempted to change the concept of similarity by virtue of the adoption of the International Classification. Moreover, it is said that the planned adoption of the International Classification will not accompany any revision in the Trademark law and any re-classification of trademarks already registered or applied. Accordingly, it is concerned that considerably difficult problems may occur in connection with the trademarks already registered or applied in obtaining or examining trademarks after the adoption of the International Classification. Now, we would like to point out several possible problems in view of the first draft of standards for examination of similarity of goods and the subsequent actions by the Patent Office as follows:

(1) Difficulty in registration of associated trademarks by overlap of trademark rights:

According to the first draft of standards for examination of similarity of goods, there may be such case that goods which have belonged to different classes or different groups in one class under the existing classification will be included in one same group in one class. In this case, if an application for associated trademark is filed on the basis of a trademark already registered under the existing system, conflict of rights

caused by overlap of trademark rights may occur between the applied associated trademark and other party's registered trademark which is to be contained in one group of similar goods. Thus,coordination between the both would be necessary.

Associated trademarks refer to trademarks belonging to the same person which are identical with or similar to each other and are to be used for identical or similar goods. (Refer to the following figures showing the typical examples:)

Examples

1) Where the person uses a trademark similar to his own registered trademark for the same goods:

Registered trademark	KING	← Similar →	Registered trademark	King(in Japanese letters)
Designated goods	Class 28 Whiskey	← Same →	Designated goods	Class 28 Whiskey

2) Where the person uses the same trademark as his own registered trademark for similar goods:

Registered trademark	KING	← Same →	Registered trademark	KING
Designated goods	Class 4 Cream	←Similar→	Designated goods	Class 4 Perfume

3) Where the person uses a trademark similar to his own registered trademark for similar goods:

Registered trademark	KING	← Similar →	Registered trademark	King(in Japanese letter)
Designated goods	Glass 24 Glove	← Similar →	Designated goods	Class 24 ski

"Overlap of trademark rights" refers to such state that

after two similar trademarks A and B are co-existingly registered by different persons for two dissimilar goods, when both the designated goods become similar each other due to a revision in law or economic changes, if one person who is the owner of trademark A wants to apply for registration of a similar trademark A' as associated trademark, such registration is not allowed by reason that it falls under the scope of the prohibitive right granted to the registered trademark B owned by the other person.

Here is a concrete example case of overlap of trademark rights. A rightful person who has registered his trademark "KING" in English letters to be used for class 11 computer under the existing classification will be prohibited to register such an associated trademark "King" in Japanese letters for the computer if, after the adoption of the International Classification, "computer" is shifted to belong to class 9 to resultantly become similar goods to cash register in the same class and other person's trademark "KING" in English letters for "cash register" which has existed in class 9 under the current system is also shifted to belong to the class 9 under the International Classification. Thus, overlap of trademark rights may occur among two trademarks "KING" in English for computer and cash register in one same group. Therefore, it is easy to change logo type under the existing system, but such change may become difficult after the adoption of the International Classification.

(2) Difficulty in renewal of registered trademarks:

Under the existing Trademark Law, showing of use of a trademark is required in applying for renewal of registered trademarks. "Use of the trademark" in such case is sufficient even without actual use of the registered

trademark if there exists an associated trademark with the registered trademark and the use of the associated trademark can be proved.

However, if the logotype of the registered trademark is changed exceeding the sameness of the trademark, it is anticipated that such cases that registration of associated trademarks is refused will increase due to overlap of trademark rights, as stated above. This means there is a threat that renewal of registered trademarks which has been permitted on the basis of associated trademarks already registered heretofore will become impossible after the adoption.

(3) Troubleness in trademark search:

The Patent Office has a policy that registered trademarks under the existing classification shall in principle continue to have rights as they are without re-classifying the relevant goods to conform with the International Classification. As compared the existing classification with the international one, it is found that one class under the International Classification covers such goods as belonging to 8 classes under the existing classification at average. For this reason, if an applicant wants to register a trademark after the adoption of the International Classification by designating all goods covered by one class as heretofore, trademark search cost is expected to amount to 8 times as much as the present level.

(4) Increases in expenses of application and registration:

If an applicant wants to register a trademark after the adoption of the International Classification by designating all goods covered by one class under the existing system, the applicant must file applications in several classes where each goods belongs to because such all goods are dispersedly contained in 8 classes under the International

Classification at average. Thus troubles and expenses for such application are estimated to greatly increase over the present level.

5. Countermeasures

(1) Comments on the first draft of standards for examination of similarity of goods and proposal of improvements thereof:

(i) Countermeasures for difficulty in registration of associated trademarks:

In order to avoid overlap of trademark rights, it is necessary to keep the scope of similarity of goods unchanged still after the adoption of the International Classification. For this purpose, it is advisable to adopt the groups of similar goods specified in the current standards with no change in principle after the adoption of the International Classification. Even pursuant to Article 6, Paragraph 2 of the Trademark Law prescribing that classification of goods shall not decide any scope of similarity of goods, it looks like possible to adopt the groups of goods under the current "standards" without any change in principle as groups of goods under the new "standards" after the adoption. Thus, if each group of goods may be transferred into the International Classification as it is, no overlap of trademark rights would occur.

(ii) Countermeasures for difficulty in renewal of registered trademarks:

Granted that the countermeasures as stated in the preceeding paragraph (i) are taken, no overlap of trademark rights would occur. In such case, application for renewal in the same manner as

heretofore will become possible. From this point, too, the proposal made in the above paragraph (i) is desirable to the applicants' side.

(2) Countermeasures on the applicants' side:

(i) Countermeasures for troubleness in trademark search:

So long as the existing groups of similar goods are adopted with no change as the "standards for examination of similarity of goods" in principle after the adoption of the International Classification to cope with anticipated problems concerning scopes of similarity of goods, such problems arising out of overlap of trademark rights may be solved. However, there still exist other problems concerning troubleness in trademark search and increases in application and registration expenses. That is, since one class under the International Classification is composed of a variety of goods dispersedly belonging to 8 classes at average under the existing system, an applicant who wants to register a trademark through one single application by comprehensively designating all the goods belonging to one specific class under the International Classification would be required to make trademark search 8 times as much as the present level as stated above, even if the existing classification is converted to the international one on a group-to-group basis. To solve this problem, the applicant should have to select by himself only such designated goods for which the applicant plans to use the trademark actually. In Japan, as stated above, practice permits designation of goods by using class heading. This way is effective to the applicants in the point that it enables them to register trademarks for a wide range of

goods easily. But from now, trademark registration will become difficult unless limitation is imposed on the scope of goods to be covered by the applied trademark at the time of filing application. This is, in our opinion, just in conformity with the intrinsic purport of the Trademark Law which intends to grant rights to the goods actually used or planned to use.

(ii) Countermeasures for increases in expenses of application and registration:

For registering a trademark for all the goods in certain one class under the existing classification after the adoption of Internationl Classification, it will become necessary to file application for 8 classes at average under the International Classification, which will resultantly cause increases in expenses of application and registration. To avoid these increases, the applicant will be obliged to limitedly designate only such goods as are in actual use or planned to use. We think application in this manner is just the proper application expected by the Trademark Law.

6. Cautious points for U.S. applicants

(1) Recognition of difference in concepts of goods:

Even if the International Classification of goods is adopted, it will be necessary for U.S. applicants to fully recognize the concept of each goods in Japan because there may be difference in concepts of goods between both the nations. For example, "computer program" is recognized as goods in the united States but in Japan it is necessary at present to describe designated goods by an expression embodying the goods into hardware, for example, "magnetic

disc, magnetic tape in which computer program is stored".

It is uncertain at this time whether the way of expressing goods will be changed or not after the adoption of the International Classification but so long as the existing concepts of goods are used after the adoption, it would be perhaps required to describe designated goods in such manner as describing in conformity with the concepts of goods in Japan. In particular, in case of filing application in Japan asserting priority prescribed by Paris Convention, any U.S. applicant should have full recognition about difference in the method of designating goods between the United States and Japan.

(2) Characteristics of the trademark system in Japan:

Next, in order to find out countermeasures in case where a trademark owner is hindered to use or register his own trademark on account of existence of a prior same or similar trademark which has been registered by others, we would like to refer to some characteristics of the trademark system in Japan.

(i) Easiness in getting license to use:

Under the Japanese system, in getting a license to use a trademark, the licensor has to take an obligation for quality control. However, such obligation is more flexible than in the United States, so, it is easy to get such license from a viewpoint of quality control.

(ii) Easiness in transfer of trademarks:

In Japan, transfer of a trademark right is not necessarily required to accompany any transfer of business. Transfer of trademarks may be executed comparatively easily. Thus, any person is able to become to use and register a trademark of his own easily through transfer of a same or similar trademark

already registered by others.

(iii) Effective use of a system for cancellation of unused trademark:

As stated above, Japan adopts a system under which the applicant may designate all goods belonging to one class comprehensively. As a result, there exist many trademarks which are not actually used with respect to certain several goods among all the designated goods. Under this circumstance, it seems effective to utilize a system of appealing cancellation of other person's unused trademark for the purpose of making one person's trademark actually used or planned use to be registered more smoothly. Petition seeking for decision of cancellation of any trademark may be filed if the trademark has not been used for three consecutive years or more. Moreover, this procedure is effective as a mean to invalidate other person's registered trademark because the trademark owner has to bear the burden to prove actual use of the mark.

7. Conclusion

The foregoing relates to possible problems concerning trademark search and applications caused by the planned adoption of the International Classification of goods and countermeasures therefor. The Patent Office seems to have an intention to join the Nice Agreement at the time of the nation's adoption of the International Classification and also to use the classification as subsidiary one for a while after the joining the Agreement. (Under the new system, applicants will file application on the basis of the existing classification and the Office will indicate class numbers under the International Classification in the

trademark gazette, etc. together with the relevant current classes under the existing system.) These means are seemed desirable to further promote international harmonization about intellectual property right systems and advisable as means which may give a grace period for causing the International Classification to be completely known to the general public in Japan. So long as the International Classification is used as subsidiary one, the above-mentioned problems may not occur, but it is clear that the Patent Office has a policy to shift to applications based on the International Classification in due course, which means it is planned to apply the International Classification as principal one in the future The patent Office seems, hearing opinions from the private sector at present, to review the drafted standards for examination of similarity of goods in order to prepare for adopting the International Classification as principal one, and we should carefully keep to watch the actions by the Patent Office. We will be happy if this paper is helpful for the purpose.

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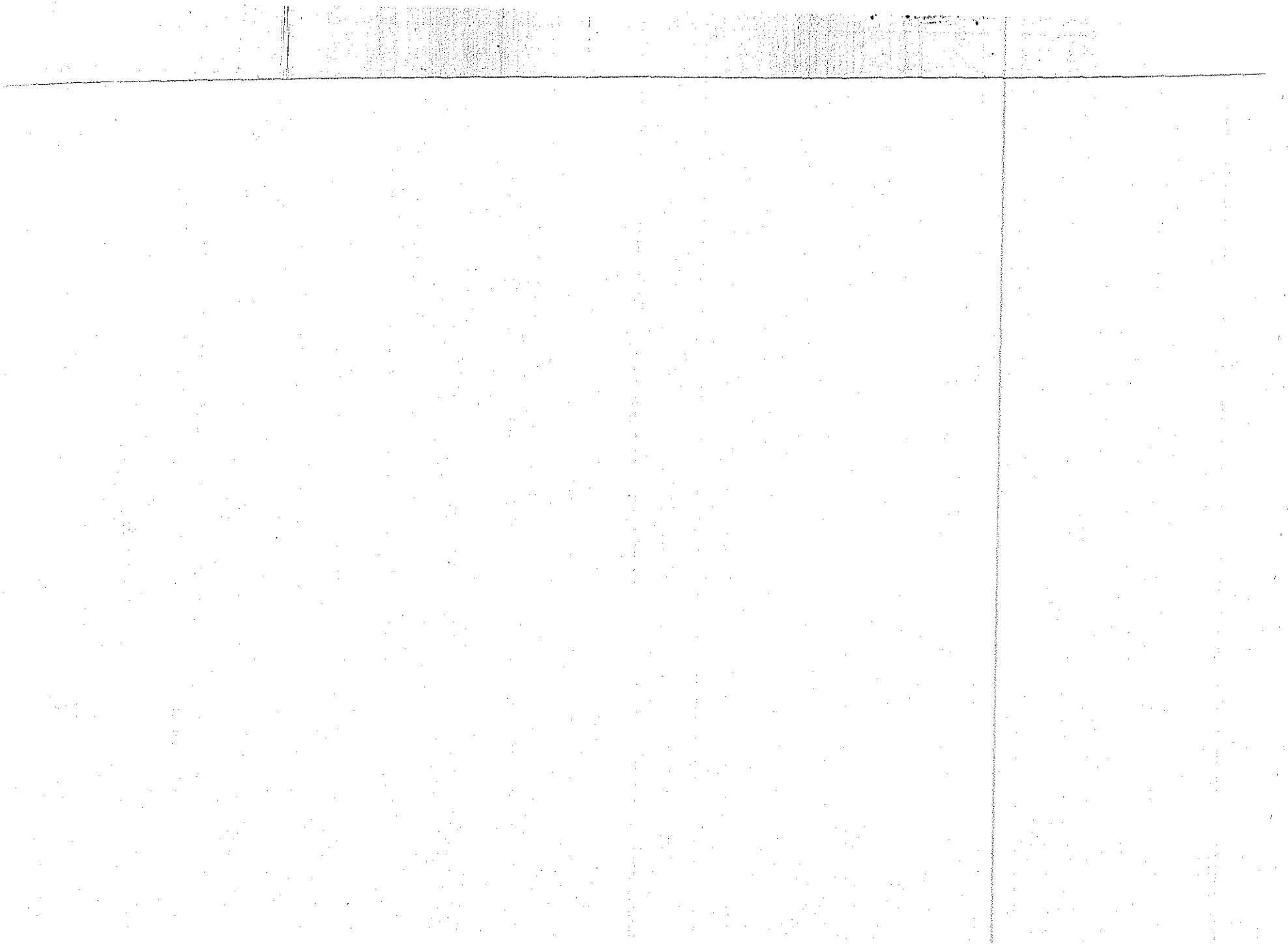
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COPYRIGHT AND COMPUTER PROGRAMS

Pacific Industrial Property Association

Toba City, Japan

October 1988

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Unisys Corporation

COPYRIGHT AND COMPUTER PROGRAMS

NATIONAL EXPERIENCE IS NOT ALWAYS A GUIDE INTERNATIONALLY

Introduction

The world's industrial countries have established property rights in the computer programs by extending copyright law concepts to this new technology. In many countries, the copyright statute has been specifically amended to cover computer programs. In others, existing copyright laws have been judicially extended to computer programs without specific statutory revision. Some countries have enacted laws specific to the protection of computer programs, laws usually based on copyright concepts. Many of the fundamentals of copyright law are easily stated and are stated the same way throughout the world. But the application of these fundamentals may not be easy to apply and their application may be different in different countries. In addition, lawyers protecting and transferring rights internationally in computer programs will encounter issues generated by technological and commercial facts peculiar to computer programs. My purpose is to give you examples of current issues arising from facts peculiar to computer programs, which examples show that simple universal, copyright concepts may not be simple or universal.

These examples are based on U.S. experience. The United States is presently the largest market for software and is about half of the world market. Commercial software sales in 1985 were between $30 and $40 billion not including software development by users for their own purposes.

HOW DO YOU IDENTIFY THE AUTHOR OF A PROGRAM AND WHO CARES

Historically, copyrights have been aimed at protecting the rights of "authors". The U.S. Constitution gives the congress "...the power to [secure]...to authors....the exclusive right to their....writings...." U.S. Constitution, Article I, Section 8. But a computer program is often the work of a large number of employee-programmers working over an extended time period. In this business context, "authorship" has little of its historical meaning but must still be addressed.

As assignment of all rights from the employee-programmers to the employer gives the employer substantive rights in the program. But in an action where an employer is asserting his copyright, evidentiary problems in proving authorship may be an obstacle to fast, effective action.

The U.S. copyright law has two provisions which effectively remove in the U.S. many of the problems proving "authorship" in computer programs.

The first provision is the so called work-for-hire provision of the 1976 U.S. Copyright Act. 17 U.S.C. Sec. 101 defines a work made for hire as "a work prepared by an employee within the scope of his or her employment". Sec. 201 (b) provides: "In the case of a work made for hire, the employer is considered the author...." There is presently a split in authority among the U.S. Courts of Appeal that have considered the issue as to whether control by a commissioning party is sufficient to make a work a "work-for-hire". The most recent case, Community for Creative Non Violence v. Reid,

846 F2d 1485 (1988, CA DC) has held that control is not sufficient. Software written by non-employees should be commissioned pursuant to a written agreement transfer rights in the work to the commissioning party.

The work-for-hire provisions coupled with the registration provisions of the U.S. Copyright Act, 17 U.S.C. Sec. 408, removes in most U.S. cases the issue of authorship. Registration is not mandatory but is a prerequisite to an infringement suit. 17 U.S.C. Sec. 411. Registration within 5 years of the first publication is prima facie evidence of the validity of the copyright and of the facts stated in the certificate. 17 U.S.C. Sec. 410 (c). A copyright registered in the name of the employer as author will usually be determinative on the issue of authorship for a program written by employee programmers. The defendant in an action usually will have no basis to attack the registration.

In countries which do not have "a work for hire" concept and do not have a registration system establishing prima facie rights, the employer may have an affirmative obligation to establish that his rights come from the "author". The employer may have to set up special procedures to keep a record of which programmers worked on the program and are thus "co-authors" of the program. Without some recognition of the issue and planning by the copyright owner, an infringer may be able to delay substantially the enforcement of rights in some national jurisdictions.

FUNCTIONALLY EQUIVALENT, COMPATIBLE PROGRAM PRODUCTS AND INFRINGEMENT

The principle that copyright protects expression not ideas is easy to state, but it is difficult to apply. The scope of protection copyright affords computer programs is being vigorously contested in the United States. Screen displays is a good example. Similar computer programs will produce similar and compatible screen display. But similar and compatible screen displays can be produced by dissimilar programs.

In 1987 the U.S. Copyright Office solicited public comments regarding the copyrightability of so called literary and graphic displays separately from the underlying program. Menus and spread sheets are examples of literary and textual displays as distinguished from game displays which are registrable as audio-visual works separately from the underlying program.

In its Notice of Decision dated June 1988, the Copyright Office established that all copyrightable expression in a computer program, including screen displays, will be considered a single work for registration purposes and registrable in a single form. A registrant may, if it wishes to clarify claims in screen displays, deposit visual reproductions of the screens. This decision by the U.S. Copyright Office does not establish copyrightability of screen display apart from the underlying program. In announcing its decision the Copyright Office recognized the significant public policy issue between the scope of protection and the desirability of standardized user interfaces.

The copyrightability of screen displays in the U.S. will be determined by the courts. Presently, there are no answers. The Court's decisions have not resolved the issue: Synercom Technology v. University Computing (1978 U.S. Dist. Ct. Texas) - protection extends to source and object code but not input formats; Digital Communications Associates, Inc. v. Softklone Distributing Corp. (1987-U.S. Dist. Ct. Georgia) - program copyright does not cover screens; Whelan Assoc. v. Jaslow Dental Laboratory (1986-Third Cir. Ct. of Appeals) - program structure, organization and sequence protected; Broderbund Software v. Unison World (1985, U.S. Dist. Ct. California) - text, artwork and screen displays protected.

The technical facts and business consequences relating to the scope of copyright protection in computer programs are outside the present direct experience of most judges, legal scholars, and legislators. I do not expect answers soon and I do not expect the answers will be the same throughout the world.

I am pleased and honored to make this presentation and hope it will be of some use to you.

Thank you.

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SHRINK WRAP LICENSE - IS IT NEEDED?

Pacific Industrial Property Association

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October 1988

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SHRINK WRAP LICENSE - IS IT NEEDED?

OVERVIEW

A major area of concern for the software industry today is how the owner of mass marketed software protects himself against theft or piracy while at the same time effectively marketing his software products. In addressing these concerns, a variety of legal methods have been tried, i. e. patents, copyrights, and trade secrets, and of course, a signed license agreement. The shrink wrap license agreement is a response to the desire by the owners of mass marketed software programs for the latter legal method, but tempered by the reality of the market place. Thus, it is a unilateral contractual agreement through which the owner of mass distributed software program can assume that the end user, by breaking the shrink wrap, has read, understands, and agrees to be bound by the terms and conditions of the license.

The shrink wrap license is written on the packaging or other documentation containing a software program and is visible to the end user without opening the package. Usually, the shrink wrap is a tearable, transparent wrapping material and must be opened to obtain access to the diskette containing the software program. By this unilateral act of the end user, the owner of the software is attempting to enter into a contractual relationship which is legally enforceable against that end user. Typically, the language in such agreements state that by breaking the seal on the package, the end user agrees to be bound by all of the terms of the contract but if he is unwilling to abide by these terms and conditions, the software program may be returned for a refund.

END USERS

Appreciating the identity and factors motivating the end user is important to understand in order to access the effectiveness of the laws in protecting the rights of the software owner. Initially, shrink wrap licenses were the response by owners of mass marketed software programs for personal computer to a significant problem. That was, how does the software owner obtain the signature of the end user on a license agreement? The end user of mass marketed software programs was very

likely an individual who used a single computer on a regular basis, either as an employee of a company, or for his personal or business use at home. Such a user is likely to view the minimizing of cost to be a primary goal in his acquisition of the software. As an individual he most likely feels that making one copy of the software will not financially harm the owner and that it is quite unlikely that he will be caught. End users normally receive little, if any, maintenance or telephone support, and often they do not return product registrations, or similar cards even when promised upgrades, bug fixes, and/or additional documentation concerning the product.

This attitude makes it difficult for large companies to administer their policies concerning the protection of proprietary software which is internally created or received under license from others. All responsible companies have a policy under which proprietary software is treated in the manner set forth in the agreement under which it is received. These policies apply to software programs for personal computers as well as to programs for mainframe computers. However, the control and administration of a policy respecting property rights in computer software for personal computers is much more difficult to enforce than the control and administration of programs for mainframe computers. This is, in part, because of; the great number of personal computers scattered throughout large companies, the difficulty of controlling and supervising the distribution of numerous copies of the software program, the portability of the personal computers, and the end users not being located within a single area or department of the company.

Today however, the software industry is a supplier to a hardware industry which is much more diverse than just personal computers. Hundred of new digital products are being introduced into the market place, all of which require a software program for operation. But it was clearly the personal computer explosion which provided the need for the shrink wrap license.

THE CONTRACT

The typical language found in many shrink wrap licenses includes the following:

1) An assertion of ownership of the software program.

2) The grant of a non-exclusive license to the end user for use on a single computer (except for network type programs).

3) Notice that these materials are copyrighted and that copying is forbidden. Sometimes a single archival copy is authorized.

4) Prohibition against the transfer software program without the prior approval of the owner.

5) Restriction on modifying, decompiling, disassembling, or reverse engineering the program.

6) Termination of the license grant in the event of breech by the end user.

7) Limited warranty and often only an "as is" warranty. A disclaimer of all other warranties recognized by law.

PATENT PROTECTION

Can the owner of mass marketed software programs find solace in the protection afforded by a patent? While patent protection for computer program related inventions has been a topic of academic interest since the middle sixties, it has been only in recent years that the question generated real interest by companies who were actively marketing software products used, for example to control physical processes such as oil refining, steel milling. Most recently, there has been a strong interest in protecting many different types of inventions related to the computer and other microprocessor based products.

PATENT LAW FUNDAMENTALS

In order to obtain protection for a program related invention, four basic requirements must be satisfied. First, the subject matter of the invention claim must be that which the law deems appropriate for patent protection[1]. Secondly, the invention must be novel, in other words it must be something that people have not used or made before[2]. Not only must the invention be novel, it must not be obvious in view of the prior art to a person of ordinary skill at the time the invention was made.[3] Finally, the patent application must meet certain formal

[1] 35 U.S.C. 101
[2] 35 U.S.C. 102
[3] 35 U.S.C. 103

requirements such as disclosing the manner and process of making and using the invention with sufficient clarity to enable a person of ordinary skill to make and use the invention, describing the best mode contemplated by the inventor for carrying out the invention, and concluding with one or more claims which particularly point out and distinctly set forth the subject matter that the applicant regards as his invention[4].

Inventions embodied in software programs have encountered problems in satisfying the basic novelty and non-obviousness criteria. One reason is because there is much less printed prior art because of the limited time that the software industry has been in existence and the fact that relatively few software inventors have sought patent protection. While this might initially seem to make it less difficult to obtain a patent, there continues to be significant questions as to what is "obvious" and what is a patentable advance in the art.

ACQUIRED RIGHTS

A patent does not give the inventor the right to use his invention but rather it allows him to exclude others from practicing the invention. The grant is specifically to exclude others from making, using or selling the invention in the United States for a period of seventeen years from the date of issue. The patent owner has the right to limit use of the invention to himself or he can license use of the invention to others. Enforcement is achieved by suit for patent infringement, or in the case of a licensed patent, for a breach of the license agreement[5]. In a patent infringement suit the most vigorously contested issues are that of patent validity and patent infringement.

PATENT INFRINGEMENT

To determine if a patent has been infringed, two fundamental questions must be answered. Initially the claim language must be read on the infringing device to determine if there is "direct" or "literal" infringement with the claim language. Of course, the claim language is read in view of its meaning as defined by the patent specification as well as the prior art. In other words, the appropriate scope of the claim language is determined by the inventor's own use of the words

[4]35 U.S.C. 112
[5]35 U.S.C. 271

in the specification and by what is said about those words during the prosecution history, as well as by the use of the language by others. But, because of the "doctrine of equivalence," the scope of the claim language is subject to some expansion. In other words, the claim is interpreted to have a scope beyond that of its literal language to cover devices or process that use substantially the same means to achieve substantially the same result in substantially the same manner[6]. This is particularly important in protecting software programs because of the full functional equivalence that often exists between software and hardware implementations of the invention.

STATUTORY SUBJECT MATTER

A number of court decisions have dealt with the issue of whether inventions implemented in a software program are statutory. In Gottschalk v. Benson[7] the U. S. Supreme Court considered the patentability of a method for converting BCD numbers into pure binary numbers and concluded in that case the claim was not patentable because the practical effect would be to patent an algorithm. The Court viewed the claimed method as a program for solving mathematical problems by converting one form of numerical representation to another. It found that the claims were not limited to any particular apparatus or to any particular application and concluded that the practical effect of the claim was to preempt the use of the formula and thus the patent was for the algorithm itself.

In Diamond v. Diehr[8], the U. S. Supreme Court was concerned with a patent that claimed a method for curing synthetic rubber which included in several of its steps the use of a mathematical formula and a programed digital computer. Although the mathematical formula was a well know equation to those of ordinary skill, the determination of optimal cure time depended on the value of several parameters. The invention involved repeatedly measuring the temperature within a mold, updating the cure time calculation, and opening the mold when the actual cure time equaled the optimal time as calculated by the mathematical formula. The U. S. Patent and Trademark Office had rejected the method claims, asserting that the steps defined by the software program were in reality the same steps of the well known equation and thus the claim language

[6]Graver Tank and Manufacturing Co. v. Linde Air Products Co., 339 U.S. 605 (1950).
[7]Gottschalk v. Bensonk, 409 U.S. 63 (1972).
[8]Diamond v. Diehr, 450 U.S. 175 (1981)

covered the well know equation. On appeal, the U. S. Court of Customs and Patent Appeals (predecessor to the Court of Appeals for the Federal Circuit) disagreed with this conclusion and held the claims to be patentable. The U. S. Supreme Court agreed with the U. S. Court of Customs and Patent Appeals, and upheld its decision.

In Diehr the Supreme Court made several pronouncements. A claim which is otherwise statutory does not become non-statutory through the use of a mathematical equation implemented by a programed computer. It clarified its decision in Benson by stating that the prohibition against claiming a mere algorithm was limited to algorithms for solving mathematical problems. The Court emphasized that it was improper to dissect claims into its old and new elements but rather, each claim must be considered as a whole. And finally while a mathematical formula alone is not protectable subject matter, when the claim containing an algorithm defines novel structure or process, the claim defines subject matter that is protectable.

The claimed invention in Diamond v. Bradley[9] related to a computers ability to efficiently manage its internal operation. The claim dealt with the alteration of information stored in certain types of internal memory known as "scratch-pad memory." The U. S. Patent and Trademark Office had rejected the claim stating that it was directed to mathematical algorithm even thought it did not contain mathematical language. The Court of Customs and Patent Appeals (CCPA) reversed noting that the claim language did not directly recite a mathematical algorithm because every computer related invention is to some extent mathematical in nature. Since the invention as a whole did not cover or preempt the mathematical algorithm the claim recited a machine and was statutory. The U.S. Supreme Court agreed and affirmed the CCPA decision.

The CCPA in Freeman[10] was faced with a system for typesetting alpha numeric information using a computer-base control system in conjunction with a photo typesetter. In its decision the CCPA enumerated a two-step test: 1) determine whether the claim directly or indirectly recites a mathematical algorithm; and, if so 2) analyze the claim to determine if in its entirety it wholly

[9]Diamond v. Bradley, 450 U.S. 381 (1981).
[10]In re Freeman. 573 F2d 1237 (CCPA1978).

preempts the algorithm. If the answer to both questions is yes, then the claim language is non-statutory. This decision is still in effect today.

NEW COPYRIGHT PROTECTION

Another solution available to the owner of mass marketed software is provided by the copyright laws. In 1976, a new copyright law was enacted and represented the first significant statutory change to the copyright law since 1909. This is in contrast to the dramatic technological changes which occurred over the same period. Innovations introduced since the beginning of the century included motion pictures, phonograph records, radio, television, magnetic recording, transistors, integrated circuits - and finally computers. The 1976 Copyright Act did not fully resolve the issue as to whether computer programs were really protected by the copyright law and what scope of protection was provided.

Although the Copyright Office had been accepting software programs for registration since the mid '60s, it had done so under the "rule of doubt" which meant that the Copyright Office questioned as to whether the software program was copyrightable but because such questionable issues were resolved in favor of registration, it would register the work and let the courts decide whether the copyright was valid or not.

In 1980 Congress amended the 1976 Act to include a definition of the term "computer program" and clarified the nature of copyright protection provided for software programs. This amendment finally resolved the issue as to whether software programs were the proper subject matter for copyright protection.

IDEA/EXPRESSION DICHOTOMY

A fundamental concept in copyright law is concern with the problem of separating the copyrightable subject matter, i.e. the expression of ideas, from the uncopyrightable subject matter, i.e., the ideas themselves.

In the case of Apple Computer v. Franklin[11], the court was faced with the question of whether there is any difference between operating system software and applications software. Franklin was a manufacturer of computer equipment and

[11] Apple Computer, Inc. v. Franklin Computer Corp. 714 F2d 1240, 219 U.S.P.Q. 113.(1983).

began building a system which was compatible with one of Apple's computers. Rather than develop its own operating system software, Franklin copied the operating system programs developed by Apple. Franklin duplicated key portions of the object code and distributed this software program with its computer. Initially, the CCPA clearly stated that a software program, whether in object code or in source code, is subject to copyright protection and is protected against unauthorized copying. Next, the court concluded that simply because the software program was stored in a ROM (read-only memory) would not defeat copyrightability. Finally, the court addressed the issue of the relationship between application programs and operating system programs. In concluding that there is in reality no distinction between such programs, it saw no reason to deny copyright protection for both types of programs.

TRADE SECRET PROTECTION

A trade secret is in a formula, pattern, device or compilation which is used in ones business do not know or use it. Trade secrets include a chemical compound, a pattern or simply a list of customers[12]. The Uniform Trade Secret Act was drafted and approved by the American Bar Association in 1980 and a number of states have enacted such legislation. A computer program is eligible for trade secret under the uniform act as either a technique or program. The act defines a trade secret as follows:

> Trade secret means information that:
>
> (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
>
> (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Although U. S. courts have been fairly uniform in concluding that the subject matter of a trade secret need not be "novel" in the same sense as required by the patent laws, something beyond what is generally known is required. In the case

[12]Restatement of Torts, Section 757.

of software programs, an individual technique may be known, but the logic and novel combinations represented by the overall organization of many such elements, and the clearly evident dedication of time and expense to such organization, is a sufficient advance to justify trade secret protection. .

A difficulty associated with enforcing ones trade secret rights is that the owner doesn't know for certain if he has a protectable trade secret until a court so rules. In determining whether a trade secret exists, courts will consider the nature of the subject matter asserted to be a trade secret and the actions of the owner with respect to that trade secret.

Relevant inquires concerning trade secret status include:
1) the extent to which the information is known outside one's business, 2) the extent the information is known within the company, 3) the measures used to protect the information, 4) the value of the information to the trade secret owner, 5) the amount of effort or money expended to develop the trade secret, and 6) the ease or difficulty by which the information could be acquired by others.

FEDERAL PREEMPTION

Are shrink wrap licenses unenforceable adhesion contracts precluded by Federal Law? In the case Kewanee Oil Company v. Bicron[13], the U. S. Supreme Court was concerned with the question as to whether state trade secret law was preempted by federal patent law. The Court found that the trade secret law was a far weaker form of protection than patent protection. Thus, patent protection would be by far the preferred form of protection where patentable subject matter was present; however where there was little likelihood that the subject matter was patentable, the owner would most likely resort to trade secret laws. For this reason the court concluded that the patent law policy of encouraging early disclosure of inventions could be reconciled with trade secret law.

In its decision, the Court further noted certain other weaknesses in trade secret protection. Most significantly, trade secret can be lost through independent creation or reverse engineering by third parties. Additionally, there is substantial risk that if the trade secret is in wide spread use by the owner and its licensees that

[13]Kewanee Oil Co. v. Bicron Corporation, 416 U. S. 470 (1974).

ultimately the secrecy will be lost in a way which is not easily identifiable or subject to proof in court.

The question as to whether the terms and conditions of a shrink wrap license were enforceable or preempted in view of the U. S. copyright laws was considered in the case of Vault Corporation v. Quaid Software Limited.[14] Vault distributed a data security software program designed to prevent the copying of software programs. Quaid created and distributed a program which unlocked the Vault security software and allowed the program contained on the protected disk to be copied. Vault sued Quaid a court to prevent advertising and sale of the unlock software program, for copyright infringement, and for breach of its license agreement. The federal district court then analyzed the Louisiana Software License Enforcement Act, known as "SLEA," (one of two states, Louisiana and Illinois, having such an act) and found some provisions unenforceable because of conflict with federal copyright law.

Of particular concern to the district court was the SLEA provision that prohibited decompiling or disassembling or reverse engineering the software. In reviewing the basic concepts associated with reverse engineering, the court noted that most companies today feel it is simply good business practice to understand the competition and competitive products through legitimate and ethical means. Unless protected by a patent, technology freely disseminated to the public by its owner is generally considered to be available for anyone to use. Once in the public domain such technology no longer qualifies for patent protection because of the basic requirement that in order to be patentable, the invention must be new or novel. Given the importance of the reverse engineering right, the court concluded that SLEA unjustifiably preempted federal policy which was an important incentive to industry.

CONCLUSION

Millions of transactions between the owners of a software programs and end users have been conducted on the basis of shrink wrap licenses. Clearly, the owner of a software program is entitled to reasonable protection for the intellectual property and investment related to the software and documentation. Of most

[14]Vault Corporation v. Quaid Software Limited, 655 F.Supp750 (E. D. La 1987).

concern to the owner of the software program is the loss of revenue associated with unauthorized copying. If the owner of a software program finds that an end user is duplicating and selling software program copies, he can most likely obtain a restraining order preventing the duplication and sale, and an order impounding all illegal copies under the copyright laws. However, the law is currently unsettled in the U. S. concerning the extent that an owner of mass distributed software can really achieve the added benefit often sought through the shrink wrap license, namely, restricting an end user, or even a competitor, from reverse engineering a software program and documentation.

LICENSING OF SOFTWARE DEVELOPED BY THIRD PARTY (SOFTWARE HOUSE)

Japanese Group, Committee No.2

Subcommittee B

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Shinji Ina, Sony Corp.
Iwao Kimata, Nippondenso Co., Ltd.
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Abstract

We studied problems which may be encountered under the Japanese Copyright Law in licensing or marketing software programs developed by software houses on consignment. To ensure problem free marketing or licensing of such software, care should be taken in consigning software development work to third parties. Not only should the legal aspects be investigated, but the past development and licensing performance of software houses also should be known. In this report, we attempt to point our those areas in which care should be taken. For example, in many cases, the inalienable moral right of a software author reverts to the software house which employees such author. Therefore, a consignor should realize that the whole copyright to such software cannot be assigned to the consignor. Also, in this report, reference is made to the case where software development work is consigned to software houses in countries which are not members of international copyright treaties.

1. Introduction

Computer programs are becoming more important for electronic products. Their use has become quite common and widespread. Computer programs range from the operating system for super computers to game software for video games sold at shopfronts in Akihabara. They are even

incorporated in micro computers installed in consumer electronic products such as radios and telephones.

Due in part to a general shortage of software engineers in Japan and the growth of independent software development companies called software houses, Japanese electronic companies often find it necessary or desirable to consign computer program development work to these software houses.

There are numerous ways in which software development work can be consigned and in which the resulting proprietary rights can be handled.

We report here on the apparent majority of cases where the consignor presents to the software house functional specifications for the software to be developed. We also refer to the necessary contractual procedures, and their relationship to the Japanese Copyright Law and other Japanese laws currently in force. In this report, computer software and computer programs are defined similarly to the WIPO Model Law (1978). The term "software" as used herein denotes a broad concept including programs and other related documents as discussed in 2 (A) (ii) below. The term "program" as used in the Japanese Copyright Law however, can be interpreted as not including other related documents.

2. Legal Rights for the Protection of Software

The legal rights for protecting the results of software development work, are generally the following:

A) Copyright

Protection of software by copyright seems to be a world-wide trend today. An amendment to the Japanese

Copyright Law in June, 1985 has clearly given protection to computer programs as authored works in our country. Therefore the copyright owner can exercise the following rights:

(i) Moral rights of the author (inalienable right)
  (1) Right to publish the software
  (2) Right to indicate the name of the author in the software
  (3) Right to maintain the integrity of the software
  (4) Right to demand damages and injunctions when any one of the rights described in (1), (2) or (3) above is infringed.

The Japanese Copyright Law aims to protect the personal interest of the author by stipulating the moral right of the author. Authors are therefore entitled to the above mentioned rights.

As for the right to the integrity of the work, the amendment to the Copyright Law in June, 1985 provided an exception for computer programs in view of their economic character. This exception provides that modification of software for effective use does not infringe the right to the integrity of the work. The scope of modification allowable under this exception is not definite and is judged on a case-by-case basis.

(ii) Copyright (economic right)
  (1) Right to copy the software
  (2) Right to adapt the software
  (3) Right to distribute the software
  (4) Right to demand damages and injunctions when any one of (1), (2) or (3) above is infringed.

In addition to computer programs, design specifications, flowcharts, operation manuals and other

related documents are protected as independent authored works under the Japanese Copyright Law. However, they are afforded copyright protection as documents and fall in the category separate from computer programs. Thus, the special exceptions limited to computer programs in the current Copyright Law of Japan are not applicable to these related documents. This is unfortunate since a manual can be valuable in the effective use of a program and if may be desirable to apply to these documents similar provisions of exception.

B) Patent rights

Discussions on whether or not software meets the patentability requirements appear to have been and continue to be extensive in several countries. The patentability of software was recognized by the Japanese Patent Office under the document entitled "Examination Standard for Inventions Related to Computer Programs" published in December 1975 and in the "Guideline for Inventions Related to Microcomputer-Applied Technology" published in December, 1982. Lacking precedents, patentability for software programs is judged on a case-by-case basis.

C) Contractual rights

Ideas and know-how may be part of the results of the development of software programs. These ideas and know-how are not eligible for protection under Japanese Copyright Law or other statutory law. While they may be protected as trade secrets in the United States, they call for special contractual arrangements in Japan.

Furthermore, contractual rights are usually necessary to transfer accrued rights in the developed software from the software house to the consignor. If the consignor merely furnishes functional specifications to the software

house, the copyright for the result of development work is usually considered to vest in the software house. The consignor must secure the rights necessary for using or selling (licensing) the development results (see item 3 below). Such contractual provisions are usually included in the development agreement.

D) Other rights

Software may be afforded protection under the Japanese Trademark Law, Criminal Law or Unfair Competition Law in addition to the above.

Footnote A

Author of the program created by a sub-contractor (software house)

Article 15-2 of the Japanese Copyright Law provides the following. A program prepared (a) based on the initiative of a corporation (b) by a person engaged in the business of a corporation (c) in the course of his/her duties is deemed as an authored work of said corporation. Although it is clear that the corporation obtains "the status of author" for the work created by its employees, opinions are divided on whether the authorship accrues to the consignor of a program under a sub-contract agreement or not. Causes for division of opinions are that (i) disclosure by the consignor to the sub-contractor (corporation) of the order is quite varied, (ii) the control or supervision by the consignor of the sub-contractor (or its employee) is quite varied, and (iii) the degree of participation by the consignor in preparation of specifications, system designs, flowcharted preparation or program preparation is also varied.

A sub-contractor under a sub-contract agreement generally maintains an independent position from the consignor and the relation between the two is distinctly distinguished from the relation between the consignor and its employees under an employment agreement. Thus, the consignor does not automatically become the author of the program created by an employee of the sub-contractor of their order. However, if the consignor were to modify the program thus created for upgrading, etc., it is more convenient to have the right to integrity of the work, one of the moral rights of the author, reside in the consignor. Thus, there are many opinions asserting that there is an employment in fact between the consignor and the employee of the sub-contractor of the order despite absence of a direct contractual relation between the two, and further that the author of a contracted program is the consignor who assumes responsibility for the programs to end users.

There is another opinion asserting that since the Copyright Law maintains that the right to program works resides in its "expression" and not in the "idea" contained in the system design or concept which were used as the basis for programs, the sub-contractor of the order (or its employee) who actually created the program under sub-contract should be regarded as the author irrespective of contractual relations.

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3. Rights to be secured and obligations to be imposed in consigning the development work to a software house

A) Statutory rights and obligations

i) Matters related to legal rights under the Copyright Law, the Patent Law and other codified laws.

(1) Secure the rights so that the consignor has rights under the Copyright Law, the Patent Law, and other codified laws.

(2) Have the software house agree that they will not exercise any right related to the results of development, such as use, sell (license) or otherwise dispose of the developed software.

ii) Matters related to contractual rights and obligations

(1) Identify the results of the development which the software house should deliver to the consignor, specify the software house's obligation to deliver said results to the consignor, and set forth the schedule concerning such delivery.

(2) Prohibit the software house from sub-contracting part or all of the development work to a third party, or, alternatively, specify the conditions for sub-contracting, such as prior notice to and approval of consignor.

(3) Obligate the software house to correct defects, such as program bugs. Since it is almost impossible to create bug-free software and it is difficult for anyone but the author to correct the program bugs, this obligation is considered essential.

(4) Make provision for indemnification in the case of infringement or dispute over infringement of a third party's intellectual property right.

(5) Have the software house agree to provide upgrading and maintenance of software upon consignor's request. In the case when the consignor sells (licenses) the developed software to a third party, the consignor usually assumes the obligation for upgrading and

maintenance. Therefore, it is necessary for the consignor to impose on the software house this obligation to perform such services or transfer the necessary technology to the consignor at the time of software delivery. We often observe software houses directly performing upgrading and maintenance services to customers (licensees) of the consignor.

B) Additional matters requiring special care under the Copyright Law

As software is now subject to Japanese Copyright Law, the following measures are advised in addition to the measures discussed above.

i) Accrual of Copyrights

Under the Japanese Copyright Law, the copyright and the moral right of the software accrues to the software house which actually performed the development work. In order to use and sell (license) software, the consignor needs to have these rights assigned to themselves from the software house.

This assignment is effected by execution of an assignment deed in addition to a development agreement containing a provision for assignment.

In the case where most of the steps of the development work are executed by the consignor and only a small part of the work is consigned to the software house, the copyright and the author's moral rights to said software accrue to the consignor as a work made for hire. Another alternative is that the development work is shared and the developed software may be interpreted as jointly owned by the two parties. More concretely, the consignor performs the work up to preparation of detailed flowcharts, and the software house performs the coding work alone.

ii) Moral rights of the author

In discussing the assignment of rights, it should be noted that the copyright which is an economic right can be assigned. The moral right of the author, however, is not assignable because of its inalienability.

Therefore, a development agreement must contain provisions forbidding the software house to exercise any right under their moral right, at least not against the consignor nor its customers, and providing rights to the consignor equal to the moral right of the author (freedom of publication, indication of name and maintaining the integrity of the work).

There should also be a provision requiring the software house to exercise the right to demand damages or injunction if requested by the consignor when the moral right of the author is infringed.

There is little chance, however, of actual infringement of the author's moral right which does not also infringe some economic right.

iii) sub-contracts

In the event the software house sub-contracts a part or all of the development work to a third party (other software house, etc), copyright and , other proprietary rights may accrue to the third party, further complicating the situation.

The software house may or may not acquire the copyright or the moral right of the author in such case. In this case, it is recommended to impose on the sub-contractor similar obligations which are placed on the software house. In the development agreement, the

consignor should require the software house to agree to have the subcontractor assign or grant the appropriate rights to the consignor.

iv) Modules stocked by the software house (see footnote B)

Software usually consists of a combination of various modules. These modules can be protected as individual computer programs under the Japanese Copyright Law.

Software modules may often be used for multiple purposes. The software house usually stocks various modules for use in individual development works. The technical level of a software house is often evaluated by its scope of module stock.

As the consignor often consigns a development work to such a software house, this often requires some contractual considerations as to the copyrights for such modules. It would be unrealistic to expect such software house to readily assign the rights to their stock modules to the consignor. Stock modules are likely to be extremely important property to the software house.

It is therefore practical to provide in the development agreement that the software house should not exercise their rights in the modules against the consignor and consignor's customers.

A similar provision is recommended for software developed by modifying and adapting software originally owned by the software house.

In summation, the following requirements are advisable for development agreements.

(1) Assignment of the copyright to the consignor (Assignment deed is necessary for registration)
(2) Non-exercise of the moral rights by the software house
(3) Obligation of the software house to exercise the right to ask for damages, injunctions, etc. for infringement of the moral right of the author
(4) Right of the consignor to publish, indicate name and modify software
(5) Non-exercise of the software house's rights related to modules used in the resulting software
(6) In the case where the result of the development work is deemed a derivative work (when software owned by the software house is modified), non-exercise of the software house's rights related to the original work
(7) Guarantee of the consignor's right when the software house sub-consigns or sub-contracts the development work to a third party

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Footnote B

Risk of copyright infringement

It is necessary to confirm that there is no possibility of infringement of third parties' rights when consigning software to software house.

Software houses often accept orders from companies of similar business. Also software houses create software similar to their own in stock software or develop software merely by modifying their in stock software. Software houses consciously or unconsciously use know-how, routines and modules they have accumulated in the course of their

daily business to develop software for which they have received an order.

If software similar to that of another company is created, using algorithms of which routines and modules are conventional, it will not constitute an infringement of the copyright. Naturally if the third party routines and modules accessed are unique and original, then a newly created program similar thereto may possibly infringe the copyright of others who own the original routines and modules.

Even if software is uniquely created by the software house without inclusion of software by others, but the copyright of such software has been assigned to a third party, a newly created software containing these or similar routines and modules of the assigned software would infringe the copyright of such third party.

Therefore, when placing an order for software with a software house, it is necessary to ascertain (a) whether the software house has received orders for similar software in the past, and if yes, (b) whether or not the newly developed software would infringe the copyright of such past clients. It is necessary to maintain a proper paper trail recording the details of software creation for possible problems in future.

When the software house retains part of the copyright

If a software house owns the copyrights for routines and modules commonly used for preparing similar programs, their use in the consigned software programs will not involve the above mentioned problems. In this case, however, it should be confirmed that these routines and modules were created by the software house, and that their copyrights have not been assigned to third parties under

contract but have been retained by the software house.

Since the copyrights for such routines and modules are owned by the software house as mentioned above, the transfer of the created software should be subject to a license.

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4. Matters to be noted in transactions with overseas software houses

Japanese corporations are locating manufacturing and other facilities, overseas, particularly in Southeast Asia. This is increasingly true since the drastic appreciation of the yen a few years ago. Many such overseas facilities are consigning software development work to local software houses. Also Japanese companies are directly consigning the development work from Japan to overseas software houses.

Matters to be noted in dealing with overseas software houses are basically the same as those discussed above, but there are problems unique to such international deals. Attention should be paid to the construction of the local copyright laws and differences in the current legal thought. For instance, in the United States and Japan, the copyright of software created by an employee of a corporation acting within the scope of his or her employment becomes the property of the corporation ("work for hire"). However, in European countries such as France and Germany, the creation of the authored work is regarded as a work of the mind, performed on the basis of the thoughts and emotions of a natural person. The idea of corporate authorship for the works created in the scope of employment is hardly acceptable in these countries in view of the original intent of the copyright legislation that

creative expressions are protected. Thus, precautions adapted to individual countries and cases are recommended.

A) International treaties

Many countries have ratified international treaties (Universal Copyright Convention, Berne Convention for the Protection of Literary and Artistic Works, etc.) concerning intellectual property rights, including copyrights. Among the participating countries, Japan is no exception. There are also bi-lateral treaties.

The works protected by national copyright laws are limited to the works created by their nationals and those which were first published in their country. Reciprocal arrangements for the protection of works created by foreigners in foreign countries are made among member countries of these treaties.

When the development work for software is consigned to a party in a country which is not a member of such international treaties or a bilateral treaty (for example Japan has no relevant treaty with either Singapore nor Taiwan) the resulting software is protected only by the copyright laws of the subject country.

Therefore, sometimes such software delivered to Japan may not be protected under the Japanese Copyright Law.

In order to avoid such a situation, software should be delivered to Japan or to a third country which is a member of international treaties without publishing it in the country of development. This can be done since, during the development stage, software is intended for internal use and does not require the act of publication. Furthermore, during the development stage, protection other than under the copyright laws (such as trade secret) should be sought. More concretely, the following measures are recommended.

(1) the developed software should be recognized and treated as confidential information until delivery to Japan and publication

(2) an ID code should be hidden in the program to enable tracking and proving illegal dubbing. This will increase the chance that laws other than copyright law will apply, such as criminal laws and unfair trade practices

5. Conclusion

Computer programs have been incorporated in the Japanese Copyright Law. However, since the subject of protection for computer programs is technology, computer programs do not neatly fit into the Copyright Law which was meant to protect general authored works. Efforts are being made to complement these points of misalignment, such as the creating special rules. However, there are undeniable defects such as "the moral rights of authors" for the computer program and "the corporate authorship" for documents other than the program works. In view of the short time since the incorporation of computer programs in the Copyright Law and the paucity of decisions, trying to interpret legal protection for software naturally brings forth many difficulties.

Sale (license) of software developed by sub-contractors discussed in this paper requires careful preparation in both legal and development aspects. As the protection for software under the Copyright Law is not necessarily sufficient, it is essential to take precautionary measures by carefully preparing the provisions of the software development and licensing agreement.

EMPLOYMENT AGREEMENTS

Pacific Industrial Property Association

Toba City, Japan

October 1988

R. L. Donaldson

Texas Instruments

EMPLOYMENT AGREEMENTS PROTECTING TRADE SECRETS IN A HIGH TECHNOLOGY ENVIRONMENT

INTRODUCTION

High technology companies spend hundreds of millions of dollars annually for research and development of new products. In order to obtain a fair return on this investment, it is imperative that they be able to protect this technology from unauthorized disclosure to their competitors. This paper will describe in general the various methods available to protect such technology, and will describe in some detail specific measures for protecting trade secrets. In this regard special attention will be drawn to the importance of employee contracts for protecting a company's trade secrets and enforcing obligations of the employees to keep such information confidential. Alternatives and remedies for unauthorized use or disclosure of Trade Secrets will also be briefly summarized. Specific reference is made to electronics as an example of an industry characterized by rapid growth in technology but the same principles apply to other high technology industries.

BACKGROUND

The last three decades have produced a growth of technology that is unparalleled in the history of the world. This rapid growth is particularly evident in the computer and semiconductor segments of the electronic industry. In semiconductors, e.g., technology has progressed from the invention of the integrated circuit in 1958 to present day capabilities of producing a single integrated circuit capable of storing over four million bits of data. Computers have harnessed the extraordinary processing and storage capabilities of integrated circuits and low cost, powerful computers are now widely used throughout industry. This phenomenal growth has been made possible by the rapid development of new generation semiconductor products having greatly enhanced capabilities over the previous generation product. This rapid development and commercialization of new generation products, however, requires huge expenditures of resources to develop ever increasingly complex technology. Further, a company cannot afford to delay product introduction since failure to participate in the early phase of product sales can result both in loss of market share and profits necessary for future product development. To make matters even worse, this rapid development of technology virtually assures that a given product will have only a relatively short life span because new technology will soon make it obsolete. This vicious circle of large R&D

expenses, sales of a product for a relatively short life and large R&D expenditures to develop the next generation product, places the high technology company in a precarious position with regard to protecting its trade secrets. Disclosure of its technology to a competitor can be disastrous so there is a strong desire to strictly protect confidentiality. On the one hand there is a critical business need to get a product to the market early, which requires that the technology be widely disseminated to employees. This creates a serious dilemma for the employer for the employer since the risks of inadvertent disclosure, intentional misappropriation and loss of trade secret status rise proportionally to the number of people having access to them. Paradoxically, the very process that makes possible rapid development of technology--the ready access by employees--seriously impairs the ability of a company to adequately protect it.

Further complicating the problem of protecting trade secrets is the fact that some of the very equipment used to expedite the development of new products and processes can be used by competitors to rapidly reverse engineer a product once it is introduced on the market. As a result, the electrical circuits and the structure of the product can very quickly be determined by competitors and they can come out with a competing product

using these circuits and structures absent some other protection that the developing company may have, such as patents or copyrights.

Finally, the electronics industry market demands alternate sources of manufacture for most products. Thus a company that has developed valuable new technology may be forced by market constraints to license this technology to one of his competitors. This further weakens the advantage a company might have had from developing new technology and certainly makes it more difficult to keep the technology confidential.

PROTECTION OF TECHNOLOGY

High technology companies have several ways in which they can protect their technology. Alternatives include patents, trade secrets, copyrights, mask work rights, and trademarks. This paper will focus on patents and trade secrets.

Patents can provide important protection in industries characterized by rapid development of new technology, but often the protection is inadequate, particularly during the early stages of a new product. One of the reasons for this is the

amount of time it takes for a patent to be examined and granted. In the United States, it can easily take 2-5 years from the date of filing before a patent is registered. Obtaining a patent in foreign countries often will take even longer if it is possible to get a patent in those potential markets at all. Enforcing the patent against infringers can easily take an additional 3-5 years. For products in rapidly developing technologies, the patent may be obsolete by the time a patent owner can enforce it. Additionally, patents do not provide totally adequate protection in the area of software, an area of technology that is increasingly important and costly in today's sophisticated electronics systems.

In view of the time delay for obtaining patents, and their limited protection for software, trade secrets may well be the most important measure of protection available to high technology companies. Establishing and enforcing trade secret rights, however, can be extremely difficult. In the United States, trade secret rights are governed by state statutes, and a trade secret, unlike patents and copyrights, can be established only though litigation.

Trade secrets are particularly vital for several reasons. As noted previously patents can take a relatively long period of

time to establish, and the products covered could be obsolete before the patent is enforceable. This is painfully apparent in the electronics industry where a product often may have a useful life of only 3-5 years. Secondly, technology has facilitated the ability of competitors to quickly reverse engineer a product once it is on the market. Thus, the circuits and device structure ascertainable from an analysis of the product are quickly available to competitors. If patents have not yet issued, competitors can quickly introduce a competing product without expending the huge sums of R&D originally required to design and develop the product.

In many instances, however, the product itself will not reveal the manufacturing processes to make it. In fact, the detail process and manufacturing equipment are often crucial to successfully making the product. Therefore, if a company can protect these trade secrets from disclosure to competitors, it greatly enhances that company's ability to maintain a competitive advantage, particularly during the early, most profitable period of a products life cycle.

Perhaps the greatest risk of losing a trade secret is through a terminating employee. This problem is particularly acute in the United States where there is a high degree of employee mobility.

Even if the employee is ethical, if the employer has not taken proper measurers to advise the employee of what is considered to be a trade secret and if the employer has not implemented an adequate protection program, the employee may be free to use the technology in a competing company. Further, given the value of trade secret information, employees may be tempted to take trade secrets even if they know that the employer considers it to be confidential. The remainder of this paper will focus on measures an employer can take to reduce or minimize the risk of misappropriation of his trade secrets by terminating employees.

MEASURES TO PROTECT TRADE SECRETS

Before discussing specific measures for protecting trade secrets, it is helpful to define what is meant by a trade secret. For purposes of this paper, the definition found in the RESTATEMENT OF TORTS Section 757 is sufficient, i.e.,

> "A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process or manufacturing, treating or preserving materials, a pattern for a machine or other device or a list of customers."

Simply put, if information is not publicly available and is used in the business and provides a competitive advantage over

competitors who do not know or use it, then it can qualify as a trade secret.

Assuming that a trade secret right has been established, employees are under an implied contract to protect that trade secret due to an implied duty of loyalty. The common law governs ownership of the employee's ideas, inventions and discoveries that are made in the absence of an express agreement. Specifically, if an employee was hired to invent or solve a problem, any invention resulting from that work belongs to the employer. If an employee makes an invention outside of the scope of employment, but uses the employer's resources, such as equipment, labor, materials or facilities, then the employee would own the invention subject to a "shop right" of the employer. The shop right would give the employer a non-exclusive, royalty-free license to use the discovery, but the employee would be the owner. Such a shop right is personal to the employer and cannot be assigned or licensed by the employer to a third party. In addition, even if the employee has signed an agreement to assign patents to the employer, such an agreement by itself would not provide the employer any rights to unpatentable trade secrets. Accordingly, even though the common law does provide that there is an implied contract for the employee to recognize and protect trade secrets of the employer,

the implied contract will not provide adequate protection to the employer and it is imperative if he wishes to fully protect his trade secret technology that he have a specific agreement with the employee.

Before addressing the subject of employment agreements, it must be emphasized that the rights of an employer to protect his trade secrets are not automatic, either under common law or specific employment agreements. Stated simply, there are three things an employer must do to establish an enforceable trade secret: (1) identify, (2) notify and (3) protect.

Courts are not willing to find misappropriation of a trade secret if the employer has not reasonably identified the technology as a trade secret. Ideally, the employer would have a trade secret register specifically listing his trade secrets, and documents containing the trade secret information would be clearly marked with a restrictive legend, such as "Confidential" or "Strictly Private", etc. In large companies, however, it is often administratively impractical to mark all of such documents and to keep a current register. The administration burden is further complicated by the large volume of information that typically is resident in software. Further, one of the perceived risks of listing trade secrets on a register is the fear that omitting an

item could be considered as an admission that it was not considered to be a trade secret. Further, prominently marking data with legends could inadvertently assist those who wish to steal the information. Fortunately, courts do not require such a strict standard of identifying specific trade secrets. They do, however, require some steps be taken so that an employee reasonably knows he has access to trade secret technology and has a duty not to disclose it.

In the ideal situation described previously, the employer would be able to periodically show employees the trade secret register and specifically point out the trade secrets each employee has access to. In practice this is probably not practical, nor is it essential. As long as the employer has taken some positive steps to advise the employee he has access to trade secret information, the employer will probably prevail on the "notice" requirement. For example, the employer's personnel manual may be of some assistance in showing that the employee had knowledge that the company owned trade secret information and had a policy of protecting it. Relying on the personnel manual to show notice to the employee and an implied contract for the employee to protect trade secrets has had some success in the courts. However, the personnel manual is unilateral and it is difficult to find the "consideration" to support a contract to

protect trade secrets. There is a risk that a court could find the consideration to be an implied contract for employment based on other provisions of the personnel manual giving rise to a possible countersuit for wrongful termination, etc. These types of problems and risks can be avoided by having the employee sign a separate employment agreement as described below.

Finally, to prove existence of a trade secret the employer must show he has taken reasonable steps to protect the confidentiality of the information. This should include restrictive legends on documents and software, control over physical access to the information, such as secured rooms or buildings, computer access passwords, and confidentiality restrictions whenever the information is disclosed to third parties such as customers, vendors and licensees. Courts do not require perfect protection; they do require reasonable measures under the circumstances.

As previously noted, whether the employer has taken adequate measures to establish a trade secret right is determined by state laws and can only be determined through litigation. In attempting to enforce trade secret obligations against ex-employees, the employer will have to overcome the defense that during his term of employment, the employer did not claim it was confidential and the employee did not know that it was considered

to be a trade secret. Given the wide dissemination of information generally required in rapidly developing technologies, it may be very difficult to prove the employee was notified that specific technology was considered a trade secret. If the technology is widely available on computers and workstations, it may be difficult to prove the employer took adequate steps to protect its confidentiality.

EMPLOYMENT AGREEMENT

A written employment agreement with all the employees who have access to an employer's trade secret information is vital. Such an agreement can provide important rights for the employer, particularly in the following areas:

1. Non-disclosure of trade secrets;
2. Assignment of patents;
3. An agreement to cooperate to secure patents, even after termination; and
4. An agreement not to compete.

A covenant not to disclose in an employment agreement is valuable for several reasons. First the very fact that there is such a

covenant helps the employer to establish that he has taken positive steps to keep his trade secrets confidential and that they are disclosed to employees only in strict confidence. To be enforceable, the covenant should not be unduly broad to cover information that is in the public domain. The covenant not to disclose can be unlimited as to time and territory. That is, so long as the information remains confidential the employee would be under an obligation not to use or disclose it. A typical covenant not to disclose is set forth below:

> "I agree to keep secret and not to disclose any Confidential Information and proprietary information of the Company, including information received in confidence by the company from others, either during or after my employment with the Company, except upon written consent of the Company. It is understood that such Confidential Information and proprietary information of the Company include matters that I conceive or develop as well as matters I learn from other employees of the Company. I will not, except as the Company may otherwise consent or direct in writing, reveal or disclose, sell, use lecture upon, or publish any Confidential Information or propriety information of the Company, or authorize anyone else to do these things at any time either during or subsequent to my employment with the Company. This clause shall continue in full force and effect after termination of Employee's employment. My obligations under this clause of this Agreement shall cease when any such specific portion of the Confidential Information becomes publicly known."

While a covenant to maintain information confidential can provide substantial value to the employer, it still would not prevent a terminating employee from going to work for a competitor so long as he did not use or disclose the confidential information. If

the employer is concerned that the employee will go to work for a competitor and inadvertently or necessarily use his trade secrets, then he should consider a covenant not to compete.

Another important objective for an employment contract is inclusion of a clause relating to assignment of patents. Recall, that absent a specific employment agreement, it is not at all certain that the employer would be the owner of an invention resulting from the efforts of the employee. The United States, together with Canada and France, do not have any Federal statutory regulation of employed inventor's rights. Thus particularly in these countries it is imperative to have specific provisions in an employment contract addressing the assignment of patents. A typical provision would read as follows:

> "All ideas, inventions, or other developments or improvements conceived by an employee, along or with others, during the term of his employment whether or not during working hours that are within the scope of his employer's operations or that relate to any employer's work or projects are the exclusive property of the employer. The employee agrees to assist employer at its expense to obtain patents on any such patentable ideas, inventions and other developments and agrees to execute all documents necessary to obtain such patents in the name of employer."

In addition to the assignment of patent clause of this type, it may also be desirable to include a trailer or "holdover clause" that would require the employee to assign to the employer any

invention made within a stated period, for example, one year after termination of employment, which is based on the employer's resources or technology.

Broad assignment of patent provisions in employee agreements will generally be enforced by the courts. Several states, however, have put some restrictions on broad assignment of patent clauses and have limited the permissible scope of what must be assigned. These states require that the employer notify the employee that no provision in the employment agreement would require assignment of the employees rights in an invention for which no equipment, supplies, or trade secret information of the company was used and which was developed entirely on his own time and (1) does not relate to the business of the company or to the actual or anticipated R&D of the company and (2) does not result from any work by the employee for the company. Applicable state statutes should be reviewed when drafting an assignment clause.

The employee's agreement also should contain a provision that requires cooperation of the employee in securing patents after termination. Such a clause insures that the employee will cooperate by signing necessary legal documents, consulting with the employer, etc. Such cooperation should be at the employer's expense.

In situations where an employee has access to extremely sensitive trade secret information, the employer may want to include a provision in an employee contract that prevents the employee from competing with the employer for a stated period of time. Such an agreement will be enforced by the courts. However, such clauses will be narrowly construed because they do constitute a restraint on trade. To be enforceable, the covenant not to compete must be limited in time and or territory and must be supported by adequate consideration and must reasonably protect legitimate interests of the employer and the public interest. Where the employee utilizes business methods and trade secrets of the employer, the contract of employment at a stated salary has been considered sufficient consideration. Courts have also stated that legitimate interests of the employer include protection of confidential information and trade secrets. While reasonable covenants not to compete will be enforced by the courts, a number of states have enacted specific laws regulating covenants not to compete. Prior to including such a covenant in a specific employment agreement, the specific state statutes should be reviewed.

If an employee has signed an employment agreement containing the above provisions, it is much easier for the employer to enforce

protection of his trade secrets. To maximize chances of prevailing in litigation, however, it is vital that the employer review with the departing employee the terms of the employment agreement and have the employee reconfirm his duty to maintain trade secret information confidential. To the extent possible, specific trade secret information that the employee has access to should be explained again to him at the exit interview. While an employee can use his technical skills and knowledge, he cannot use the trade secret information of the employer. Sometimes this line is very thin and difficult to draw. In addition to affirming his duty to maintain the information confidential, the employee should confirm that he has returned all documents to the employer, including even those documents of which he is the author. If the ex-employee plans to work for a competitor, it may also be advisable for the employer to write the new employer and advise him that the terminating employee has access to trade secrets and obtain assurances from the new employer that he will not use any such trade secrets. Having an employee agreement and an exit interview confirmation in the employee's file will greatly facilitate enforcement.

ENFORCEMENT OF TRADE SECRET COVENANTS

If an employee leaves a company and starts up his own company or works for a competitor and the original employer believes his trade secret information has been misappropriated, there are several options for enforcement. Court proceedings can be conducted in camera to protect confidentiality of trade secrets and further, if there is reasonable cause, it is possible under appropriate circumstances to obtain search warrants to bolster proof of theft or misappropriation.

Traditionally, enforcement of employment contracts for misappropriation of trade secrets has been through proceedings in civil courts. In such proceedings the employer has the option or right to obtain injunctions, damages, and an accounting for profits that have been realized. While it is possible to prevail in such suits just on the implied contract of employment under common law, it is much easier if the employee has signed a specific agreement. One of the limitations of civil enforcement of trade secrets is the fact that an employee may be judgment proof. If the employer loses his valuable trade secrets through theft and is unable to obtain damages because the thief has no money, he probably will conclude civil remedies are inadequate.

The employer is not limited to civil protection of his trade secrets. Misappropriation and theft of trade secrets have been the subject of criminal prosecution. Theft of a trade secret can

be prosecuted under general theft statutes, both state and federal. In such proceedings, the property aspect of the trade secret is usually emphasized. For example, in federal courts, theft of trade secrets have been prosecuted under the National Stolen Property Act. This is an act that makes it a crime to engage in the transportation in interstate or foreign commerce of goods, wares, or merchandise of a value of $5,000 or more with the knowledge that they have been stolen, converted or taken by fraud. Among other things, theft of computer programs and the unauthorized use of computer programs under the National Stolen Property Act have resulted in criminal convictions. One of the difficulties of the general theft statutes, both state and federal, is that it sometimes is difficult to prove all the elements of the crime. The theft statutes generally require a showing of intent to permanently deprive the owner of the thing stollen. In a trade secret situation, usually a copy is made and the owner is not permanently deprived of it; he only loses its confidentiality and perhaps exclusive use. Another difficult element of the theft statutes often is the establishment of the value of the trade secret. Since the property aspect of what is stolen is emphasized, it has been argued, and in some cases, successfully, that the value of the stolen property is the physical or tangible thing itself, i.e., the piece of paper, or manual, rather than the information contained on it.

Due to the difficulty in prosecuting theft of trade secrets under the general theft statutes, many states in the 1960's enacted trade secret theft statutes. These statutes specifically address the trade secret aspect and generally make it a crime to, without consent, knowingly steal or copy materials representing a trade secret.

An employer faced with theft or misappropriation of his trade secrets can pursue both civil and criminal remedies simultaneously. In a recent Texas case, employees left a company and went to work for a competitor and took with them, among other things, several computer programs on magnetic tapes. Some of the programs were found to be trade secrets. Both civil and criminal actions were filed. The civil action was ultimately settled with the competitor taking a license. The District Attorney, however, continued the criminal action against the employees, who were convicted of a 3rd degree felony.

SUMMARY

High technology industries have conflicting needs that make protection of intellectual property extremely difficult. On the one hand there is a need to widely disseminate trade secret

information to their employees in order to facilitate the rapid development of new technology and new products. However, wide dissemination of the technology detracts from the ability to protect trade secret information and makes it more difficult to prove the information was in fact kept secret and protected as confidential information. However, if the employer takes the appropriate measures, such as instituting a trade secret program and uses employee agreements to advise the employees that they have access to trade secrets and that they are under a duty not to disclose them, the employer can substantially increase the protection available to his trade secrets.

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ASPECTS OF TRADE SECRET LICENSING

Pacific Industrial Property Association

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ASPECTS OF TRADE SECRET LICENSING

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This paper addresses trade secret or know-how licensing and discusses various provisions or situations which should be considered in this type of license.

Specifically, the basis for trade secret licensing will be cited and the public policy supporting this type of licensing will be discussed. General elements or provisions of trade secret licenses, trade secret royalty situations, and territorial restrictions in trade secret licenses will be treated. General elements or provisions are those which of necessity should be addressed in the license. Various trade secret royalty situations, particularly those that include patent royalty aspects, are discussed since there can be different legal consequences depending upon the royalty provisions of the contract. Territorial restrictions are discussed generally, since provisions of this type are based primarily on contractual terms rather than property rights, with a primary focus on their antitrust concerns.

The use of the term "trade secret" herein is intended to be in the broad sense of any unpatented idea which may be used for industrial or commercial purposes, not in the more restricted sense of a term of art referring to some forms of know-how which have a high degree of secrecy and novelty, and to some commercial

secrets, such as customer lists. Painton & Co. Ltd. v. Bourns, Inc.[1]

I. Basis for Trade Secret Licensing

The recent leading case which reaffirmed the public policy on the licensing of trade secrets is Kewanee v Bicron[2]. This 1974 Supreme Court case stated that the policy behind trade secret law is the maintenance of standards of commercial ethics and the encouragement of inventing. It emphasized that the necessity of good faith and honest, fair dealing, is the very life and spirit of the commercial world. The Court addressed in its opinion the three situations of trade secret protection: 1) subject matter that the owner knows will not meet the standards of patentability, 2) patentable subject matter which the owner has legitimate doubt as to its patentability, and 3) patentable subject matter which is clearly patentable and the owner believes meets the standard of patentability. In each instance the Court held that public policy supports the legal protection of such subject matter as trade secrets.

The Court further sanctioned the licensing of trade secrets by stating:

> "Another problem that would arise if state trade secret protection were precluded is in the area of licensing others to exploit secret processes. The holder of a trade secret would not likely share his secret

with a manufacturer who cannot be placed under binding legal obligation to pay a license fee or to protect the secret. The result would be to hoard rather than disseminate knowledge. Instead, then, of licensing others to use his invention and making the most efficient use of existing manufacturing and marketing structures within the industry, the trade secret holder would tend either to limit his utilization of the invention, thereby depriving the public of the maximum benefit of its use, or engage in the time-consuming and economically wasteful enterprise of constructing duplicative manufacturing and marketing mechanisms for the exploitation of the invention. The detrimental misallocation of resources and economic waste that would thus take place if trade secret protection were abolished with respect to employees or licensees cannot be justified by reference to any policy that the federal patent law seeks to advance."

II. General Elements of Trade Secret Licenses

Because the basic nature of a trade secret license is disclosure for consideration and thus is contractual in nature,

state law regarding contracts govern the license. Therefore, the court should not intervene as to the agreed rights and duties and the parties should be left the fruits of their bargain. However, the court should not permit trade secret licensing as a subterfuge to accomplish otherwise forbidden results or anticompetitive market practices.

In trade secret licensing, the license agreement language is controlling since a licensee who is permitted to use the trade secret often is subject to a contractual limitation or restriction as to its use. The license agreement also controls as to the type of action which may be brought since only a breach of contract action can be maintained against a licensee who lawfully acquired the trade secret but uses it beyond the scope of the license. Aktiebolaget Bofors v. United States[3].

Typical general elements in a trade secret license deal with restrictions on unauthorized use and disclosure, rights after expiration of secrecy and rights after termination of license.

Restrictions on unauthorized use and disclosure define by contract language what use of the trade secret by the licensee is permitted and to whom the licensee is permitted to disclose the trade secret information. It is settled that the holder of a trade secret may contract with respect to its disclosure and use and may license this disclosure contingent upon the payment of a royalty in accordance with state law. Lear v. Adkins[4].

With respect to rights after expiration of secrecy and rights after termination of license, it is important that the licensing parties specifically contract on these matters. Whether the license provisions apply after expiration of secrecy and whether the licensee can continue to use the trade secret information after termination of the license are important considerations to each party. The courts have sanctioned trade secret licensing provisions directed to these concerns; for example, the Court in Sinclair v. Aquarius Electronics, Inc.[5] stated:

> "The proposition that a secret idea does not lose its secret character by the sole fact that the device embodying the idea has been marketed has support not only in law, but also in reason and logic. As repeatedly emphasized before, the very distinction between a patented and an unpatented secret idea is that the latter is freely copied and the secret incorporated in the instrument may be uncovered by reverse engineering. To adopt appellant's view that the free copying of a device should be held equivalent to the cessation of the secret embodied therein would render the protection provided by the trade secret law or a private licensing

agreement meaningless and would amount to an emasculation of the policy underpinning the whole body of trade secret law."

II. Trade Secret Royalty Situations

One situation which is often encountered is the licensing of a patent application on which a patent may or may not be later granted. The Supreme Court addressed this "pre-issuance" situation in Aronson v. Quick Point Pencil Co.[6] In this case the licensee agreed to pay a royalty of five percent of the selling price of a product manufactured according to a specific design. The agreement provided that if a patent on the design was not allowed within five years, the royalty would be reduced to two and one-half percent. The patent was not allowed within five years and was ultimately rejected.

The Court stated:

"On this record it is clear that the parties contracted with full awareness of both the pendency of a patent application and the possibility that a patent might not issue. The clause de-escalating the royalty by half in the event no patent issued within five years makes that crystal clear. Quick Point apparently placed a significant value on exploiting the basic novelty of the device, even if no patent issued; its success demonstrates that this

judgment was well founded. Assuming, arguendo, that the initial letter and the commitment to pay a 5% royalty was subject to federal patent law, the provision relating to the 2 1/2% royalty was explicitly independent of federal law. The cases and principles relied on by the Court of Appeals and Quick Point do not bear on a contract that does not rely on a patent, particularly where, as here, the contracting parties agreed expressly as to alternative obligations if no patent should issue.

Commercial agreements traditionally are the domain of state law. State law is not displaced merely because the contract relates to intellectual property which may or may not be patentable; the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law."

Another situation is the "post-expiration" type case in which the terms of the license agreement, which the parties entered into prior to application for or issuance of anticipated but subsequently issued patent, are enforceable beyond the expiration date of the patent. This situation arises because of

Brullotte v. Thys Co.[7], a Supreme Court case holding that it is unlawful per se for a patentee to charge a royalty after the patent has expired since such constitutes abuse of patent leverage.

In Pitney Bowes, Inc. v. Mestre[8], a Declaratory Judgment Action was brought seeking a declaration under royalty agreements entered into with Luis Mestre, an inventor of paper collating machines. The agreements in controversy licensed a right to manufacture and sell in each instance different paper handling machine for a royalty payable to Mestre on each machine manufactured and sold. Each agreement licensed both patent rights and trade secrets in the machines. One agreement by its terms expired on the latest of these dates: the date of death of Mestre, after 17 years, or when the last patent on the machine expired. The last patent on the machine expired October 17, 1978 and Mestre died April 6, 1980. By the terms of the agreement royalties should have been paid until April 6, 1980 but Pitney Bowes stopped paying royalties on October 17, 1978 when the last patent expired. The Court held that since the agreement required Pitney Bowes to pay royalties at the same rate and on the same basis after the patents expired that is paid while the patents were in effect the Agreement was unenforceable under the doctrine of Brullotte v. Thys and royalties could not be required for the time period after the expiration of the patents. This case was cited with approval in the Sixth Circuit's decision in Boggild v. Kenner Products[9]. These cases do indicate that if the post-expiration royalties were at a reduced rate the situation

would be similar to Aronson v. Quick Point Pencil Co.[6] and would be favorably treated.

A similar fact situation arises in the "hybrid" case in which the license provides for both patents and trade secrets and the royalty rate is not allocated between them. In those cases in which the patents are judicially held to be invalid or not infringed, the Courts have stated the entire royalty is avoidable since no allocation of the percentage of royalties attributable to trade secrets was provided.

In St. Regis Paper Company v. Royal Industries, et al,[10] the license agreement licensed St. Regis to manufacture plastic tie strips using a patent and Royal's know-how and provided for a royalty of ten (10) percent of net dollar sales to Royal. The Court held the patent invalid and that Royal was not entitled to royalties for the know-how under the license agreement.

It stated:

> When, as here, the patent right and the know-how are so intimately intertwined, we believe that the same rule which makes royalties for patent rights uncollectible if the patent is invalid should apply with equal force to know-how. This does not mean Royal will be deprived of compensation for know-how; it merely means Royal is not entitled to royalties under the license agreement, which did not distinguish

between royalties for patent rights and royalties know-how.

But in this case and Span-Deck, Inc. v. Fab-Con Incorporated et al[11] the Court awarded the trade secret owner a reasonable value for the trade secrets, premised ostensibly on grounds of unjust enrichment or misappropriation of trade secrets after the contract termination was ordered, since the Court felt that the licensee should not be able to completely avoid its obligation to compensate for use of the trade secrets.

In addition, the Court in Chromalloy American Corp. v. Fischman[12] noted approvingly that if the royalty agreement had distinguished between patent and trade secret rights, the latter trade secret payments could have been enforced.

In the last situation, patents are not involved and the parties are free to contract. This case relates to a contract for royalties for use of a trade secret. The trade secret owner had conducted research and developed a formula, and entered into an oral agreement with a manufacturer for its manufacture and sale of products incorporating the formula. The agreement, as alleged in the complaint, stated that the manufacturer agreed to pay five percent (5%) of the sales of the product and could terminate the royalty payments only upon its discontinuance of the product and the return of all information relating thereto.

The Court in Laff v. John O. Butler Co.[13] held for the trade secret owner and stated:

> "The third category of cases involves actions based on a contract for the use of a trade secret. Warner-Lambert Pharmaceutical Co., Inc. v. John J. Reynolds, Inc. (S.C. New York 1959), 178 F.Supp. 655, 123 USPQ 143, aff'd (2nd Cir. 1960), 280 F.2d 197, 126 USPQ3, involved the interpretation of a written contract for the payment of royalties for the use of a trade secret formula in the manufacture and sale of Listerine. Although the formula involved had long been made known, the court held the obligation to pay the royalties to still be in effect. The court noted that the publication of the formula had not been through the acts of any of the parties and that the parties clearly intended that the payments continue so long as the formula was used.'
>
> 'We find Warner-Lambert to be persuasive in the instant case. Although we are concerned here with an oral contract, the intent of the parties and terms of the contract have been construed by the trial court. One of the elements of that

contract is the length of time in which it is to be in effect, and we affirm the trial court's finding that the obligation for defendant to pay remains in effect so long as it manufactures any disclosant product using plaintiff's formula.'

'Where, as here, the intent of the parties is to enter into a contract for the use of a trade secret in return for the payment of royalties, the obligation to pay royalties will continue as long as the formula is used, unless the parties otherwise specify. The fact that the secret has been disclosed through legal means, including reverse engineering, will not avoid the effect of such a contract so long as disclosure of the secret was through no fault of the parties involved. We conclude, therefore, that the finding of the trial court that the contract remains in force is not against the manifest weight of the evidence."

In summary, where patents are involved in the license arrangement along with trade secrets, it would be prudent to use separate documents with separate royalties or if one document is used then the royalties for patents should be differentiated from

the trade secret royalties or payments. And finally, when negotiating and drafting trade secret agreements particularly set forth the time or event on which the payment of royalties cease. Otherwise, royalties may be payable far longer than the advantage or head start given by the trade secret.

IV. Territorial Restrictions In Trade Secret Licenses

Restrictions or limitations upon a trade secret license are permitted if "ancillary" to the grant of technology. Territorial restrictions involving a territorial limitation of licensee's sale of products made by use of trade secret information are treated under the ancillary doctrine.

In a recent case a licensor granted a licensee an exclusive license to manufacture and sell in Japan certain machines. The licensor asserted that the licensee breached the license agreement by making sales elsewhere than in Japan. The court viewed this territorial restriction as ancillary to the grant of technology. It held that to be considered ancillary: (1) the subject matter of the license is substantial, valuable, secret know-how, (2) such restraint is limited to the "life" of the know-how, i.e., the period during which it retains its secrecy, and (3) such restraint is limited to those products only which made by use of the know-how. Shin Nippon Kohi Co. v. Irvin Industries, Inc.[14]

In June of this year the Justice Department issued its Antitrust Guidelines for International Operations. These

Guidelines are intended to reflect the Justice Department's analysis for determining their decisions regarding international business conduct. They do not necessarily reflect the "law", the court decisions in this area of the law, and are not precedent for the courts. An example of the reasoning and form of the guidelines is found in Case 12 - Know-How Technology Transfer Agreement with Exclusive Territories:

> "Alpha Corporation is a small, but growing, Massachusetts corporation that possesses valuable unpatented know-how that is used to produce product X. Alpha has not been successful in exporting X to other countries. Alpha proposes to enter into a twenty-year technology transfer agreement with a German firm, Beta Corporation, under which Alpha will convey its know-how to Beta. Beta is a large, well-financed multinational corporation that does not currently produce X, but produces closely related products and wishes to produce and sell X in the EEC. As part of the technology transfer agreement, Beta will agree not to sell X in the United States, whether it is manufactured with Alpha's know-how or any other technology, for the duration of the agreement. Alpha is negotiating a similar

agreement with Epsilon Corporation, a large Japanese firm which currently produces X. Epsilon's technology has permitted it to obtain only a small share of the Japanese market, and to make even more limited sales in the United States. Epsilon believes that Alpha's technology will increase Epsilon's production efficiency and improve the quality of the X it produces. Epsilon insists that Beta be barred from selling X in Japan, Australia, and East Asia. The prohibition would apply to all X produced by Beta, whether or not it was produced using Alpha's know-how.

The salient facts and license restrictions to focus on in this case are:

(1) Beta does not currently produce X. Beta cannot sell X in the United States using Alpha's technology or any other technology.

(2) Epsilon has only a small share of the Japanese market and limited sales to the United States using its own technology. Epsilon cannot sell X in the United States using Alpha's technology or any other technology.

(3) Epsilon insists that Beta be barred from selling X in Japan, Australia and East Asia.

The analysis involves several aspects. First, the analysis is identical to technology license arrangements arising in a domestic context.

Next, the technology transfer cannot be a sham but the know-how transferred must be of significant economic benefit.

The situation is analyzed under the "rule of reason" as to whether the restriction would lead to the unilateral or concentrated exercise of market power in any market. With respect to the provisions prohibiting Beta from selling X in the United States, if Beta were uniquely capable of developing competing know-how and entering the United States market and Alpha had significant market power, the sales prohibitions could be considered anticompetitive. However, if there were several firms selling X in the United States using their own competing technology or if the United States were not highly concentrated, then the sales restrictions should have no competitive effect.

With respect to Epsilon's sales prohibitions and to the extent such sales could be made without access to Alpha's know-how, the Department would view this as a horizontal restraint and treat it similar to a merger. The relevant market would be determined as well as other market characteristics in order to assess the combined market power of Alpha and Epsilon and whether they could coordinate the price or output of X.

Therefore, depending on the nature and degree of anticompetitive risk, the Department might determine that the license should not restrict Beta or Epsilon from selling X made using other technologies in the United States.

The license provision restricting the territories that Beta is barred from selling X into; namely, Japan, Australia and East Asia, would not appear to have any direct effect on United States commerce and would therefore not fall within the subject matter jurisdiction of the United States Antitrust laws.

Again, it should be emphasized that these are the current views of the Justice Department and should not be taken as necessarily representing the current judicial laws on this subject.

In conclusion, certain license aspects should be considered when entering into trade secret licenses. First, the contract language governs, so ensure that all business risks and contingencies are covered in the contract. Next, when licensing trade secrets and patents in the same agreement or in the pre-issuance or post-expiration type situations, the royalty rates or fees should be differentiated or allocated in order to clearly distinguish what the licensee is obligated to pay for. Restrictions or restraints, such as territorial restrictions, should be analyzed in order to determine whether such provisions expose the parties to any antitrust concerns.

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Study on Protection of Intellectual Property in Japan

Presented at PIPA 19th Congress,
Japanese Group, Committee No. 2
Subcommittee A

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Abstract

This paper reviews the current status of intellectual property protection in Japan.

For protection of intellectual properties, there are special laws such as patent law, utility model law, trademark law, design law, copyright law and other specific laws. These laws are explained particularly in respect of items of the intellectual property which are not sufficiently protected thereunder.

The latter part of the paper enumerates and analyzes several items or objects of the property (e.g. service marks, confidential information) for which protection is difficult under these industrial property or specific laws. Their protection is subject to one or more general laws, a combination thereof, such as the unfair competition prevention laws, the commercial code, and the civil code. Some items are given sufficient protection under the general legal system while others are not. Appropriate protection of intellectual properties would thus require further review of the current legal system or formation of a new system.

1. What is Intellectual Property?

The term "intellectual property" is often heard in recent years. We cannot read newspapers without seeing the term.

Intellectual property is a comprehensive name for intangible properties resulting from intellectual creative

activities. The term "intellectual property" used to be known only to limited number of people. The term "industrial property right" or "patent right" was more popularly known.

Why is the term "intellectual property" or "intellectual property right" so widely used? The following four factors may explain it.

(1) Rapid progress in science and technology has brought about results in unexpected fields which had nothing to do with industrial property right. This has resulted in inadequate protection under the conventional legal system.

(2) The new information society requires protection of information (such as for computer programs). While information development requires enormous costs (in money and time), their copying or imitation is very easy. This is a grave problem and emphasizes the need for intellectual property protection.

(3) Tangible/intangible technical knowhow and non-technical business information such as a customer list are also proprietary information. These play an important role in today's business, and reflect rapid changes in the world society.

(4) The scope and manner of protection given to intellectual properties are different in the countries of the world. The development of international economic activities calls for international "Harmonization". Intellectual property right becomes a cause of international friction. Many people become familiar with intellectual property right.

Intellectual properties include the following: Inventions, devices, designs, trademarks, trade names, service marks, trade dresses, displays, characters, computer programs, type faces,

proprietary confidential information (knowhow, customer lists, trade secrets, etc.).

There are many other items classified under intellectual properties and the number of these properties will grow. Some are given sufficient protection while others are not. We will enumerate several objects of intellectual property, and discuss their protection under the current legal system in Japan.

Types of intellectual property and individual laws directly protecting them (special laws) are explained in Sections 2-1 to 2-7, with a particular emphasis on intellectual properties for which legal protection is difficult under the current system. In Japan, there are other types of laws (general laws) which are related to protection of intellectual property. Such general laws are explained in the foot note after Section 2. Section 3 explains major intellectual properties which are given indirect protection by one or several of these laws.

2. Current Status of Protection for Intellectual Property in Japan under the special laws

2-1: Protection of inventions (Patent Law)

(1) Inventions are protected by the Patent Law. The term of the patent right is 15 years from date of publication but does not exceed 20 years from the filing date. The Japanese Patent Law defines an invention as "highly advanced creation of technical ideas by which a law of nature is utilized" (Article 1), and a patentable invention as "an invention which is industrially applicable" (Article 29). Therefore, followings are not subject to protection under the Patent Law.

① Discovery:

Discoveries are not protected because they are not inventions. In exceptional cases, a discovery is deemed as an invention and patented.

When a useful chemical substance indigenous to a living thing (such as a physiologically active substance), for instance, has been discovered and isolated, the chemical substance is patentable. This is because the process of discovery + isolation is deemed an invention. (Theory of pure form). What about a chemicl substance which had not been isolated in pure form but had been discovered already or its presence was sufficiently predicted? The point at issue in a recent dispute over tissue plasminogen activator (TPA) appears to reside in this point.

② Inventions which do not use a law of nature:

These include inventions related to artificial rules, and is exemplified by an invention related to a computer program alone, coding/decoding of ciphers, solution to a mathematical problem, a method of marketing, or rules of a game.

③ Inventions which are not technical thoughts or which cannot be used in industry:

These include an invention of the natural rule per se, an invention contrary to the natural rule (such as a permanent organ), and an invention of which a human body is a component. They are not patentable under the Law.

(2) Article 32 of the Japanese Patent Law stipulates that a patent shall not be granted to "inventions of substances manufactured by the transformation of atom" and "inventions liable to contravene public order, morality or public health". Formerly, this provision included chemical substances and medicines.

(3) Invention of a living thing per se

Recent progress in biotechnology has brought about many inventions related to living things, protection of which may be difficult under the current Patent Law or interpretation thereof. Of

the inventions concerning living things, that of the living thing per se was not at all predicted in the past and their protection must have met considerable resistance because of ethical reasons, etc. But, protection of inventions of microorganisms was first taken up because protection for inventions of microorganisms per se met less resistance and they have been widely used in industry since many years ago. Protection of microorganisms under the Patent Law is considered substantially sufficient today.

Consideration of protection of a plant per se (new species of a plant) followed. New plant species are said to be protectable by the Patent Law as well as by the Seeds and Seedlings Law. However, these two laws are not aligned and their governing offices are different. (Ministry of International Trade & Industry presides over the Patent Law, while Ministry of Agriculture, Forestry and Fisheries controls the Seeds and Seedlings Law). Protection under the Patent Law is considered more extensive than the other. The Ministry of Agriculture, Forestry and Fisheries, on the other hand, opposed to protection by the Patent Law criticising it to be too broad. (This started when a patent application for an invention related to a new plant species was published about 5 years ago). This matter appears to have been taken up by the two Ministries, but the details of solution are not known to us.

The Japanese Patent Office is currently studying protection of new animal species by the Patent Law, but we foresee frictions similar to that over the plant species protection. This is because the Ministry of Agriculture, Forestry & Fisheries considers protection of livestocks, poultry and aquaculture falls under their judisdiction.

"UPOV Treaty" of which Japan is a member prohibits double protection for one species by the

Seeds and Seedlings Law and other law (Patent Law). (Article 2). United States has become a member to this Treaty by making reservation of this provision. Therefore, we foresee instances where the protection may be insufficient in Japan compared to the United States.

2-2: Protection of devices (Utility Model Law)

Devices are protected by the Utility Model Law. The term of the utility model right is 10 years from the date of publication but does not exceed 15 years from the filing date. The Japanese Utility Model Law is defined as inventions other than the "high grade" ones in the Japanese Patent Law as aforementioned (Article 2). Of such devices, "those which can be used in the industry" (Article 3) and "those related to shapes, structure or assemblage of articles" (Articles 1 and 3) are protected. Devices are "small inventions" which do not achieve the standard of inventions, and only part of them (related to the above articles) are protected as utility models. Determination between inventions and "small inventions" is considered arbitrary, and it would be more appropriate to regard that some of the inventions are also protectable as utility models. (Double protection is prohibited).

2-3: Protection of designs (Design Law)

Designs are protected by the Design Law. The term of a design right is 15 years from the date of registration. According to the Design Law, a design is defined as "the shape, pattern or color or a combination of these in an article which produces an aesthetic impression on the sense of sight." (Article 2). Of such designs, those "capable of being used in industrial manufacture" (Article 3) are given protection under the Law. Therefore, following designs are not protected by the Design Law.

① Design of a thing which is not an article:

An article is interpreted as a tangible thing

having a certain shape. Therefore, liquid, gas, powder, etc. are not articles under this Law. Ordinary real property is interpreted as not being an article, except those which are mass produced on an industrial scale (such as prefabricated houses). A part of an article is not deemed as an article unless it is distributed independently.

② Designs which cannot be used in industrial manufacture

They are interpreted to mean designs other than "that which can be mass produced in an industrial scale". For instance, designs used exclusively in agriculture, fisheries or commerce are not protected. As the former, there are natural things per se such as animals or plants (unprocessed things), and as the latter, there are service designs.*

③ Designs which do not evoke an aesthetic sense through sense of sight:

Such design is interpreted to mean that which evokes recognition by naked eyes. Therefore, designs which are recognized microscopically are not deemed the designs under this Law. Evoking a sense of beauty is interpreted as requiring some sorts of aesthetic processing, and design required as a part of functional structure is not regarded as the design under this Law. Therefore, design of a circuit diagram for a semiconductor integrated circuit is not afforded protection under the Design Law as failing to meet requirements.

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*Note: "Service design": Designs created in a shape which is different from the original shape of an article (such as a design of handkerchief folded to represent a flower or a design of beautiful arrangement of a plural number of cake soaps)

2-4: Protection of trademarks (Trademark Law)

(1) A trademark is used as one of the marks* which are used on goods in relation to commercial transactions.

Trademarks are protected under the Trademark Law. Trademark as defined in the Law means "characters, figures or signs or any combination thereof or any combination thereof and colors (hereinafter referred to as a "mark") which are used on goods by a person who produces, processes, certifies or assigns such goods in the course of trade". Therefore, following trademarks are not protected under the Law.

① Marks other than those defined above:

"Marks" as defined above are deemed as the marks recognized by sense of sight. However, three-dimensional or mobile marks are not recognized as such under the Law even though they may meet the criteria. Those which are recognized by senses other than vision (such as sound or smell) are not deemed as trademarks. Therefore a shape of a bottle for drink is not protected as a trademark. (It can be protected for a limited time as a design). Acoustic marks (title music, combination of sounds, etc.) are widely used with development of radio and television broadcasting, but are not protected legally.

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*Note: Marks other than trademarks which are used in relation to commercial transactions include the following:

Service marks

Business marks (trade names, company marks, names, etc.)

Marks indicating origins of goods

Marks representing quality (such as "wool mark")

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② Marks used with things which are not goods:

Those used for non-goods are not protected as trademarks. Goods are tangible things, and intangible things such as electricity are considered not to be goods. Negotiable securities are not goods either. Real property is deemed goods if limited to such articles as prefabricated houses which can be distributed. So long as they are fixed to land, they are not goods. There may be problems in regarding ready-built houses or condominiums as being non-goods simply because they cannnot be moved.

(2) Trade names, company marks, service marks, slogans, etc. are not trademarks under the Japanese Trademark Law. However, such marks are actually being filed and registered. Examiners occasionally allow registration of such marks because it is impossible to determine whether such filed marks would be used on the goods or not. Trade names or company marks which are clearly not trademarks within the meaning of the law are also registered. Some slogans are known to have been registered as trademarks. These marks can at times be protected by the Commercial Code, Unfair Competition Prevention Law, etc.

The fact that marks which are not regarded as trademarks legally are widely applied for trademark registration suggests an urgent need for protection of such marks and their insufficient protection under the laws other than the Trademark Law.

2-5: Protection of circuit layout for semiconductor integrated circuit (Act concerning the circuit layout of a semiconductor integrated circuit)

Circuit layout for ICs are protected by "Act concerning the circuit layout of a semiconductor integrated

circuit". The term of a circuit layout right is 10 years from the date of registration. This Law defines "semiconductor integrated circuit" as "a product having transistor or other circuit elements which are inseparably formed on a semiconductor material or an insulating material or inside the semiconductor materials, and designed to perform an electronic circuitry function", and "circuit layout" as "layout of circuitry elements and lead wires connecting such elements in a semiconductor integrated circuit". Therefore, those not meeting these definitions are not protected. More concretely, circuit layouts for the following integrated circuits are not afforded protection; light integrated circuit element, superconductive circuit element (Josephson effect circuit element), super lattice circuit element, and biological circuit element. Prospects for their practical applications vary, some may be quite realistic while others may be rather far-fetched. It may be necessary to examine possible protection for circuit elements in the areas where researches and developments are actively conducted such as light integrated circuit element and be prepared for future.

2-6: Protection of new plant variety (Seeds and Seedling Law)

New plant variety protected by the Seeds and Seedlings Law includes plants cultivated for agricultural, forestry, and fishery productions and are limited to those defined by the cabinet order (the Enforcement Order for the Seeds and Seedlings Law). The cabinet order currently cites 210 genesis, 180 species and 9 subspecies. New varieties of the plants not included therein are not protected. The order also cites 12 species of mushrooms (limited to those used for production of fruit bodies). The term of new plant variety "effect" is 15 years (or 18 years in a perennial plant) from the date of registraton.

Compared to the Patent Law, protection under the Seeds and Seedlings Law is unsatisfactory. For instance, the effect of variety registration under the latter is defined as "the effect by species registration" and not as an exclusive "right", (i.e. the defined "effect" accrues, but not the "right".) For instance, this "effect" extends to the sale of seeds and seedlings, but not to their use for self-proliferation or for breeding or the sale for purposes other than as seeds or seedlings (such as the sale as foods). The Seeds and Seedlings Law is found insufficient in many aspects compared to the Patent Law; for instance, it lacks provisions of oppositions against registration, of appeals against rejections of registration, and of trial for invalidation after registration.

2-7: Protection of authored works (Copyright Law)

Authored works are protected by the Copyright Law. The term of protection for the authored work (property of the author) is 50 years after the death of the author, or 50 years after publication (or creation) for the work by a legal person. The Japanese copyright low defines "work" as "a production in which thoughts or sentiments are expressed in a creative way and which falls within the scientific, artistic or musical domain". The protection is therefore given to the expressions, not to the idea.

Concrete examples of authored works under the Copyright Law include general works such as novels, music, works of fine arts, photographs, cinemas as well as computer programs, data bases, technical manuals, catalogs, pamphlets, etc.

Programs are defined as "expression of combined instructions given to a computer so as to make it function and obtain a certain results". Protection under the Copyright Law does not extend to program languages (FORTRAN, COBOL, BASIC, etc.), rules (special rules concerning usage of a program language in a specific

program), and solutions (such as algorithms). The rights of the author includes the moral right and the copyright (property right of the author); the former consists of a right to publish, a right to claim authorship of the work, and a right to the integrity of the work, and protects the personal gains of the author. The latter mainly consists of a right of reproduction, a right of broadcasting, a right of exhibition, a right of lending, a right of translation, a right of adaptation, a right of distribution, etc. The right of injunction and the right to demand damages may be exercised against those infringing these moral rights or copyrights of the author.

There are special provisions in view of unique character of programs concerning the right to the integrity of the program, a right of reproduction and a right of adaptation.

Unfair Competition Prevention Law

Unfair Competition Prevention Law of Japan lacks so-called general provisions to prohibit the general acts of unfair competition, but enumerates following six acts limitedly as the acts of unfair competition, and assumes a supplemental role for protection of intellectual property rights, etc.

(1) Acts causing confusion with others' merchandises

"Act of using an indication identical with or similar to such name, trade name, trademark, container, packing of merchandise of the other person or any such other identification of merchandise of the other person as widely known in Japan or of selling, distributing or exporting merchandise on which the above indication is used, thereby causing confusion with merchandise of the other person". (Article 1-1-1) Judging whether it is well known (widely recognized) or not depends on the geographical range of its knowledge, degree

of penetration by recognition, character of the merchandise in question and parties to the transaction (whether they are distributed widely such as automobiles or they are circulated in a limited circle or not).

Indication of merchandise is a means to distinguish a merchandise from others as to its source, and therefore includes so-called three dimensional trademarks, special colors, slogans, and shapes of a merchandise as well as containers or packagings thereof in addition to the above-mentioned names, trade names and trademarks.

(2) Acts causing confusion with business of others

"Act of using an indication identical with or similar to such name, trade name, mark of the other person or any such other indication of the business and goodwill of the other person as widely known in Japan, thereby causing confusion with the business establishment or activities of the other person". (Article 1-1-2)

Indications of business include slogans to represent business, or service marks in addition to names or trade names.

(3) Act of causing misapprehension of origin (Article 1-1-3)

(4) Act of causing misapprehension of the place of origin, manufacture or processing of a mercandise (Article 1-1-4)

(5) "Act of making in merchandise or advertisements thereof an indication causing misapprehension with respect to the quality, content, manufacturing method, use, or quantity of such merchandise or of selling, distributing or exporting merchandise on which such an identification is used". (Article 1-1-5).

Merchandise or its publication is the object for prohibition, and false publication concerning the

state of business, for instance, is not subject to such prohibition.

(6) Act of making or circulating a false allegation of fact injurious to the credit in business of his or hers own competitor
(Article 1-1-6)

This provision is applied to advertisement claiming that a third party's product is infringing own patent right if said product does not belong to the technical scope of the patented invention in question.

(1) Act of causing confusion with others' merchandise, and (2) act of causing confusion with business of others mentioned above are not deemed acts of unfair competition if they are recognized as exercise of rights in accordance with the Patent Law, the Utility Model Law, the Design Law or the Trademark law. (Article 6).

Reliefs available under the Unfair Competition Prevention Law include the right to demand injunction (Article 1), the right to demand for damages (Articles 1-1 and 1-2), and the right to demand recovery of credit (Article 1-2-3).

The Commercial Code (Protection of trade name)

The Commercial Code of Japan protects trade names of merchants by providing that trade names identical or similar to those registered in third party's names cannot be registered in respect of the same kind of business in the same municipality (or in the same ward in the case of cities designated by the cabinet order such as Tokyo).

Note: Use of a trade name similar to that of a third person for unlawful purposes for a different business is a question under the Unfair Competition Prevention Law.

Civil Code (Tort, unjust enrichment and default of obligations)

Tort means giving damage by unlawfully infringing the right of a third party, and industrial property rights such as patent rights, copyrights, or technical knowhow or trade secrets can be infringed. In order to seek relief under Article 709 of the Civil Code of Japan, willfulness and negligence of the part of an infringer are the requisites and the damages caused by infringement should be proven.

Unjust enrichment means the profit acquired from other person's property without due legal ground by giving damage to the other person. The person who acquires such profit has the obligation to return it to the other person, regardless of willful acquisition. (Article 703 and 704)

Failure to keep a promise under a contract and giving damage to the other party is described as a default of obligation, and the other party may seek relief for the damage suffered. (Article 415)

Customs and Tariff Law

Article 21-1 of the Customs and Tariff Law enumerates contrabands, and its Section 4 lists "articles which infringe patent rights, utility model rights, design rights, trademark rights and copyrights", thus protecting Japan from their import. The Customs and Traffic Law provides the penal provisions for the importer of such contraband in its Article 109.

Penal Code

The Penal Code indirectly protects intellectual property by the provision against larceny, fraud, or breach of trust.

3. Current Status of Protection for Intellectual Properties in Absence of Individual Legal Systems for Registration

Examples of intellectual property without individual legal systems for registration in Japan are discussed below, and current protection status explained.

3-1: Protection of service marks

Service marks are used by those engaged in offering services but not manufacture or sale of products such as banks and railroads in the course of their business. Therefore, service marks are used in the same way as trademarks for distinguishing the self from others, and their economic functions are the same except for the difference in that the objects to be distinguished is the service for the former and the merchandise for the latter. Business marks are considered a type of service mark. While service marks are protected with registration in many countries including USA, Japan has no law for registering them.

Laws related to protection of service marks are discussed below.

Protection under Unfair Competition Prevention Law

Reliefs under civil procedures such as the right to demand injunction or damage are available to those committing acts of causing confusion with other's business in respect of service marks. Criminal responsibility may be questioned of those who cause confusion with other's business for the purpose of unfair competition.

In order to have the Unfair Competition Prevention Law applied, said service mark should be well known, the use of a mark similar or identical thereto causes confusion with other's business establishment or activities and is likely to damage other's business interests. Unless proven, legal responsibility cannot be pursued.

Thus, only a limited number of service marks are protected by the Unfair Competition Prevention Law, and

protection is insufficient compared to that given to trademarks under the Trademark Law.

Protection under the Trademark Law

Although service marks are not registerable under the Trademark Law, many marks which are identical to service marks are registered in respect of printed matters. However, such trademark right does not assumedly extend to such an extent as to prevent others from using the identical mark as a service mark.

Protection under the Commercial Code

A service mark which is also a trade name is protected by the Commercial Code. A registrant of a trade name can demand injunction or damage to a party who uses the identical or similar trade name for the purpose of unfair competition or who attempts to cause erroneous recognition of the business entity for unlawful purposes.

The burden of proof of "the purpose of unfair competition" or "unlawful purposes" falls on the registrant, making it difficult to seek protection under the Commercial Code.

Protection under the Civil Code

Claim for damages suffered by an owner of a famous service mark in the form of "free ride", etc. can be made under Article 709 of the Civil Code (Tort).

Burden of proof for "presence of profit worthy of legal protection" or "willfulness or negligence of the other party" falls on the side of a demander, making it difficult to obtain protection for such marks. Demand for injunction is also not easily made.

As discussed above, protection of service marks in Japan is quite insufficient. In view of the current development of service industry and the fact that more than 80 countries have the service mark registration system (as

of January, 1988), a service mark registration system should very well be established in Japan.

The Japanese Patent Office, the Japan Patent Association and others have so far studied the service mark registration system in the following manner.

The Patent Office started studying a system for registering and protecting service marks in June, 1987 with a view to establish the system within several years; their study was promoted by nation-wide spread of service industry such as the door-to-door delivery service, the fact that the service mark protection system is firmly established in most countries of the West, and for international harmonization of intellectual property protection systems.

Service Mark Study Group of Trademark Committee of the Japan Patent Association prepared a report entitled "Discussion on Service Mark Registration System" in March, 1985 and submitted the following proposal.

> "Protection by service mark registration should be realized by amending the current Trademark Law, special rules should be provided to deal with problems inherent to service marks. The Trademark Law should be applied mutatis mutandis as much as possible to deal with remaining problems".

3-2: Protection of Logo marks

Logo marks are the trademarks, trade names or service marks characterized by distinctive style in order to impress the individuality or image of a merchandise or an industry. Logo marks are not given independent right to their unique style even though originality of the style may be recognized. For instance, a common name for a merchandise is not registerable as a trademark even when written in an original style. (If it cannot be read as a word, then it may be registered as a mark, not letters.) If the letters are arranged in a way to enable reading it as a word, then it is not considered a pattern under the Design Law.

Logo marks are registerable as trademarks irrespective of their style if they are recognized as such. Although common nouns are usually not registerable as trademarks, if they have acquired distinctiveness over others as a result of their use because of their specific style (or for other reasons), they are registerable as trademarks. If specific style of a logo mark is copied by a third party causing confusion in recognition of a merchandise or business as a result thereof, the logo mark in question can be protected by the Unfair Competition Prevention Law.

3-3: Protection of type faces

Type faces are design of a set of letters (such as Roman alphabet, Japanese Katakana and other symbols and numerals). An international law concerning type faces is called "Vienna Agreement on Protection of Type Faces and Its International Deposition", but Japan is not yet a member to this Agreement.

Protection under the Design Law

Designed letters are not considered patterns under the Japanese Design Law so long as they are legible as letters.

Protection by Copyright

Designed letters cannot be regarded as the work of pure art aiming at expression of beauty alone nor the work of artistic craftmanship. In other words, letters are practical signs used in transmitting information, and designed letters are letters added with aesthetic objects and their original purpose is for practical use. Therefore, designed letters are not recognized as authored works so long as they function as practical signs to transmit the information.

Protection under the Unfair Competition Prevention Law

Type faces are considered intangible and therefore they are not "merchandise" as defined in Article 1-1-1 of the Unfair Competition Prevention Law.

Type faces are thus unprotected under the Design Law, the Copyright Law or the Unfair Competition Prevention Law in Japan. But use of a better type face enables easy reading of newspapers and books and attracting readers by its attractive style. Recent development of word processors, etc. has given a significant meaning to the type faces. Since these type faces are used industrially and distributed as an object of a commercial transaction, we believe their creators are entitled to some kind of protection.

3-4: Trade dress

Trade dresses mean containers and packages of merchandise. Merchandise is generally attached with a trademark or trade name of the manufacturer to distinguish it from the merchandise of others. If an identification or a trade name distinctly showing the source was attached to a merchandise, there would be no confusion as to its source.

Consumers, however, do not necessarily note these marks carefully and distinguish the merchandise; they usually select a merchandise based on their memory of a characteristic package or container which they bought before. A similar container or package of another manufacturer often causes confusion to consumers as to the source of merchandise. This leads to a confusion and gives grave damage to pioneers in the market.

Protection under the Design Law

Containers and packages of merchandise are protected by the Design Law if registerable as such. However, the term of protection under the Law is for 15 years and not

renewable. Therefore, if a trade dress is capable of distinguishing a merchandise as in the case of a trademark (such as design of the Coca Cola bottle), it is inconvenient that the term of protection of a design is limited.

Protection under the Unfair Competition Prevention Law

If a design right does not exist in a trade dress, or if the design right thereto has expired, the trade dress in question can be protected by the Unfair Competition Prevention Law provided that it is well known.

3-5: Merchandise display

Merchandise display means decoration of shop windows, interior design and its arrangement, merchandise exhibition, and their methods. The present age is called the age of image culture, and contrivances in linging up, exhibition and arrangement of displays of merchandise are quite effective in evoking purchase desires of consumers through sense of vision. Such elements of a thriving establishment tend to be copied easily.

Protection under the Design and the Copyright Laws

Decoration and arrangement of merchandise are not protected by the Design Law and they are not the authored works as defined in the Copyright Law.

Protection by the Unfair Competition Prevention Law

Special contrivances were made to decoration and display of merchandise. If confusion with business of other store occurs as a result of such contrivance, then application of the Unfair Competition Prevention Law is considered possible. However, proving the fact that such display was well known would be difficult.

As discussed above, it is difficult to protect merchandise display. Supposing that the damage suffered by

the shop as a result of imitation was considerable or when confusion is caused to the public, then it would be necessary to protect unique merchandise displays by laws such as the Unfair Competition Prevention Law.

3-6: Game rules

Games include a large variety of components from general sport competitions to indoor games and number of participants range from one to many. Some use tools while others don't. Rules used for such games are considered intellectual creations.

Protection under Patent, Utility Models and Design Laws

Tools, etc. used in a game can be objects of patent or utility model and it may be an object of design registration depending on its shape.

Ideas (rules) of a game are artificially created and are not "creations of a technical thought by using a law of nature" as defined in the Patent and Utility Model Laws; therefore they are not protected. The idea of a game is neither "a shape, pattern, or color or a combination of those in an article", and therefore not entitled to protection under the Design Law.

Protection under the Copyright Law

The Copyright Law protects not an idea but its expression.

Therefore, it is possible to assert copyright to a document which expresses the rules of a game by letters, signs, illustrations, etc. In the case of TV games, programs per se, the original picture of characters appearing in TV games, and video images of the game as a cinema may be protected as authored works.

As discussed above, intellectual property concerning the game can be legally protected, but the rules thereof which are the essence of the game appear to be intellectual property which cannot be protected by any law.

3-7: Characters

Shapes of fictious or non-fictious persons or things appearing in cartoons, animations, stories, novels, sports, etc. (or characters) or names of famous characters or names associated with specific images used with a merchandise are known to demonstrate a great attraction for customers. Such characters or names function as a kind of economic goods today.

Many of the characters in Japan are protected by the Copyright Law, but industrial products such as a special shape of a sport car, etc. cannot be protected by this Law. (It can be protected by the Design Law). The name of a specific character or a name associated with a specific image is not protected by the Copyright Law. These names are protected by the Trademark Law only when these are used as the marks for specific merchandise. If they are not associated with any specific merchandise or if the merchandise is not specified, protection under the Trademark Law is difficult. Protection of the rights called the merchandising rights is afforded in part under the Unfair Competition Prevention Law, but such protection is not necessarily sufficient.

3-8: Confidential information

Confidential information means information which has a proprietary value when kept in confidence. This is equivalent to the intellectual property called "trade secret" in USA. Confidential information includes not only technical knowhow but also valuable information for business purposes. Some of its examples are customer lists, employee lists, recipes, tricks of magics, business plans and financial information.

There is no law in Japan enacted only to protect confidential information. It is, however, protected by general laws such as the Commercial Code and the Unfair Competition Prevention Law not only when there is a

contract but also when there is contract between the two parties.

Protection under the Commercial Code

If there is a contract concerning protection of confidential information, such information is protected by the provisions of the Commercial Code concerning contracts and tort. Contract prohibiting the retiring employees to work for a competitor industry is valid within a reasonable scope (if the term is not too long and the applicable range of industry not too extensive). Breach of contract can be dealt with the injuction of breach or demand for damages.

In absence of contract concerning protection of confidential information, such information may be protected by the provisions concerning tort of the Commercial Code concerning tort and unjust enrichment. Provided, however, default of confidentiality of the information is deemed as a tort only when such information has sufficient proprietary value and its confidentiality sufficiently guarded. Compensation for damage due to such breach is accepted, but injuction of such breach is considered difficult since there are no specific provisions.

Protection under the Unfair Competition Prevention Law

If an act of business using other's confidential information causes confusion with the original business, the act can be stopped or compensation for damage be demanded under the Unfair Competition Prevention Law. It is considered possible to stop by this law a business activity which uses other's customer list.

Protection under the Criminal Code

Theft of documents by an employee containing confidential information is punishable by the Criminal Code as the crime of usurpation and if by a third party as larceney. If an employee discloses confidential

information to a competitor, he is punishable for breach of trust under the Criminal Code.

In considering protection of confidential information, it should be noted that the principle of the Japanese litigation system is based on open trial. In other words, the confidential information is disclosed to the public in the litigations concerning protection of confidential information. On the other hand, it is extremely difficult to proceed with a litigation without disclosing the confidential information related to the case. The contradiction that the litigations related to protection of confidential information makes it difficult to maintain confidentiality of such information has not yet met reasonable solutions.

4. Conclusion

As the legal systems for protecting intellectual properties, the Industrial Property Laws (Patent Law, Utility Model Law, Design Law and Trademark Law) and the Copyright Law have long been established in Japan. The Industrial Property Laws are related mainly to protecting intellectual properties related to "things". They protect "things", methods related to "things", designs of "things", and marks attached to goods which are "things". The Copyright Law, on the other hand, is for protecting cultural and intellectual properties related to individual expressions of thoughts and sentiments. The use of authored works for technical or business purposes in the industry was hardly anticipated.

Sophistication and diversification of technology and information in recent years have brought about numerous intellectual properties for which protection is difficult under the conventional legal system. Under the conventional legal system, protection is either absent or insufficient for the intellectual properties related to

information per se which is not a "thing" or those related to things only in subordinate way. For instance, a living thing has one aspect such as information which cannot be covered by the conventional definition or concept of a "thing". (Proliferation of a living thing is considered equivalent to duplicating information, and protection of a living thing which proliferates requires a method of protection different from the conventional "thing".) Moreover, the conventional intellectual property related to business information (trademarks) is protected only when it is used as attached to goods which is a "thing" because of the existing legal system. Thus, marks used in respect of business activities which are not related to "things" (services) are not protected. Because of the narrow meaning of a mark under the Trademark Law, protection of information to distinguish one's own goods from those of others is often insufficient. (Acoustic marks and three dimensional trademarks are outside the scope of protection.) Since business activities are today expanding beyond the sales activities of the goods, the need for improved company images and product images in business is growing. Use of created works in business activities is also increasing. This makes proper protection difficult under the current Copyright Law. (For instance, protection of a name of a character).

Under the current systems where intellectual properties concerning "things" are mainly protected, and new types of intellectual properties are protected by enlarged interpretation of existing laws and by new legislations. There are many intellectual properties which can be protected by the Unfair Competition Prevention Law and the Commercial Code. Revision to the Copyright Law enabled protection of computer programs, and a new law enabled protection of circuit layout of a semiconductor ICs. Revision of the Trademark Law is now being studied with a view to protect service marks. Extensive and

appropriate protection of intellectual properties would require further review of the current legal system and legislation of new laws.

Intellectual property development generally requires a lot of time and money. The result are considered to have equal or higher values. Third parties, on the other hand, can often acquire intellectual properties equivalent to the original with much less investments by copying or imitation. The new type of intellectual properties can easily be dead-copied or proliferated from one or few originals to obtain identical products easily and in great quantity. The conventional protection is often found insufficient for such types of properties. As the business activities expand in volume and scope, the value of hitherto unprotected business information increases and so do the chances of "free-ride" by third parties.

A holder of conventional type of intellectual property might not have strongly thought it "unfair" even if his right was infringed. This is because the amount of investment made for acquiring intellectual property compared to that of manufacture/sale of the "thing", in other words, the value of the intellectual property was much lower than the whole value of the "thing". As for the new type of intellectual property, on the other hand, dead-copying or proliferating the origianl property for obtaining the identical things in great quantity with relatively small investments makes the owner intensely think the infringement "unfair". The increased value of business information in the business activities also helps its owner to feel "unfair" in the face of "free ride" by third parties.

Their insufficient protection will discourage the willingness of those developing such properties. It will inhibit development of industry and culture and endanger maintenance of industrial and social orders. On the other hand, intellectual property right, which includes exclusive

right, can become more powerful than direct ownership of tangible goods. Therefore, unreasonably strong intellectual property right (such as unreàsonably extensive right compared to other intellectual creations or the right with unusually long term of right) will cause an ill effect of monopoly. This would be detrimental to development of industry and culture. Thus, balance of profits between the holder of intellectual right and the non-holder or the general public should be kept in protecting the intellectual property. All the intellectual properties are thus not to be protected in the same manner. Appropriate protection suitable to respective property should be given by considering investment of the right holder, the scope of originality, the magnitude of economic gain for the right holder, and the restriction which would be imposed on third parties or the general public.

COMMITTEE NO.3

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Recent Tendency on the Application of the Doctrine of Equivalents in Japan

PIPA, Japanese Group, Committe No. 3 (1988)

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Kozo Hirase, Tokyo Electric Co., Ltd.
Kikuo Takehana, Toshiba Corporation
Shinji Kawamura, Nissan Motor Co., Ltd.
Masahiko Omori, Mitsui Petrochemical Industries, Ltd.
Yoshihiko Abe, Ricoh Company, Ltd.
Speaker: Yorozu Noda, Teijin, Limited

Abstract

In the last several years, we have received such complaint from abroad that assertions based on the doctrine of equivalents have scarcely been approved of in the Japanese courts. Though it is somewhat undeniable that such complaint was true ten and several years ago, recent court's judgement on the assertion based on the doctrine of equivalents is deemed reasonable as long as we see it from the decisions in the past seven years. However, such decisions contain next to nothing in terms of expressions such as "equivalent, therefore infringement", and this is probably because Japanese Patent Law, Article 70 uses the word "technical scope" to describe the scope of patent protection, taking the shape of inclusion of both "literal infringement" and "infringement under the doctrine of equivalents". In fact, courts give so much consideration to the doctrine of equivalents that the doctrine of equivalents may come to the fore in Japan without suffering any objection. A matter yet to settle will be to confirm that we have no bias toward the practices abroad in respect of the manner of application of the doctrine of equivalents in Japan.

1. In the beginning

We have received such complaint from abroad in the past several years that there is scarcely found any example where the said doctrine has ever been applied (approved of) in this country. In other words, we hear, some goes as far as to say that even if a patentee makes an assertion based on the

doctrine of equivalents, the court has ever scarcely approved of it; there exists no doctrine of equivalents in Japan.

Now, it is everybody's knowledge that contents of patent specification are very important as is known from such phrase that "infringement suit will begin with specification and end with specification". Because of such importance, the specification, particularly part of description in it is so highly regarded that it is called a dictionary on claim. If all the specifications are satisfactory in regard to this "dictionary requirement", there could never be the like of dispute arising between the patentee and a third party, because a line of demarcation ought to be clear, prohibiting entry of any third party. But, there arises a doubt why so many disputes occur and in fact, disputes occur.

There is due to limitation to the expression any language is capable of giving (perhaps more appropriate if we say it is frailty of language), or limitation to the presentimental faculty of mankind (including impredictability about the progress of science and technology), and there may occur a necessity for the patentee to employ the doctrine of equivalents beyond the region covered by the phrases of claim as the means in an effort to compensate for such limitation.

It follows from the foregoing what the claim is for? Should we understand that the claim leaves usually some grey area to a third party? This is clearly an inconsistency. But we shall be satisfied to a certain extent if we assume that, the phrases of claim are of nature to attemp to give expression to a technical idea (though it may be next to impossible to fully express even if tried) instead of providing the literal scope of claim.

We have verified about the present state of application of the doctrine of equivalents in Japan including doubts as seen from a third party as to the doctrine of equivalents itself as mentioned above.

At this moment, decision dealing with the doctrine of equivalents for the last seven years have been made available in JPA's [Patent Management] Vol. 38, No. 6 (1988), and members of our committee have examined respectivvely in respect of the decisions in part. Based upon the outcome of said examination, we will give some of our views as to the complaints received from abroad.

2. Present state of application of the doctrine of equivalents in Japan

(1) We remember still clearly that we were not a little perplexed at a decision made by a certain district court ten and several years ago. It is because the patent claim was interpreted literally in the infringement suit without any consideration given to such matters that were not set forth in the specification but deemed equivalent to an element in the claim.

On the other hand, it is our honest impression of the decisions dealing with the doctrine of equivalents for the last seven years that approaches are taken on the basis of doctrine of equivalents according to the doctrine or commonly accepted theory and that a reasonable judgement is made by the Japanese court if necessary in respect of the doctrine of equivalents; in other words, even if an accused product is outside the limitation of the phrases of claim, relationship between them is considered essentially from the standpoint of the doctrine of equivalents with the result of judgement of infringement being passed.

(2) Before engaging in the concrete explanation about examples of such decisions, we shall make a brief reference to the doctrine of equivalents in Japan.

Various ways of approach taken up in the doctrine of equivalents in Japan include such as the mentioned in the following.

A Commonly accepted theory

(1) Any technique replacing an element (constituent feature) that composes the invention with other means, attains the object, performs function and effect samely as the said invention does, and

(2) The said technical idea is of the same one as that of the said invention (replaceability or exchangeability including (1) and (2)), and

(3) Such replacement mentioned above are easily predictable for those skilled in the art at the time of the filing of the patent infering from the descriptions in the patent specification of the invention (inferability of such replacement).

B If any of the theories under A mentioned above applies to the structure of machine, etc., expression will be of such shape as "mere change of design" or "minute difference in design".

C Special doctrine of equivalent

C-1 theory of roundabout invention

C-2 theory of short circuit invention

C-3 theory of incomplete use (theory of retrogressive invention)

Next, we will move to the explanation of decisions.

Attached data represent six cases of decision in summary where the doctrine of equivalents was essentially approved of.

A. Case

1 Case of laying-unit of sheet pile

(Sho 59(o) 568
Oct. 28, 1985
Supreme Court of Justice)

2 Case of barker

(Sho 60 (o) 381
May 28, 1987
Supreme Court of Justice)

3 Case of herbicide (glyphosate)

(Sho 60 (wa) 7463
Sho 60 (wa) 6428
Sho 61 (wa) 671
July 10, 1987
Tokyo District Court)

4 Case of starch noodle manufacturing method

(Sho 51 (wa) 2558
Mar. 30, 1982
Osaka District Court)

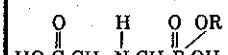
5 Case of buckle

(Sho 61 (o) 745
Oct. 6, 1987
Supreme Court of Justice)

6 Case of glass fiber heat insulator

(Sho 57 (wa) 166
April 26, 1984
Koriyama Br. of
Fukushima District Court)

B. Outline

Case	Limitation of patent	Accused one	Points of decision
1. Case of sheet pile	a. To incorporate moving member into an annular support. [exa. whole incorporation] b. To fix lower end of guide plate on the center of moving member.	Partial incorporation of moving member. Lower end protrudes beneath the moving member.	It is right and proper to construe ... whole or part of the moving member is incorporated. There is no reason to interprete "... strictly limited to such configuration".
2. Case of barker	To use cylinder system to move an arm handle up and down.	Crank system is used in stead of cylinder.	It is easy to replace cylinder system with crank system.
3. Case of herbicide	 R: Salt forming cation [$S(CH)_3$ is not specified in the claim.	$S(CH_3)_3$ is employed as R.	No change in effective component even if S $(CH_3)_3$ is used as R.
4. Case of starch noodle	Heating in such condition that supply of water is cut.	Steam heating is employed.	It is not for supply of water to use heated steam.
5. Case of buckle	"Right under or leftward" regarding the configuration of scrubbing plate.	Changed to "rightward by 0.35 mm - 0.9 mm".	It is still within the range of manufacturing tolerance to go rightward by 0.35 mm to 0.9 mm.
6. Case of glass fiber	a. Sheet with unevenness of 0.5 mm or more in depth is adhered to the insulating material at the edge of its convexes. (Sheet peeling-off prevention effect)		Expected effect for the utility model is (a), and (b) is secondary.
	b. Sheet ..... nonporous (complete damp proofing effect)	Changed to micro-porous sheet.	

To supplement the above-mentioned, the courts are found to have approved of the essential points of the patents respectively in such shape as follows, and such approvals are all deemed based on the interpretation of patent not in terms of phrases of claim but in terms of essence of patent.

Case	In phrase*	Action & effect*	Approach by doctrine of equivalent
1. Case of sheet pile laying unit	different	same	B. (Minute difference in design.)
2. Case of barker	"	"	B. (Easy replacement, items in design document.)
3. Case of herbicide (glyphosate)	"	"	Interpretation in terms of substance [A. (Anion is same in principal part.)]
4. Case of starch noodle manufacturing method	"	"	Interpretation in terms of substance [A. (Steam is one of the means for heating.)]
5. Case of buckle	"	"	Interpretation in terms of substance [B. (Within range of manufacturing tolerance.)]
6. Case of glass fiber heat insulating material	"	Change for the worse in part	Application of incomplete use theory C. (Same in the principal effect.)

*Relationship between the accused product and patent.

As to a few examples for further supplementary explanation, case 2 represents a typical case where theory of equivalent was applied, and (district) court identified as mentioned in the following as to the relationship between cylinder system described in the claim of patent in question and crank system employed in the accused product in place of said cylinder system.

(a) Crank system performs same function and effect as cylinder system does in that it produces straight-line reciprocating motion.

(b) cylinder system provided in the patent in question can be easily replaced with crank system.

(c) Crank system is considered without difficulty an equivalent to cylinder system.

As seen in (a) to (c) mentioned above, the theory of application (B) [mentioned at 2-(2)] in the commonly accepted theory of the doctrine of equivalents in this country was adopted as it was and the district court decided that the crank system was an equivalent to the cylinder system, thus constituting infringement of the patent. This decision, as a conclusion, was supported by both high court and Supreme Court of Justice. Both courts did not use, however, such word as "equivalent" but employed such expression instead as "the accused product is within the technical scope of the patent".

On the other hand, case 3 represents one of the known rulings in the field of chemistry.

In this case, the accused product was trimethylsulphonium salt of glyphosate, and the trimethylsulphonium, cationic ion, was not set forth in the claim of the patent as cationic ion which has salt forming function. Concerning this point, the court judged that the essential point of the said patent exists in the use of anionic ion named glyphosate and that such essential point was also employed as it was in the accused product. However, the court, instead of using such expression as "the two matters are equivalent", ruled from the

viewpoint of the invention as a whole that the accused product is within the technical scope of the said patent.

(3) Probably not a few practitioners attending patent matters might be convinced that "equivalent" as a whole was suggested. Though the court, in fact, makes a trial for approaches based on the doctrine of equivalents in this country, it has given almost nearly no utterance of "equivalent, therefore infringement" in its almost all rulings.

The reason why the court is such like that, may be given simply.

You know, Japanese Patent Law, Article 70 provides:

> "Technical scope of a patented invention shall be decided on the basis of the statement in the claim of the patent."

Further, with regard to the purpose of legislation of this Article 70, deliverative council at that time stated in its report (at P 8) as follows: "We may safely consider that the court seems not to stick to the interpretation of phrases of claim but to retain a margin in thinking and to conceive that any matter those skilled in the art could admit as the contents of the invention considering from matters disclosed in the claim of the patent will be within the claim". (Quote from P 358. Outline of Patent Act, written by Kosaku Yoshifuji)

We may understand in such way that the "technical scope" is not decided depending upon the phrases of claim but, in some cases, a certain margin is possibly allowed outside the phrases of claim, thus the doctrine of equivalents being admitted in that margin.

Such is the reason why the court uses such expression as "..." falls within the technical scope even in a case where the court adjudged "infringement", in defference to the word "technical scope" mentioned in the said Article 70, and, it is understood that, therein included are "infringement in

terms of phrases of claim" and "infringement under the doctrine of equivalents".

In the beginning of this Part 2, we made a reference to a fact that ten and several years ago interpretation of claim exclusively depending upon the literal meaning of phrases would be made by the district court and, it is deemed possibly because the theory of weight of profit was in control within the said district court. This theory is based on such a thought as whichever more weight is given, interest of the patentee or that of a third party, or in other words, a choice between two. And, it is guessed, the patentees were dealt with disadvantageously as long as decisions indicate.

3. On the comparison and possibility of harmonization of the doctrine of equivalents between Japan and the U.S.

As described in Part 2, courts in Japan make a conclusion in the main part of their decisions in such style that "the accused product falls within the technical scope of the patented invention" while admitting that their approvals are based on the doctrine of equivalents.

It is quite natural that some opinions are given to such effect that the doctrine of equivalents had better been adopted officially as it has been used as the basis of approach. Our impression is that the court may move toward the direction of adoption if viewed exclusively from the actual result.

However, it may be important, not that the court actually decided on the basis of the doctrine of equivalents but that the doctrine of equivalents held good in Japan according to the same way of thinking as one in other countries such as the U.S.

Position of our group is that expected purpose will not be attained by mere coincidence in the use of expression of the "doctrine of equivalents", because any difference in approach or manner of application in respect of the doctrine of equivalents in the two countries could naturally result in different conclusions.

In the following, therefore, we give some of our views about the contents of the doctrine of equivalents in this country as well as in the U.S.

In Japan, where the following items are satisfied as described above, it is said, the doctrine of equivalents will be applicable under the commonly accepted theory.

1 Any technique replacing an element that composes the invention, with other means, attains the object, performs function and effect samely as the invention does, and
2 The said technical idea is of the same one as that of the invention (replaceability including (1) and (2)), and
3 Such replacement mentioned above are easily predictable for those skilled in the art at the time of filing for a patent infering from the description in the patent (inferability of such replacement (predictability)).

On the other hand, in the U.S., for the doctrine of equivalents to be applicable, required are, as seen from Graver Tank case (85 USPQ 328 (1950)), the following three items.

1' Substantially the same function
2' Substantially the same manner
3' Substantially the same result

And upon the comparison between the accused product and patent in question, it is admitted to look invention as a whole as seen from T.I. case (231 USPQ 833 (CAFC 1986)), or to compare element by element as seen from Penwalt case (4 USPQ 2nd 1737 (CAFC 1987)).

Further, time to judge about predictability may be the time of infringement, different from one in Japan, as seen from Hughes case (219 USPQ 473 (CAFC 1983)).

Under such circumstances as mentioned above, manner of application for the doctrine of equivalents would be substantially same except the time of judgement about predictability in the two countries if equality is realized between the two sides as mentioned in the following. By the way, similar comparison has been introduced in [Patent Management] as referred to above.

Japan (Commonly accepted theory)	U.S.
Object, function and effect	Function, result
Other means	Manner or way
Inferability of replacement	Predictability

It is to regret that no conclusion could be brought about among the members of our group as to whether the comparison mentioned above was proper or not, but it is reasonably expected that such doubt will be clarified through the cooperative work between the U.S. and Japanese groups of the committee No. 3, which has already begun to operate.

4. In conclusion

It is as seen in the rulings mentioned above that courts in Japan have made appropriate conclusions by taking the doctrine of equivalents into consideration. Of course, it has to be pointed out that out of all cases dealing with disputes based on the doctrine of equivalents, only 20% are such cases where the doctrine of equivalents were approved of ([Patent

Management] referred to above). Whether such low rate should be regarded as indicating little tendency in this country toward approval of the doctrine of equivalents or whether such high rate of 80% of the remaining cases is to be considered of no room left for approval of the doctrine of equivalents, must be one of the tasks to be tackled hereafter. However, with regard to six cases referred to above, patented inventions are all compared to the accused products, without sticking to literal interpretation of the phrases of claim and after deduction of the essentials of claim is made objectively, to which most of practitioners dealing with patent matters may be willing to consent.

In the last, upon the official introduction of the doctrine of equivalents into Japan, we have to point out, it is to be fully considered whether we should leave the theory in this country as it is, or whether we should adopt the theory in the U.S. or in any other country. And it may be most important to make adjustment among the theories in many countries if necessary and to adopt such adjusted theory as truly harmonized thereby.

Case (1)

Burying Device for Sheet Pile

Supreme Court Sho59(o)568
Date of Decision October 28,1985
Pat.No.1141757(Publication No.Sho53-10364)

(1) Patented Invention

The present invention relates to a device for burying a steel sheet pile underground by means of a crane vehicle, and the purpose thereof is to dispense with any large directional shift of the crane vehicle normally required per each burying process of the sheet pile so as to bury the sheet pile efficiently, by holding the sheet pile to be buried in a desired direction in relation to the crane vehicle by means of a rotational member capable of making a rotational movement in a horizontal plane.

(2) Subject of Suit

This subject is a burying device for sheet pile having its object, action and effect identical to those of the patented invention but having two constitutional points different from those of the patented invention.

(3) Judicial Decision

Infringement of patent is acknowledged depending upon a reason of mere "design change".

(4) Reason

The following difference may be perceived in comparison of constituent elements of the present invention with the constitution of the dependant's product, but the difference is considered nothing but "only a minute difference in design".

At first, incorporation, of a rotational member for giving rotational movement in a horizontal plane to a sheet pile, into a ring-shaped supporter" is defined as the constitutional essential in the present invention and difference from or identify to the defendant's product is rendered the point of the present problem according to whether the entire body of the rotational member can be accommodated inside the ring-shaped supporter or not. However, it is considered appropriate when its action and effect are taken into account, to interpret the rotational member to be " a matter the entire or partial portion of which is incorporated (installed) inside a ring-shaped supporter", then, "bottom end of a guide cylinder is fixed to the middle portion of a rotational member" is defined as the constitutional essential in the present invention and some difference from the subject of suit may be perceived in the standpoint

where it is defined that the bottom end of the guide cylinder does not project downward, but it is judged that there is no enough reason for rendering this difference precisely peculiar to the constitution of the present invention.

And, it is recognized that the subject of suit achieves its action and effect identical to those of the present invention by employing its present constitution.

Besides the above, the following cases may be pointed out as affirmative examples of event.

(5)Coment

Although the defendant's product is partialy different from the product of the present invention and it seems that the defendant's product is not coverd literally by the claim of the present invention. the court concidered the difference is nothing but only a minute difference in design"becouse of the same action and effect and acknowledged the infringement by interpreting the claim broadly.

Case (2)

"Barker" Case

Asahikawa District Court: Sho 55(Wa)61

Date of decision : March 24, 1980

Sapporo High Court : Sho 58(Ne)116

Date of decision : December 25, 1984

Supreme Court : Sho 60(O)381

Date of decision : May 28, 1987

Utililty Model Registration No. 1,276,288
Publication No.: Sho 53-27884

1. Abstract of the Invention Disclosed in Utility Model Registration No. 1,276,288, and Claim Thereof

The invention will be described with reference to Figs. 1, 2, and 3. Material wood (27) is partially barked by means of the cutter (4), while being rotated on support wheels (9). Then, the levers (12) are rotated upwardly, around the axle (13), thereby lifting the material wood (27). The adjusting wheels (20) mounted on the levers (12) are rotated, thereby moving the material wood (27) in its lengthwise direction. Next, the levers (12) are rotated downwardly, thus mounting the material wood (27) back onto the support wheels (9), and the material wood (27) is further barked.

The claim of the utility model registration reads as follows:

In a barker having two pairs of support wheels (9, 9: 10, 10) which are spaced apart from each other by a distance

suitable for supporting material wood (27), said support wheels in each pair being parallel to each other in an axial direction, the material wood being barked supported in valleys which are defined between said support wheels; a device installed in said barker for adjusting work position of the material wood, characterized by comprising a plurality of levers (12, 12) each extending perpendicular to the lengthwise direction of the material wood, said levers (12, 12) being individually journalled at one end t obearing plates (11, 11) which are fixed to a base (1) of said barker, a connecting rod (14) interconnecting said levers (12, 12) which face each other, a crank plate (16) mounted on said connection rod (14), a cylinder (17) mounted on said base and having a piston rod (18) which is connected to said crank plate (16) adjusting wheels (20, 20) individually mounted on said levers (12, 12) perpendicularly to the lengthwise direction of the material wood, each of said adjusting wheels (20, 20) being reduced in diameter at an intermediate portion thereof and having a hand-drum-like configuration as viewed in a side elevation, and rotary driving units (23, 23) individually drivably connected to said adjusting wheels (20, 20).

2. Issue

The barker as claimed is different from the defendant's apparatus in only the following structural feature. Hence, the issue was whether the structural feature of the

defendant's apparatus is equivalent or not to the structural feature of the claimed apparatus.

Claimed Apparatus

B. A connecting rod (14) interconnecting said levers (12, 12) which face each other, a crank plate (16) mounted on said connection rod (14), a cylinder (17) mounted on said base and having a piston rod (18) which is connected to said crank plate (16).

Defendant's Apparatus

b. The connecting rod (114) connects levers (112) facing each other. The links (115) pivotally coupled to the levers (112) is connected to the crank plate (117) of the crank shaft (116) mounted on the base (101).

3. Summary of the Decision.

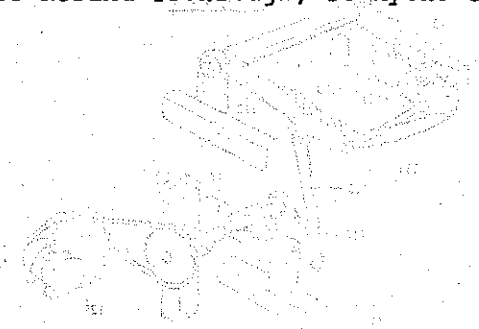
The issue, that is, whether or not structural feature b is equivalent to structural feature B, has been studied. The cylinder mechanism of feature B and the crank mechanism of feature b are identical in object, i.e., to move the levers up and down. The former achievers a linear reciprocal motion, whereas the latter converts rotation into a reciprocal motion. Nonetheless, they results in the same thing, i.e., a reciprocal motion which is used for the same purpose, i.e., to

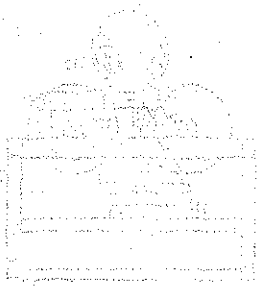
lift and lower the levers. Obviously, the crank mechanism is generally known in the art as a mechanism for provide a linear reciprocal motion. It would therefore be easy for one skilled in the art prevailing at the time of the filing of the utility model application, to replace the cylinder mechanism with the crank mechanism. In view if this, feature b can be regarded as being equivalent to feature B.

Hence, the elements of the defendant's apparatus are considered to be identical with the elements of the apparatus claimed in the utility model registration, and the activities of the defendant infringe the right of the plaintiff.

4. Comments

The decision, which had been made in the District Court, was particularly notable in that it is an argument against the negative attitude to the doctrine of equivalents. Therefore, much attention was paid as to what kind of a decision the higher Courts would make on the issue. This decision was affirmed by both the High Court and the Supreme Court.
(See Kosaku Yoshifuji, Tokkyoho Caisetu, 8th, Revision.)





5. Drawings

Plaintiff's Apparatus

Fig. 1

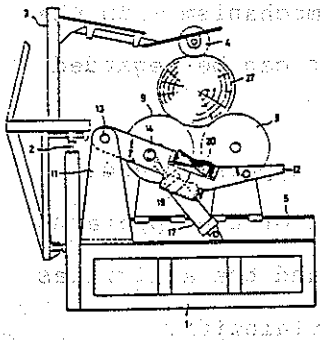


Fig. 2

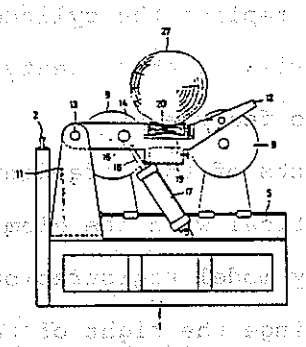
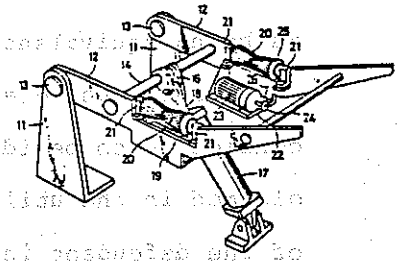


Fig. 3



1 ... Base 4 ... Cutter 9, 10 ... Support wheels
11 ... Bearing plates 12 ... Levers 13 ... Axle
14 ... Connecting rod 16 ... Crank plate 17 ... Cylinder
18 ... Piston rod 20 ... Adjusting wheels 23 ... Drive motor 27 ... Material wood

Defendant's Apparatus

Fig. 4

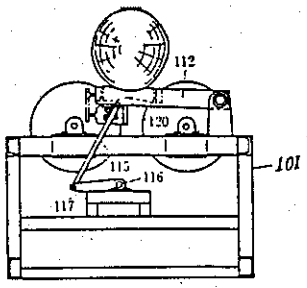
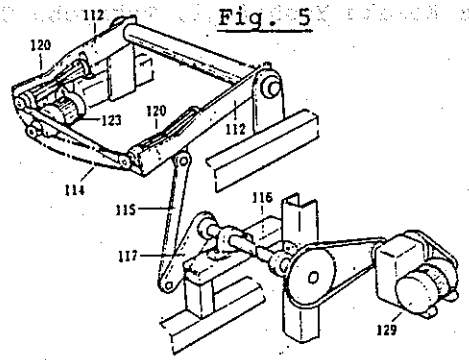


Fig. 5



101 ... Base 112 ... Levers 114 ... Connecting Rod
115 ... Links 116 ... Crank shaft 117 ... Crank plate
120 ... Adjusting wheels 123 ... Drive motor
129 ... Electric motor

Case ③

Herbicide Case p. 1

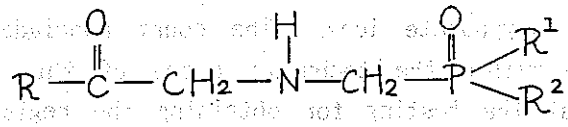
Decision of Tokyo District Court No. (Wa) 7463, 6428, 671 of 1985

Decided July 10, 1987

Japanese Patent No. 1075131 (Publication No. 6401/1981)

1. Summary of Invention

Herbicide characterized in that it comprises as an effective ingredient a compound represented by the following general formula:



wherein R, R^1 and R^2 are OH or the groups as defined in claim.

2. Issues

The herbicide of plaintiff (Monsanto Company) contained the compound called glyphosate (the compound having OH as R, R^1 and R^2 in the above general formula) as an effective ingredient. The compound of Defendants (Stauffer Japan K. K. and Stauffer Chemical Company) under development as herbicide in Japan was a trimethylsulfonium salt of glyphosate. Although salt-forming cationic ions were enumerated in the claim of patent, no statement of trimethylsulfonium salt was made. In addition, this salt was not set forth anywhere in the detailed description of invention.

Points at issue in this case were whether the herbicide of defendant containing the trimethylsulfonium salt of glyphosate as an effective ingredient infringes on the plaintiffs' patent or not, and whether the testing defendants commisioned a public institute to implement for obtaining the registration of the herbicide infringes on above patent or not.

3. Summary of Decision

The court found that trimethylsulfonium salt of glyphosate in defendants' herbicide is dissociated into glyphosate ions and trimethylsulfonium ions in the aqueous solution, that it is set forth in Example 1 of plaintiffs' patent specification that an aqueous solution of glyphosate is able to be used as a herbicide, that glyphosate in aqueous solution is dissociated into glyphosate ions and hydrogen, and that glyphosate ions function as an effective ingredient

of herbicide.

The court,therefore, held that defendants' herbicide is one of the specific forms of plaintiffs' patented invention. In addition, the court also noted that it is set forth in the plaintiffs' specification that other herbicide may be employed as an adjuvant together with main herbicidal ingredient, although defendants' herbicide contains trimethylsulfonium ions (which was known as a herbicide capable of using together with other herbicide prior to the earliest priority date of plaintiffs' patent) besides glyphosate ions. The court concluded that defendants' herbicide falls within the technical scope of this patent.

The court also judged that the testing for obtaining the registration of a herbicide required for the marketing does not correspond to the "experiment or research" in Article 69 of Japanese Patent Law, because such a testing is not for the purpose of bringing the technology into more advanced phase, but for the purpose of mainly putting a product into market. The court thus concluded that importation and use of defendants' herbicide for the testing infrings on the plaintiffs' patent.

4. Comment

The trimethylsulfonium salt of glyphosate, which is an effective ingredient of defendants' herbicide, falls outside literal scope of the claim of plaintiffs' patent. No concrete statement is seen also in the detailed explanation of the plaintiffs' patent specification. It can be said that this decision, in which defendants' herbicide falls within the scope of plaintiffs' patent under such a stuation, is landmark one in the chemical field. In this decision, the doctorine of equivalents is not discussed. Substantial claim interpretation is made on the basis that the anionic ion functioning as the essential part of an effective ingredient for herbicide is identical between both herbicides.

Case ④

Starch noodles manufacturing case

Osaka district court sho 51 (WA) 2558
Date of dicision: March 30, 1982.
Patent No.449343 (Publication No.39-27465)

1. Summary of invention

Process for manufacturing starch noodles comprising,

step 1: mixing one part by weight of starches, rice powders or mixtures of those and minor amount of corn powders such as a wheat flour with from 0.7 to 1.5 parts by weight of water to from a concentrated emulsion,

step 2: coating said emulsion on a metal plate to form a thin layer,

step 3: heating said layer without supplying water from outside to form a gelatinized sheet of starches

and

step 4: stripping of said sheet, cutting the same to form nudles and drying those.

2. Issues

It was disputed if the use of about 100℃ steam as the heating medium in step 3 of the claim infringed the patent.

3. Summary of decision

The court held that the phrases "without supplying water" shoud be interpretated from the patent specification as "without supplying water neccesary for the gelatinigation", therefore the defendants process was within the scope of the claim.

4. Comments

Literally, the defendants process seems to be without the scope of the claim. The court dicision, however, admitted the infringement although the court did not relied on the doctrine of equivalent.

This case is an example in which a patent claim was interpretated beyond the claim wording.

Case ⑤

" BUCKLE DEVICE " Case

Decision of the Osaka Court of Appeals, March 26, 1986 - Sho 57(Ne)1487 -

Decision of the Supreme Court , October 6, 1987 - Sho 61(O)745 -

Decision of the Kobe District Court , September 14.1982 -Sho 55(Wa)3571-

Plaintiff: Fujii Denko Co.,Ltd.

Defendant: Sanko Co.,Ltd.

I Summary of the Invention (Utility Model Reg. No. 1 005 036)

The invention relates to a buckle device for use when repairing or mounting devices on telephon or telegraph poles which support overhead lines.

To permit an electrician or repair man to work safely with both hands free, it is necessary to provide a harness including a safety buckle assembly which can be secured about the person. Figs. 1 to 7 of the Utility Model Specification are attached hereto. This device includes a buckle base (5) having a pair of essentially pararell guides(1,2).These guides receive a slide member(10).The base is formed with a pair of generally rectangular openings(6,19) in a manner to difine a cross member (13) interconnects both of the guides.

A marginal edge of the opening (6) is bent to define a short upwardly angled portion (9). One end of the body encircling belt or strap (18) is secured to the cross member (13). The other end of the belt extends through the slot (8) provided in the slide member (10) and then passes through the opening (24) to overlay the top of the belt portion secured to the cross member (13).

The slide member (10) has an angular configuration and includes a lower portion in which the slot (8) is defined. The slot (8) has a width slightly greater than the belt (18). A generally L-shaped upper portion is attached to the lower portion and has an upwardly angled end projection (9).

The projection (9) and the portion (7) are arranged to extend pararell to

one and other and to difine a slit through which the belt end (20) can be passed through.

In operation, as will be appreciated from Fig.7, if tension is applied to the belt end (19) outwardly in the direction designated by (c) and sandwiches the belt between projections (7) and (9) in a manner to hold the belt in the restraining position by virture of the friction developed therebetween.

II Issue

The most important feature of the claim is as follows:

" the inner side or wall(25) of the slot (8) is arranged to extend exactly below or inward with respect to the end of the projection (9) "

The defendants' device is shown in Figs.8 and 9. Clearly all of the mechanisms are extremry similar. All of the features appear in the defendant's buckle device except for the feature referring to the relative position of the projection end (9)' and the inner side (25') of the slot (8)'. As may be seen from Fif.9, the inner side (25') of the slot is not positioned exactly below the projection end (9') but lies slightly outward with respect to the projecting end (9') by approximately 0,3 to 0.9 mm.

III Summary of Decision

Throughout the case, the argument was almost exclusively directed to whether the location of the inner side (25') of the slot being slightly offset outwardly from the projection end(9) could be covered by the above mentioned claim language.

The Court of Appeals decided that the effect produced by the invention should be considered in relation to its overall purpose and with respect to the prior art. The defendants' mechanism has a slide member slidable from an inward position to an outward position in response to the movement of the belt. As far

as the belt is bent to define an L-shape and is held between the projection (9) and the portion (7) formed in the base, the Judge held that the slippage of the belt out of the buckle will be prevented. The Court further held that there was no material difference in the way the invention worked. Accordingly, the only question was whether the term "arranged below or offset inwardly with respect to the portion" could have been meant or intended to exclude the modification of the slide member to have a projection (9)' and the portion(25') similar to that of the defendant's device.

After cross-examining witnesses brought by both parties, the Judge found that the arrangement of the inner side (25') relative to the projection of the defendant's slide member fell within manufacturing tolerances.

The Judge stated as follows:

" The arrangement of the inner side of the slot (8) being below or inward relative to the projection end(9) does not mean to cover a vareant in which the inner side lies outward with respect to the projection end by a small amount (vis., in the order of 1 ㎜), but intends to include the posioning of the inner side outward relative to the projection end when the amout of offset is "substantially" smaller than the thickness of the belt (approx 2.5㎜). This is especially the case when the inner side offsets are within the above mentioned manufacturing torelances, and as as such no material difference in the way the divice is made out "

IV Comments

Thus, summarizing the above, a strict textual interpretation of a particular word or phrase was not applied but instead a more concrete problem and solution type of approach employed - which in this case proved beneficial to the patentee. Even though the wording of the respective claims were quite different, the Judge considered it apparent that limiting words or phrases

could not be intended to exclude minor variants which have no material effect upon which the working of the invention.

Whilst the decision did not go as far as the U.S. or German case law in allowing equivalents. the case certainly clarified the extent to which departure from a strict interpretation of claim may be allowed. However, since a desiding factor was that the critical dimentional differences were deemed to fall within manufacturing tolerance limits, it cannot be stated with any particular confidence that "standard " equivalents will always be regarded within the scope of a claim.

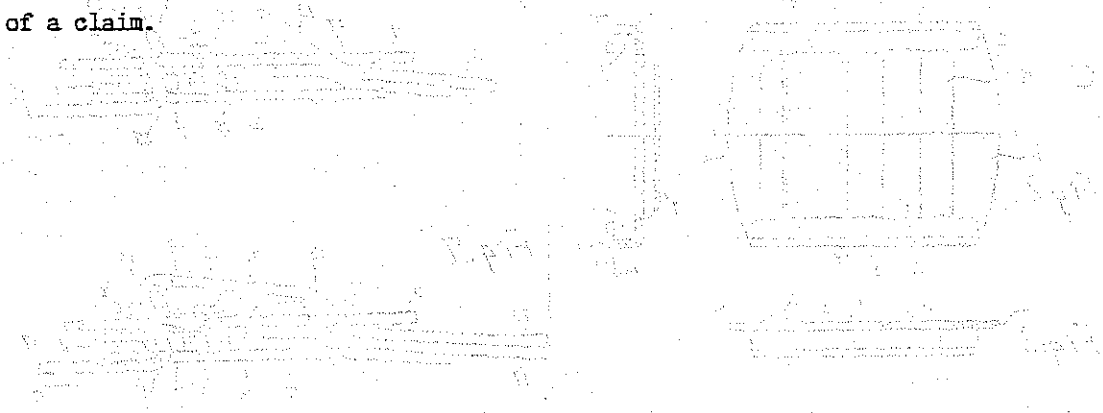
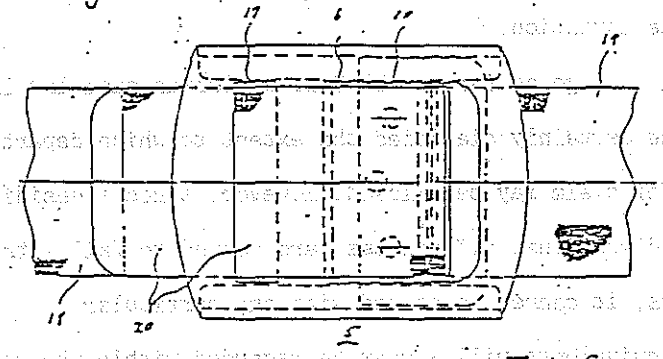


Fig. 1



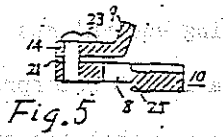
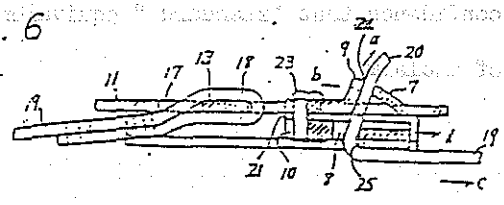


Fig. 5

Fig. 6



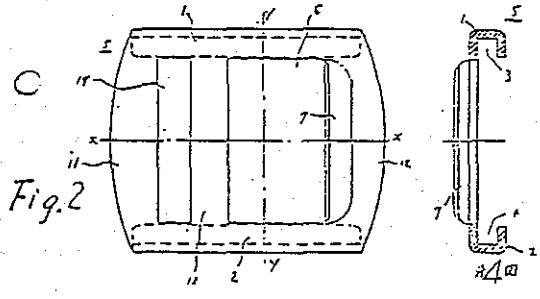


Fig. 2

Fig. 3

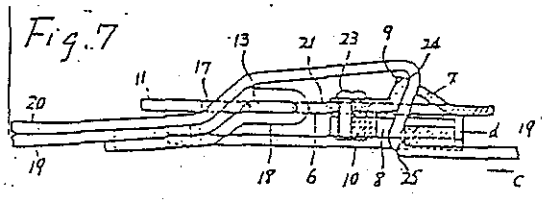


Fig. 7

C

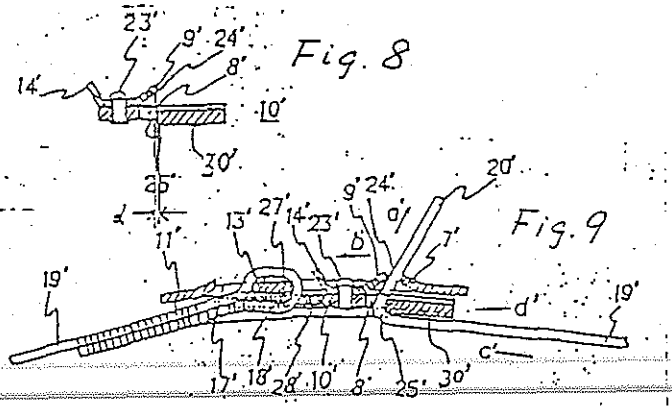


Fig. 8

Fig. 9

Case ⑥

Heat Insulator Case

(Fukushima District Court, Kouriyama Branch: Sho 57(wa)166)
Date of Decision: April 26, 1984
Registered Utility Model No. 1410618(Publication No. 53-52114)

1. Summary of the Invention

The Plaintiff's registered utility model was directed to a heat insulator composed of an inorganic fibrous sheet and an embossed polyvinyl sheet wherein the latter is adhered to the former substantially at the covex portions formed by being embossed (constituent feature A)and is non-porous(constituent feature B).

The merits of the utility model are:
(A-E). By virtue of the constituent feature A ,the vinyl sheet can be prevented from pealing off;and
(B-E). By virtue of the constituent feature B ,the insulator is of moisture proof as awhole.

2. Issue

In the accused product, a micro-porous vinyl sheet was substituted for the said micro-porous vinyl sheet while satisfying all other features in the claim of the plaintiff's utility model. It was disputed whether or not such substitution constituted infringement of the utility model registration.

3. Summary of Decision

Finding that the effect (A-E) was the main merit in view of the technical idea of the utility model in question while the effect (B-E) was the additional merit, the court said:

"Generally speaking, it should be appropriate to understand that a product of a third party falls within the technical scope of a registered utility model:
(1) If the product is made based on the same technical idea as that of the utility model wherein a relatively unimportant constituent element or elements in the claim for utility model registration is either omitted or replaced by a different constituent element or elements;
(2) if omission or replacement is easily anticipated by those skilled in the art when reference is made to the utility model;
(3) if the omission or the replacement does not result in a remarkable merit but obviously deteriorates the merit of the utility model (water proof) so that no one would dare to make such omission or replacement when he expects technical completeness and so that it is inevitably

construed that the third party, knowing the claim for utility model registration, has dared to resort to such a technically inferior manner in order to escape the reach of a claim; and

(4) if the particular merits of the utility model are still attained even with the technically inferior manner.

This understanding results in complete protection of the owner of a utility model right and in no harm to lawful certainty of a third party.

Incidentally, it is not allowed to neglect or exclude a certain constituent feature or features in the claim on deciding the technical scope of the utility model

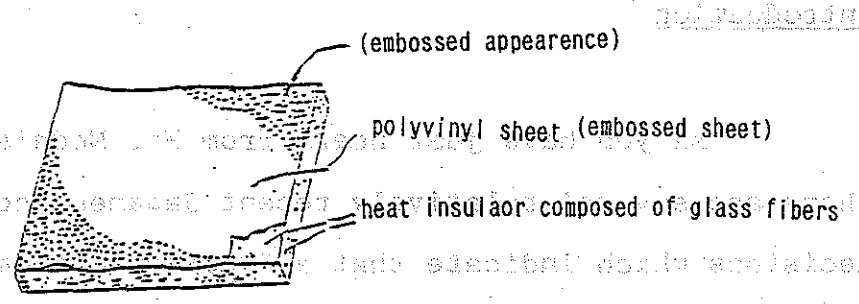
This, however, does not preclude a differentiation in importance between several constituent features of in the claim and an understanding of the technical scope in consideration of the differentiation in importance."

In view of the above, the defendent's product was found to belong to the technical scope of the utility model in question although the constituent element (B) is not used, since it satisfies all of the above mentioned conditions of (1) to (4).

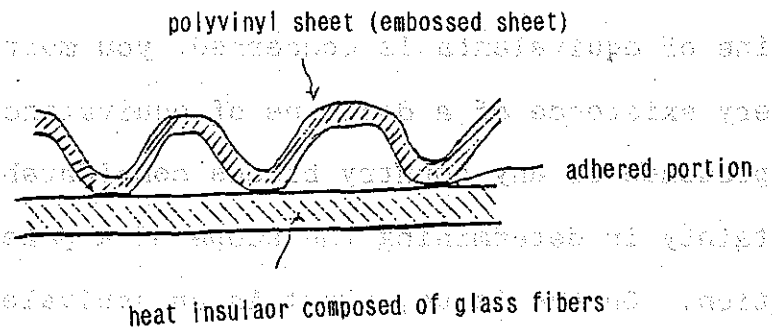
4. Comments

It is noteworthy that the so called the theory of "unvollkommene Benutzung" or "verschlechterte Ausführunsform" has been approached in favor of the Plaintiff although such expressions are not used in the decision.

Shematic representation of a heat insulator acccording to the utility model registration



(Enlarged side view)



PART II — SCOPE OF CLAIMS AND THE DOCTRINE OF EQUIVALENTS*

Introduction

As you have just heard from Mr. Noda's Committee, there are several relatively recent Japanese court decisions which indicate that a "doctrine of equivalents," though not referred to as such, is beginning to take shape in Japan. Whether or not you agree with the Committee's conclusion that the Japanese court decisions are "substantially the same" as the U.S. Courts insofar as the doctrine of equivalents is concerned, you must agree that the very existence of a doctrine of equivalence in the jurisprudence of any country breeds considerable uncertainty in determining the scope of a patented invention. On the issue, "What is an equivalent?", there are always differences in opinion. And no matter how precise one is in defining an "equivalent," there is always uncertainty and subjectiveness in applying the definition to the accused product or process.

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* This portion of the response was prepared by Warren W. Kurz, Eastman Kodak Company, Rochester, New York. The views and proposals presented are those of the author and not necessarily those of Eastman Kodak Company.

In the U.S., the "doctrine of equivalents" has proven to be a godsend to patentees (and their attorneys) who, perhaps through no fault of their own, have under-claimed their invention. It has also proven to be a gigantic nuisance for those who, but for the doctrine, would have some peace-of-mind in knowing that their product or process is safely outside the protective scope of some-one elses patent. Unquestionably, the application of the doctrine is esoteric and subjective, and recent decisions by the U.S. Court of Appeals for the Federal Circuit illus-trate that even our most qualified federal judges cannot agree, in certain cases, on how the doctrine should be applied. From a remedy standpoint, the present law draws no distinction between infringement under the doctrine, and literal infringement. Painful injunctions and high monetary awards can result either way. To alleviate the legal uncertainty associated with the doctrine of equiva-lents, yet assure the patentee of some compensation from those who infringe the patent through the use of non-literally infringing, but equivalent, means, we propose

the following New Law for the mythical Pacific Rim country, Shin ASU**:

Proposed New Law

"A patentee has the right to exclude others from making, using and selling the patented invention provided that the claims of the patent are literally infringed by the others product or process. "Literal infringement", as used herein, means that the claim language, as read in light of the patent specification and prosecution history, and as normally understood by skilled artisans, reads on such product or process. Where literal infringement of the patent claims cannot be shown, a case for patent

** In the spring of this year, our American Committee Chairman, Mr. Thomson, proposed that a joint, bi-national paper be prepared on certain "harmonization topics." The thought was that, rather than doing independent studies in which each side, (i.e. Japanese and American) would state what the present status of the law is in its respective country, there should be a bi-national study done and a paper presented which attempts to reconcile the differences between the Japanese and American viewpoints on these topics. The basic premise was that our bi-national study group was commissioned by a mythical Pacific Rim country, Shin ASU, to propose a new law on each harmonization topic. We had this theme in mind in drafting the "Proposed New Law".

infringement may nevertheless be made if the accused device or process employs equivalent elements or steps to those recited in the claims. In such case, however, the remedy of the patentee shall be no more than a reasonable and fair royalty."

Commentary

Among the most industrialized nations, there seems to be no consensus concerning the interpretation of patent claims. In Japan, there has been, at least until recently, a tendency for the Courts to take a very literal approach to claim interpretation, the apparent philosophy by some of the courts being "What you claim is what you get." This narrow interpretation of claims seems consistent with Section 36(4) of the Japanese Patent Law which requires that the claims recite "only the indispensable constituent features of the invention". Such language makes it clear to a patent applicant that, if you claim it, you regard it as "indispensable". In ruling that a Japanese patentee cannot enforce his patent right beyond the subject matter which he has claimed, the Osaka High Court has reasoned that, because the patent

applicant has the opportunity of claiming that which he regards as his invention, the responsibility for the disadvantages resulting from not claiming subject matter which could have been claimed lies with the applicant. Most Japanese courts have taken the view that legal certainty should prevail over the patentee's interest. This philosophy of placing public interest ahead of the individual finds support in several Sections of the Japanese Patent Law, including Section 1, and Sections 83-92.

In the U.S., where claims are more liberally interpreted, the philosophy seems to be "You get what you claim, plus any and all equivalents." The concern, of course, is that some unscrupulous "pirate" is going to substitute an equivalent for a technical detail unnecessarily recited in the patent claim and thereby avoid infringement. "Fairness" to the patentee, say the U.S. Courts, dictates a different result. Thus, to achieve what they regard as an equitable outcome, the U.S. Courts are not at all reluctant to broaden a claim to encompass things never contemplated by the inventor at the time of filing. Of course, there are limitations (e.g. file wrapper estoppel) on how far the Courts will go.

The framers of the European Patent Convention appear to have recognized the respective drawbacks of the literal and liberal approaches to claim interpretation and have recommended that the national patent enforcement courts take an intermediate position, one "which combines a fair protection for the patentee with a reasonable degree of certainty for third parties." (See the Protocol on the Interpretation of Article 69 of the EPC). But, it may be argued that a mere protocol which suggests that the Courts be "reasonable" in their interpretation of claims, does not go far enough in assuring any legal certainty to the public. In keeping with the protocol, the courts can operate anywhere between the literal and liberal extremes, and it is anyones guess what the outcome will be.

The Proposed New Law represents a compromise between the traditional Japanese and U.S. approaches to claim interpretation. Its intent is to provide the legal certainty that the Japanese patent system undoubtedly favors, yet afford the patentee with some recovery for infringement through the use of equivalents, as is more favored by U.S. Courts. Since the proposed law offers a premium for literal infringement, it encourages patent

applicants to claim their inventions with great care, precision and foresight. The letter of the law makes it clear that literal infringement is a prerequisite to all remedies over and above a reasonable royalty, and third parties know with certainty that, if the patent claims do not literally read, their maximum exposure is a reasonable royalty. Note, the "reverse doctrine of equivalents" would still be available as a defense to what would appear to be literal infringement. Also, assuming the law of Shin ASU provides for the use of "means plus function" claim language, the defense of "non-equivalent means" (which is now provided under 35 U.S.C. 112, paragraph 6) would also be available. That is, the defendant could still show that his "means" for achieving the recited function is not the equivalent of that disclosed by the patentee. Thus, the issue of "equivalents" will still arise in patent litigation, but only as a defense to literal infringement or to show entitlement to a reasonable royalty. We feel, however, that it is the unusual case where the claim literally reads on the accused device, though the device does not make use of the patentee's invention.

In addition to the rather positive effects on legal certainty and encouragement of better claim drafting, the proposed law may also have the effect of encouraging courts to hold more patents infringed under the doctrine of equivalents, knowing that only a reasonable royalty is awardable. Whether this is positive or negative depends on your viewpoint. We would expect such holdings to be more prevalent in "close" cases where the court may be inclined to feel that the injunctive relief to which a victorious patentee might otherwise be entitled may be too severe a remedy under the circumstances.

We would be pleased to receive your comments on the desirability of this proposed law.

Present Status of Granting Practice in Chemical Patents in Japan and Proposal for Improvement Thereof

PIPA, Japanese Group, Committee No. 3 (1988)

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Abstract

For the past few years, comments have been made from abroad concerning a scope of claim granted to chemical patents, particularly new chemical substances in Japan. Looking into the present status we see the focus on principle of examples in Japanese practice. As a measure for improvement, a proposal of our group has been made that treatment of examples may be improved in the direction of promoting flexible operation based on the common ground to grasp the invention as a technical idea by returning to the origin of the patent system.

The views herein are those of our group and does not necessarily represent those of PIPA, Japanese Group.

1. Introduction

Sometimes comments have been made concerning the scope of claims granted to chemical patents, particularly new chemical substances. In PIPA, Mr. Welch presented an article entitled "COMPARISON OF CLAIM SCOPE OF U.S. AND JAPANESE CHEMICAL CLAIMS" in the meeting held in Beltimore last year. In the article, the following opinions are offered:

① Mere comparison of the scope of claims in specifications between the United States and Japan will not prove which country affords wider protections.

② It is rather necessary to consider that which system of the United States and Japan will afford the

best protection to chemical patents. In that respect, the United States adopts the first-to-invent principle (in other words, the first-to-teach principle). On the other hand, Japan takes the first-to-file principle (in other words, the first-to-do principle). In short, presentation of enabling disclosure of the invention is sufficient in the United States. In Japan, completion of the invention at the filing date must be set forth through examples.

Therefore, examples corresponding to the scope of claims are required in Japan. If a narrower scope than that of claims is inferred from examples, the claims are restricted to the scope of the examples.

③ A solution for filling up such a gap between both countries is that the United States adopts the first-to-file principle and Japan adopts an enabling system similar to 35 USC 112 in the U.S.

The above-mentioned item ① is an extremely cool and objective analysis and no one may have any objection to it. Mr. Welch's opinions through the items ② and ③ are based on lucid logic that essential difference in disclosure requirements between the United States and Japan is directly reflected in the wide or narrow scope of claims in both countries and worth listening to.

By the way, we cannot overlook the reality of the earth itself now converting into a single market with the development of science and technology. On encounters with such situation, the difference in scope of claims essentially granted under the patent system aiming at steady progress of science and technology among respective divided areas (countries) might brake an incentive of the inventor who intends to disclose the invention.

From this viewpoint, we attempted to study granting practice in chemical patents in Japan from both sides of legislation and practice.

2. Disclosure Requirements in Japan

It is well known that enabling disclosure is sufficient for the disclosure requirement in the United States and examples corresponding to claims are not always required.

In contrast with this, the Japanese Patent Law, Section 36, subsection (4) stipulates as follows:

> "The detailed explanation of the inventions under subsection (2)(iii) shall state the purpose, constitution and effect of the invention in such a manner that it may easily be carried out by a person having ordinary skill in the art to which the invention pertains."

In brief, this merely stipulates that the detailed explanation of the invention is sufficiently given in such a manner that the invention may easily be carried out by those skilled in the art and cannot be read as all the examples to be described corresponding to the scope of claims.

Furthermore, the following are stipulated in the Japanese Patent Law Regulation, Form 16:

> "'Constitution of the invention' shall state what means are taken in solving problems of the invention together with function thereof, and if necessary, set forth examples indicating how the constitution of the invention is actually embodied. The patent applicant shall cite and describe as many kinds of examples believed to produce beat results as possible, and, as necessary, mention facts based on specific numerals."

The examples are also stipulated as "if necessary", here, and instructed as "cite as many kinds of examples as possible" hereinabove. However, the stipulation never mentions that all the examples shall be cited corresponding to the scope of claims.

Accordingly, so far as the afore-mentioned two provisions are concerned, the examples may be understood to be described in such a manner that the claimed invention is easily carried out from the viewpoint of the text. Therefore, it is inevitably understood that there is a room for looking the scope of enabling disclosure of the claimed invention through the examples.

3. Grating Practice in Chemical Patents in Japan

Nevertheless, it is often seen that examiners concerned in chemistry in Japan generally tend to judge whether claimed inventions are easily carried out through examples. In that respect, Mr. Welch understands that claim parts without examples are treated as incomplete invention. Mr. P. Grubb who is an agent of the European Patent Office mentions as follows in his recent book (PATENT IN CHEMISTRY AND BIOTECHNOLOGY, Chapter 18):

> "Japan has unfortunately moved towards stricter sufficiency requirements recently, and the Japanese Patent Office now demands characterization for all examples needed to support the scope. In the field of dyestuffs, where melting points often cannot be given, it is not enough to state the colour of the dyestuff; some actual numerical value such as λ_{max} muct be given."

Many persons should have hitherto has experiences in being required to restrict claims to the scope described in examples by examiners. This, however, is the case where

examiners doubt the enabling disclosure of all the claims, i.e. whether the invention is completed at the filing date. In Japan, some examiners accept supplementary examples (generally this tendency is strong in fields other than chemistry), but some are unwilling to do. The former is based on an idea that the claimed invention was actually made by the applicant (inventor), and therefore, so far as it goes, supplement of obvious examples is merely formal. In this case, addition of data which cannot be inferred from the initial specification as filed is not permitted, but this may be the same idea as treatment of C.I.P. in the United States. On the other hand, the latter is based on an idea that a wider invention is described in claims than that of the invention which was induced from all the examples and actually made by the applicant (inventor).

4. Ideal Granting of Claim to Chemical Patents

On the other hand, the instruction and stipulation of Form 16 as introduced hereinbefore are understood as reasonable, by taking an important role and influence of examples in granting patents and interpretation of claims thereafter in examples, particularly chemical patents. This is understood also from the fact that chemistry is a science based on experiments (actual proofs).

Although the scope of claims in granting chemical patents has been discussed in Japan, the importance in the invention of chemical patents supported by examples should be present in the mind of practitioners concerned in chemistry as common recognition.

Either one of the questions then arises: What is the invention under the patent system aiming at progress of science and technology and happiness of mankind in its turn? What must be treated more importantly in the invention? Our answer to them is "conception" or "technical idea".

The disclosure made by the inventor is the "technical idea" as compensation to granting of exclusive right but not an invention limited by examples. The public can further promote improvement under or by utilizing this technical idea. Then recognition of invention embodied by examples as the scope of claims by sticking only to examples might diminish the incentive of the inventor to disclosure.

Of course, there is a counterargument such as "undue breadth" or "indefinite" for the scope of claims when viewed from the side of examiner granting the right, by considering equity between the proprietor and the public. This is not yet a reason for restriction to the scope of examples. In short, it is considered that claims including even anticipation to a certain extent (appropriate range) should be granted to the invention induced from the examples even in the field of chemistry.

This must be particularly emphasized in a pioneer invention. Opposite to this, there is an improvement invention watching for gaps among flooded prior arts. It must be narrowly protected in its way. As for the pioneer invention; however, its great contribution should be evaluated in aspects of initial proposal of the technical idea to the public.

In short, it is considered that the invention of even chemistry called science of experiments should be understood as a technical idea of an appropriate range without adhering to the examples thereof.

5. Measures for Improvement

Based on the foregoing, our group proposes as follows:

① A common ground should be trod by returning to the origin of the patent system and considering what is the "invention". Specifically, as described above, the

"invention" should be treated as a technical idea. Any practitioner on the earth should first start understanding the whole image of the right technical scope of the invention in preparing specifications. This approach may be an idea most common to patent practitioners though there is a difference in legislation among areas (countries). Accordingly, it is considered as most natural to understand the invention as a technical idea.

② The self-renewal from the focus on principle of examples can be expected from the afore-mentioned item ①. Some burdens must be borne even by the side of the applicant.

One of them is a continual approach, also this should be reasonable, of the applicant to the examiner. This must be not only a petition but also an endeavor to obtain common recognition of the invention between the examiner and the applicant. Let's take an example as follows:

If a compound having an alkyl group of 1 to 20 carbon atoms is claimed and only the alkyl group of 6 carbon atoms is cited as examples, many examiners may have a doubt whether the scope of 1 to 20 carbon atoms enables the invention to be easily carried out.

As an obligation of the applicant, there may be also a room for an endeavor toward acceptance of the scope of 1 to 20 carbon atoms with reasonable anticipation by citing an example of several carbon atoms, more particularly about 16 carbon atoms.

③ Improvement in treatment of supplement of example.

The invention should be essentially referred to as that described in claims. Examples follow the invention, but are not exactly the invention at all.

Supplement of examples, which merely indicate that the invention can be carried out, had better be approved unless new matter is included therein.

In other words, the invention described in the claim should be regarded as being completed at the time of the filing of the patent.

In the United States, although supplement of examples to the specification is not accepted, "enabling" can be proved in the form of declaration instead. In Japan, one of the means for solution may be the adoption of a provision that the original claim is granted by presenting data to examiners simultaneously with a response or the like, and such data may be lodzed into a file wrapper as a document.

We believe that a breakthrough in harmonization also lies in the way of grasping concepts of the invention common to patent practitioners-understanding of the invention as the technical idea, and will take the above-mentioned position.

PIPA COMMITTEE #3

Subcommittee on Harmonization-Claim Interpretation

Response of the American Group to the Position Paper of the Japanese Group[1]

PART I - PATENT OFFICE PROCEDURAL REQUIREMENTS

We find much to agree with in the paper presented by the Japanese group, particularly as it relates to the manner in which patent claims should be treated by patent offices. Philosophically, it seems, we all agree:

(1) that a patentee should be accorded a reasonable scope of protection beyond that explicitly shown by the examples;

(2) that a wide range of protection should be accorded to an applicant who shows why the examples presented support the entire inventive idea presented in the claim[2]; and

(3) that Japanese examiners are sometimes too strict in chemical cases, and some improvement should be made in this regard, consistent with the procedure followed by the Japanese Examiners in technologies other than chemistry.

If the foregoing summary accurately represents the Japanese viewpoint, then it is clear that we are in substantial agreement as to the objective to be attained; we only disagree (perhaps) on the means for obtaining it.

We have the following additional comments with regard to the

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1. This portion of the response was prepared by Lawrence T. Welch, International Patents Director, The Upjohn Company, Kalamazoo, Michigan. The views herein are those of the author and do not necessarily represent those of The Upjohn Company.

2. This is particularly true in the case of "pioneer" inventions.

major points raised by the Japanese Group in their paper:

COMPARISON OF CLAIMS ALONE DOESN'T PROVIDE THE ANSWER

The Japanese group noted that comparison of the Japanese claims[3] vs. the U.S. claims "never" leads to the conclusion that the Japanese Patent Office issues a narrower claim as compared to the U.S.

We believe that mere comparison of claims alone cannot lead to that conclusion. One certainly must look at how these claims are enforced. However, we think it may oversimplify the matter to state that it never leads to the conclusion that one claim is narrower than another. For example, one claim could be a broad generic chemical formula, and the other claim could be merely a listing of one species. However, as a practical matter, we certainly agree that comparison of claim scope alone is not generally the best means to determine which patent provides the best protection. Clearly, one needs to know what protection the claims actually provide when the claims are enforced.

WHAT IS THE SCOPE TO WHICH AN APPLICANT IS ENTITLED?

The Japanese group noted that while an applicant should be entitled to a claim scope broader than that envisioned by the examples, he should not be allowed to expand the scope beyond the idea he has really perceived. We certainly agree with this in principle. We further agree that a wide scope of protection should be provided to "pioneer inventions". Much depends on how

3. While the Japanese paper referred to the specification, it is believed that the claims were intended.

advanced the state of the art is in a particular area. For example, in certain fields such as, e.g., steroids, prostaglandins, or peptides, once a novel modification in one portion of a molecule is shown to be effective, those of ordinary skill in the art would recognize both that a large number of related compounds could be prepared having this novel feature, and that all of these compounds would have the same or similar properties. The applicant should be required, of course, to provide a sufficient description of the invention such that all of the compounds within the scope of the claims could be prepared by the methods disclosed in the specification or analogous procedures well known in the art. Further, the applicant can reasonably be required to produce evidence that the methods disclosed in this application will be adequate to prepare the compounds, in any case where the methods might not be believable on their face to one of ordinary skill in the art. An additional safeguard would be provided in that the applicant will have his patent held invalid if it is later determined that a substantial number of the embodiments within the scope of the claim are not operative.

Thus, we believe that there is substantial agreement between the U.S. and the Japanese group on this point, and our further expansion of views merely reinforces what we believe to be the law in most countries.

"EXAMPLES" VS. "TEACHINGS"

One aspect of the Japanese paper may need further clarification. We believe that while an example is perhaps the best teaching of how to make an invention, clearly there are other effective means to teach one of ordinary skill how to make an invention. It appears that the major difference between U.S.

and Japanese practice is that in the U.S. the focus is on the sufficiency of the teaching provided by the application as a whole, while in Japan the focus is on the sufficiency of the teaching provided by the completed examples alone.

SAFEGUARDING THE PUBLIC INTEREST

Both the U.S. and the Japanese group agree that a patentee should be allowed a claim scope broad enough to encompass his invention taking into account the "equity between the patentee and the public interest." We think that equity is achieved where an applicant has shown that the total scope of the claimed invention will work. Thus, where the examiner can establish that there is a question as to the methods for preparing embodiments of the invention beyond the scope of the examples actually submitted, the applicant should be required to demonstrate to the examiner's satisfaction, that they can be prepared. This requirement, coupled with the safeguard that a patent claiming inoperative embodiments will be held invalid, should provide the appropriate equity between the public interest and the patentee's need for protection.

A PROPOSAL/QUESTION REGARDING CLAIM FORMAT

Before we leave the area of Patent Office procedural requirements and move on to the Doctrine of Equivalents, we would like to explore an alternative means of claiming chemical compounds, consistent with the Japanese requirement to claim only the essential "constituent features" of the invention, which, if adopted, would seem to permit an applicant to properly claim the scope of compounds to which he is entitled. Basically, it is a

proposal that would only be useful in well-defined areas of chemistry. In such areas, we propose that applicants modifying one portion of a molecule corresponding to a well-known class of compounds be entitled to claim the entire class of compounds having that modification, e.g., "a prostaglandin compound having a substituent R at position 9, wherein R is ...". Alternatively, a Jepson format might be used, e.g.," in a prostaglandin compound, the improvement comprising a substituent R at the 9 position...". In order to make a claim like this, the applicant would need to establish that the entire class of compounds is well known and readily available and/or could be made by known means and that they would all be expected to have similar properties.

Thus, the applicant would need to clearly define the well-known class of compounds such that one of ordinary skill in the art would know what is intended.

We must confess that it is not at all certain that such a claim will be allowed by a U.S. examiner, but arguably it should be allowable <u>if</u> the applicant can establish the appropriate factual basis.

How does this protect the "equity" between the patentee and the public? The patentee gets protection for what he really invented, a new feature for a known <u>class</u> of compounds. The public is protected by the requirement for the factual showings noted above. Further, such a claim would not prevent the later patenting of a selection invention.

We would be interested in any comments on this proposal at the conclusion of our remarks.

A PROPOSAL FOR CHALLENGES TO PATENT VALIDITY

PIPA Congress 1988
Toba Japan

United States Committee No. 3
Opposition Sub-committee
J. Jeffrey Hawley
Karl F. Jorda

A PROPOSAL FOR CHALLENGES TO PATENT VALIDITY

BASIC PHILOSOPHY

The number of patents that are issuing is increasing at a great rate. At the same time, more and more technical information is being published around the world. Thus, while companies are facing more and more patents in their efforts to commercialize new products, there is more and more literature that needs to be searched to determine whether a particular patent is valid. It is clear that the Patent Offices of the world, faced with the pressure of the increasing number of applications and the increasing number of references that must be considered, are going to miss some of the references and are going to issue more and more patents that should not have been issued. We conclude therefore, that there must be an inexpensive and reliable system to provide certainty to the company considering a new product.

As noted, the system should be reliable. To be reliable from the standpoint of the company, it should be a relatively rapid system and it should contain a degree of finality. The company attempting to invalidate a patent should not have to enter into protracted procedures. Usually, the sooner an issue can be resolved, the sooner company managers can make an informed decision on the direction of their program. They need to know early, for example, whether they will need a license (and its cost) and, if a license is not available, whether it is possible to design around the patent.

Obviously, these are competing goals. For a procedure to be reliable, it must be thorough. To be thorough takes time. In our proposal, we have favored

thoroughness with procedural suggestions that could reduce the overall time that it takes to complete the process.

With these criteria in mind, the present patent challenge procedures have been considered from four general perspectives and a proposal is made for a harmonized system. These perspectives are:

(a) Whether third party challenges should be allowed and the scope of those challenges in terms of the participation of the challenger.

(b) The scope of the challenge in terms of the issues that can be raised by the challenger. For example, should the challenge be limited based on published literature alone or should other evidence, such as commercial use be considered?

(c) The duration of the challenge period. Should it be over the life of the patent or should it in some way be limited to a particular time period?

(d) Whether challenges should be allowed before or after patent grant or both before and after.

BACKGROUND

The present proposal builds on the excellent summary of the three major opposition systems presented at the Baltimore Congress by Japanese Committee No. 3.

A THIRD PARTY CHALLENGE TO A PATENT SHOULD BE ALLOWED

The case for allowing a third party challenge, as outlined above, is a strong one. Even the most efficient patent office will not be able to have the

expertise and capability to insure that all of the best art or all of the pertinent facts are considered during the prosecution of a patent application. However, a third party company, faced with a major decision on an important project will have the incentive and the resources to uncover the most pertinent facts and references.

This is not to say that the entire initial application process should be converted to a registration system with no examination by the patent office. In the vast majority of cases, the best art is discovered by the patent office and is cited in the prosecution of the application. This well established system serves to establish clear guidelines concerning the standards of patentability as that issue is considered by full-time experts. At the same time, the system serves to eliminate large numbers of patents on inventions which are clearly not patentable.

The scope of participation of the third party challenger varies widely. In the United States Declaratory Judgement action, for example, the third party is fully involved even to the extent of full scale discovery. Generally, if there is a pertinent fact concerning patentability, it will usually be discovered and considered. The disadvantages of this system are well known. Declaratory Judgement actions in the United States are full scale litigation. It is time consuming, adversarial and very expensive.

At the other end of the spectrum stands the Reexamination system in the United States. There, the third party has only one opportunity to submit his position regarding the patent. Thereafter, the procedure becomes ex parte. The patentee is recognized to be in a very advantageous position even if the challenger cites initially new art that might

be considered to be, at first look, very damaging. The patentee can submit unrebutted arguments, comparative tests and expert testimony while the challenger must stand by watching.

In the middle stands the Japanese system. While the opposer is a full party during the opposition phase, if the applicant loses the opposition, the opposer is not a participant in the appeal. Again, even though the applicant suffered an initial loss, he has an easier time in prevailing on appeal if the challenger has no opportunity to rebut the arguments and evidence he presents.

The system that is now proposed is a system that is not unlike the European system in terms of the participation of the third party. The challenge should be in the Patent Office for economy, and the challenger should be a full participant throughout the proceedings even through an appeal. The challenger should have a full opportunity to comment on any issue that the applicant or patentee raises and also comment on any test report or other evidence that is submitted. He should be allowed to present his own test reports and his own experts in his attempts to meet the evidence of the applicant or patentee.

Full participation of both parties runs the risk of a protracted procedure. However, this could be easily taken care of in the rules of practice. In some procedures in the United States for example, the complaining party, the challenger in this case, must make a full and complete initial statement. The other party is then given an opportunity to respond. The complaining party is then given the opportunity to rebut the statement of his opponent but not to raise new issues that should have been in the initial statement. By strictly limiting these subsequent

papers to matters that are new, the procedure rapidly reaches a focus.

This proposed level of participation is much more than the current Reexamination system in the United States where the challenger is given only one chance to make his position known. He has little or no opportunity to provide his viewpoint on the argumentation or facts presented by the patentee. It is also more participation than is present in the Japanese system as it actually operates. After the initial papers, informal statements can be submitted to the Examiner and he may or may not give the other party a chance to comment on new issues raised by his opponent before a decision is rendered. Further, the opposer is not a party to the appeal.

THE SCOPE OF THE CHALLENGE SHOULD BE INCLUSIVE

Consistent with the desire that the procedure be, to a great extent, a final determination, the allowable issues should be any of those issues that might affect patentability. The scope of the challenge should not be limited to just published prior art or certain prior art.

It has already been recognized that with the present state of the availability of information worldwide, limiting the available prior art to art that was available only in the country of the patent is no longer necessary. This is evidenced by the recent change in the Japanese patent Law removing the restriction on published art that can be considered in a Trial for Invalidation.

Nor should the scope of the inquiry be limited to just prior art. At the end of a procedure, the manager should have a definite idea of the strength of his position. If only certain issues can be considered, there will be residual doubt.

It is sometimes said that the scope should be limited since the Patent Office does not have the expertise to consider issues other than those raised by published prior art. Even if that is presently the case, it does not mean that the patent office cannot develop that expertise. It is said, for example, that the patent office is not equipped to apply the rules of evidence which often arise in non-prior art challenges. The rules of evidence are not so difficult that the highly intelligent personnel in the patent office could not apply them correctly. Certainly they are no more difficult, for example, than the rules in interference procedures in the United States Patent Office. Further, the International Trade Commission seems to have quickly developed the capability to decide all issues relating to patentability.

It is also sometimes said that allowing non-prior art issues would greatly lengthen the time necessary for decision. However, if there is a non-prior art issue, it will have to be resolved at some point. It is certainly more time consuming for one tribunal to learn the technology and decide some issues and then have a second tribunal learn the same technology and decide other issues than it is for everything to be decided at one time in one place.

THE DURATION OF THE CHALLENGE PERIOD SHOULD BE LIMITED

Whatever the process, it is difficult, time consuming and expensive to obtain patent protection. Once the protection is obtained, business decisions are frequently made based on the strength of the protection. These business decisions in turn, often represent the commitment of substantial resources.

The so-called ethical drug business is a typical example. Research is often directed towards compounds that are believed to be patentable. After protection is obtained, the company might spend substantial sums on clinical trials and government approvals. These sums would not be spent if the company could not rely on the patent protection afforded. Without the patent protection, another company without the research, clinical trial and government approval expenses could easily enter the business.

The competing interest is that of a company who decides to enter a new field and must contend with patents that have not previously been of any interest. They certainly should not be required to forgo a business opportunity or pay royality on a patent that is clearly invlaid over art that the patent office failed to uncover.

In view of these competing interests, we propose a compromise. We propose that the patent be open to challenge on any ground for a generous period, for example, five years. After this period, the patent could only be challenged if the patent were shown to be obtained through fraud or was clearly anticipated by a reference that had not been previously considered.

This proposal differes from all of the current systems. In the United States and Japan, Reexamination or a Trial for Invalidation can be brought at any time. In the European system, a challenge can only be brought within a short nine month period and then the various provisions of national law determine what additional challenges might be brought. In no major system is there a provision that the patent rights become unchallengable.

It is believed that in practice, there will be few, if any, inequities in this system while, at the same time, a great deal of certainty will be introduced. When the patentee pays the substantial annuities in the later years of the patent, he can be confident that he is getting what he is paying for.

THE CHALLENGE SHOULD BE ALLOWED ONLY AFTER THE PATENT ISSUES

As noted previously, there is a rapid increase in the number of patent applications that are being filed. Many United States patent departments, for example, are increasingly under pressure to file more patent applications as the percentage of patent applications filed by foreign applicants in the USPTO increases. The rapid increase in the number of patent applications filed in the Japanese Patent Office is also well documented.

The increase in the filing of patent applications has resulted in an increase in the time that applications are pending. In Japan, the time that an application can be pending is further increased by the deferred examination system. In some important and emerging technologies, the pendency of applications is further extended because there are not enough experienced Examiners to examine the applications that are filed. Increasing time of pendency in the USPTO for biotechnology patents is an example.

If the time that it takes for a challenge is added to all of these delays, the delay becomes intolerable. During the long pendency, there is general uncertainty in the industry. A company that aggressively files on marginal inventions can leave the rest of the industry in uncertainty for many years.

Further, in most examination systems, the quality of examination remains at a high level. Most searches are complete and the patentability standards are evenly applied. It is only a small percentage of the cases that are challenged and a smaller percentage still that the challenger prevails.

Thus, it is proposed that the patent challenge system be only for issued patents.

PROPOSALS FOR PROCEDURAL FEATURES

The above discussion relates primarily to the substantive aspects of the challenge procedure although there has already been a suggestion that procedural changes may be necessary so that the process is not too protracted. This section deals specifically with procedural proposals.

It is believed that there is general agreement that the process of challenge should not be protracted. There is a perception that the delay in this type of procedure is due to the time that it takes in the Patent Office to consider the submissions of the parties. In most current systems, time limits are placed on the parties but not on the Patent Office. Thus, a party might be given three months to submit a paper and then must wait for an extended period before the Patent Office acts.

The work that is done by the parties in fact takes much longer and often requires much more effort than the work that must be done by the Patent Office. The parties for example, must often conduct extensive searches of the prior art, must schedule and run comparative tests and must carefully draft briefs in support of their position. While the work of the Patent Office is not insignificant, it certainly can not approach the time that the parties spend on the

process. Yet, the Patent Office often takes longer to do its work than is allowed to the parties.

It is therefore proposed that there be time periods for response that the Patent Office must meet. These time periods should be no longer than time periods allowed the parties plus any extensions that are allowed.

It is appreciated that with the current staff, the Patent Offices could probably not meet any such time limit and still maintain the high quality of their work. It is apparent then, that there must be an accompanying increase in the staff that is allotted to deal with patent challenges. In view of the increased scope of the patent challenge that is proposed, this staff should be highly trained and carefully chosen. It is obvious that such a competent and increased staff will be expensive for the Patent Offices to maintain.

The cost for this staff should be borne by the parties with the challenger paying the greater share. In the routine examination of patents, there is good public policy reasons for the government to subsidize the process. The public benefits by the early disclosure of inventions encouraged by an inexpensive application process.

In the patent challenge process, while there is some benefit to the public in the possibility of eliminating invalid patents, the majority of the benefit goes to the challenger who has an opportunity to open the way for a new business venture. Thus, the official fee for bringing a challenge should be high. This would have the effect of not only paying for rapid and highly competent service from the Patent Office, but would discourage frivolous challenges.

Multiple challenges, particularly in the Japanese Patent Office, have recently been the subject of some discussion. It is felt that multiple challenges might be brought because of an aspect of the procedure in the Japanese Patent Office. If multiple oppositions are filed and the Examiner feels that the application should issue in spite of the oppositions, he must write an individual opinion for each opposition. In the event that he decides that the application should not issue, he needs to write only one opinion. Thus, the Examiner, who always has a very heavy workload, might feel some incentive to reject the application and thereby reduce the number of opinions that he must write.

It is therefore proposed that any harmonized system of patent challenge not contain this feature. An Examiner should be allowed to prepare a single opinion allowing the case regardless of whether there is one or one hundred challenges filed. This would reduce the incentive for challenges merely to give the Examiner the incentive to reject the application.

SUMMARY

It is believed that the above proposals will result in a challenge system that will be reliable and at the same time reasonably quick. It should be noted that the proposals are, to a great extent, interrelated. For example, if the scope of the issues considered is increased, the staff of the patent office must also be increased. This necessitates other procedural changes as well.

It is hoped that the above proposals will provide a starting point for a thorough discussion of the issues.

Some Views on Patent Opposition System in Japan

Presented at PIPA 19th Congress
Japanese Group, Committee No. 3

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Abstract

Patent opposition system in Japan estabished under the 1921 Law has been functioning as an effective means for preventing defective patents from being issued, and has contributed greatly to enhancing the reliability of Japanese patents. On the other hand, there are complaints originating in U.S., etc. that the grant of patent is delayed because the patent opposition system is set before the grant of patent. We outlined the Japanese patent opposition system, attempted to make some personal comments in regard to such complaints and in addition touched on the international harmonization of patent validity system.

1. Introduction

We presented a paper at PIPA 18th Congress held in Baltimore, USA in October last year discussing the current system of reexamination in U.S. and the points which we felt need improvements under the title of "Patent Protest System in USA, EPC and Japan". We made following two recommendations.

(1) We would like to see a system with an inter parte structure as in Japan and Europe when a third party protests a patent. We would further like to see that chances of appeal to PTO Board of Appeals and CAFC be given to a third party requester if he

is not satisfied with the examiner's decision. In other words, we would like to see a system where a requester can participate in the stage of the Patent Office on an equal footing as the patentee.

(2) The current system of reexamination limits the scope of evidences to prior arts in the form of patents and printed publications. We would like to see this scope expanded. For instance, they should substantially coincide with grounds for patent invalidations including contravention of 35 USC 112 and prior use.

USPTO has proposed a draft amendment to the reexamination system in January, 1988 (Official Gazette, 1086 OG 455, Jan. 5, 1988). According to this proposal, considerable improvements on the above two points were made as described below.

1) The non-patent owner who requested reexamination is given an opportunity to respond to the positions taken by the patentee during the reexamiantion procedure. If unsatisfied with the decision, he may appeal to the Board of Patent Appeals and Interferences and to CAFC.
2) The scope of evidences for reexamiantion will include the points of disputes under 35 USC 112.

The opportunities for participation by non-patent owner requester has been expanded radically, and we wholly support this proposal. We would welcome its early realization.

We also mentioned that the Japanese System should be reviewed in view of international harmonization for the patent system at the end of our presentation last year. We are currently encountering some criticizms against our opposition system from U.S. etc.

This year, therefore, we focused our study on the patent validity review system in Japan, particularly on the Japanese patent opposition system.

This paper presents personal opinions and proposals of the authors, and does not represent the PIPA Japanese Group or PIPA Japanese Group, Committee 3.

2. Patent Publication System and Opposition System in Japan

In Japan, patent publication system is set before the grant of patent (Japanese Patent Law, Article 51). Publication of patent applications is to disclose their content to general public after the examination by examiner, and then to give a chance to file opposition against the grant of patent.

Granting patents on inventions which should not have been allowed by nature or defective patents must be avoided as much as possible. Such defective patents will be a grave disservice to the general public, lack equity, invite chaos in society, and are not compatible with the original intent of the patent system which is to contribute to industrial development.

In this age of sophistication, complexity, and diversity of technology and a great flood of technical information, it is difficult for any Patent Office to perform patent examinations which are above reproach.

Thus, patent opposition system in Japan of which purpose is to perform a perfect examination by encouraging the general public to participate in the examination with a view of rectifying any defective examination performed by the examiner has played a very important role in the Japanese patent system. This system is integral with the publication system allowing any person to file oppositions to grant of patent to the Director General of the Patent Office within three months after publication. (Japanese Patent Law, Article 55).

The grounds of patent opposition are almost the same as those of patent invalidation. Other major effects of the publication of the patent application are shown below.

(1) The right of provisional protection under the publication is given to the applicant (Japanese Patent Law, Article 52-1).

(2) The term of the patent right is counted from the date of publication of the applications (Japanese Patent Law, Article 67).

(3) The right to demand compensation is allowed to be exercised (Japanese Patent Law, Article 65-3(2)).

3. Effect of Publication of Applications

The right of so-called provisional protection, the most important right, is now discussed based on comparison with patent right.

(a) Right to provisional protection based upon publication of applications

Article 52-1 of the current Patent Law of Japan stipulates the following:

"After the publication of his application, an applicant for a patent shall have an exclusive right to commercially work the invention claimed in the patent application."

This provision is related to a so-called right of provisional protection under the publication (hereinafter referred to simply as the right to provisional protection). Under the 1970 Law, the protection is almost the same as that under the patent right except for some minor differences.

Article 52-2 of the Japanese Patent Law further stipulates;

"Articles 100 to 106 (infringement of right) shall apply mutatis mutandis to the right under the preceding subsection."

Once the application is published, the right to demand injunction or damages can be exercised against infringement of the right even before the established patent right is registered.

Therefore, it can be said that protection against infringement of right under the current Patent Law in Japan hardly differs between those after publication and after grant of patent.

(b) Comparison with patent right

Main points in which the right to provisional protection differs from patent right are as follows:

(1) If the right under the provisional protection is exercised and if the patent application does not finally issue as a patent, then the party who has exercised such right and given damage to the other party is held responsible to indemnify the damages even when he is found without negligence for such damages. (Article 52-4 of the Patent Law).

(2) Where a suit against infringement of the right to provisional protection is initiated or if an application for provisional attachment or provisional disposal is filed, the accused party may ask for suspension of the litigation proceedings to the other party as the need arises. (Article 52-2-1 of the Patent Law).

(3) In case of the right under the provisional protection, an applicant is unable to register the exclusive license before the Japanese Patent Office. In addition, non-exclusive license cannot be registered before the Japanese Patent Office.

4. The Role Patent Opposition System Has Played

According to a 1986 statistics including both patents and utility models, 6,500 or about 6% of about 110,000 publications are placed under the opposition, and about 3,300 cases are found unpatentable as the results of opposition. On the other hand, about 230 demands for trial, and about 70 cases are invalidated as a result of such demands.

It is said that approximately 40% of the patent applications subject to opposition are found unpatentable as the results of opposition. (Although the above statistics indicates a higher figure.)

Extremely small number of patent rights is invalidated in trials for patent invalidation. According

to a 1987 statistics concerning patents alone, approximately 62,000 patent rights were registered and no more than about 30 patent rights were invalidated as a result of trial for invalidation of patent.

Judging from above statistics, the patent opposition system in Japan may be deemed as functioning effectively for preventing issuance of defective patents and contributing to enhancing the reliability of Japanese patents.

5. Some Comments on the Problems of Japanese Opposition System Pointed Out by U.S., etc.

We have recently received some compliants from U.S., etc. concerning the Japanese Patent Opposition system. We wish to comment the following concerning the main points of compliants.

(1) Concerning the assertion that Japanese Patent Opposition System before the grant of patent delays the establishment of patent

As explained in detail in 4, the patent opposition system has been functioning as an effective means for preventing the issuance of defective patent. As a result, this system has made it possible to protect a really refined patent right alone. In other words, Japanese Opposition System has made great contribution to enhancing the reliability of patent right by making the general public take part in the examination.

This is substantiated by the fact that no more than about 30 patent rights are invalidated in a year as mentioned above.

Patent opposition system before the grant of patent (hereinafter referred to simply as pre-grant opposition system) is often contrasted with the opposition system after the grant of patent (hereinafter referred to simply as post-grant opposition system) which is adopted in EPC and West Germany.

Although it is not so easy to reach a conclusion concerning pros and cons of these two systems, when viewed from the point that only the inventions which are truly worthy of patent are protected and the grant of defective patents is prevented, pre-grant opposition system may be described as superior.

The matter is determined depending on whether the priority is placed on preventing accrual of defective patent rights as much as possible or on granting the rights to applicants as soon as possible.

In Japan, however, as set forth in 3, once a patent publication has been made after substantial examination in Japanese Patent Ofrfice, the right to provisional protection for applicant is conferred. The right to provisional protection has substantially the same effect as patent right because it contains the right to demand for injunction and damages against an infringer. That is to say, even an applicant after publication of application is able to bring a suit against an infringer before the Court on the basis of publication of application. Therefore, it follows that the pre-grant opposition system after publication of application in Japan is equivalent to the post-grant opposition system.

(2) Concerning the assertion that many patent oppositions delays the examination

That many patent oppositions should be filed against important patent publication which is likely to affect the competitors of the applicant is naturally to be anticipated, and a similar situation is believed prevailing in Europe where the patent opposition system is established. According to a 1987 statistics of Japanese Patent Office, there were filed oppositions against 9.5% of the publications of Japanese applicants and 5.2% of those

of foreign applicants. Patents oppositions clearly do not concentrate against applications of foreign applicants.

6. Harmonization on This Subject

In conclusion, we are forced to consider that achieving a perfect harmonization on the patent validity review system in a short period of time is very difficult.

Taking up the three lateral areas, U.S., Japan and Europe, each has different system. In the U.S., the court has a power to judge the validity of patent while the Japanese court is not in a position to review validity of a patent in the infringement litigation. In Japan, reviewing the validity of patent falls exclusively within the jurisdiction of the Patent Office.

In a situation where the legal system including the judiciary system differs from country to country, the difficulty lies in achieving a harmonization in a short period of time on this subject in a perfect sense. Even if the necessary amendment is a minor one, it would have to be considered from the standpoint of the total legal system.

Thus, although the realization of harmonization on this subject in a perfect sense appears difficult to us, we believe that the following should be at least harmonized.

(1) A handy system for patent validity review should be created under which any person may participate on equal footing with the patentee at the Patent Office stage.

(2) When a third party challenges the patent validity before the Patent Office, the grounds given should substantially coincide with those for patent invalidation.

7. Conclusion

We studied Japanese opposition system in this paper with a focus upon the role it has played, attempted to give our personal comment on the complaints which we received with respect to Japanese opposition system from abroad and

touched briefly upon the way the harmonization on patent validity review system should be.

In conclusion, we would like to repeat the key points of our presentation.

(1) Japanese opposition system has been functioning as an effective means for preventing the issue of defective patent right before the grant of patent and thus enhancing the reliability of patent right. This opposition system before the grant of patent supports the patent validity review system in Japan in cooperation with the trial of patent invalidity after the grant of patent.

(2) Once the application is put under the publication, the right of provisional protection, which has substantially the same effect as the patent right, is given to the applicant. The applicant is able to bring an action to a court against an infringer in order to demand injunction and damages on the basis of the publication of application. Thus, it follows that the pre-grant opposition system in Japan is equivalent to the post-opposition system.

As for international harmonization in the area of patent validity review system, it is almost impossible to readily achieve a harmonization in a perfect sense because the patent validity review system in each country is placed under the different legal system. Therefore, we would like to put forward the following matters as those to be at least harmonized.

(1) Some system for patent validity review should be created under which any person may participate on equal footing with the patentee at the Patent Office stage.

(2) When a third party challenges the patent validity before the Patent Office, the grounds taken up should substantially coincide with those for patent invalidation.

We would further hope that the improvement in U.S. reexamination system is made as early as possible as set forth in the beginning of this paper.

DEFERRED EXAMINATION

Pacific Industrial Property Association

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October 1988

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DEFERRED EXAMINATION - A U.S. PERSPECTIVE

Analyzing deferred examination in the Unites States context on hypothetical and realistic planes, leads to diverging conclusions about its desirability.

Applying pure logic, without taking into account the realities of patent examination as an administrative process in the United States or Japan, an inventor, or invention assignee, in many arts would like an option to defer up-front investments in patent protection over the widest geographic territory possible, while having an opportunity to test and further develop the invention. All too often, inventors and those that back them are called upon to make hard choices in balancing uncertain future returns against costly outlays for patent services and fees. A system, or series of systems, which selectively focuses resources on good ideas and doesn't waste them on bad ones is logically to be preferred. Incidentally, the same consideration applies to governmental allocation of resources through patent offices to the legal screening of patent applications. If time and money are not wasted on bad ones, a better job may be done on the good ones.

Thus, in brief, the positive aspects of deferred examination are:

From a purely economic viewpoint, an applicant might save money, provided the patent offices offering deferred examination adopt a fee structure that passes along savings to applicants.

Under a deferred system, the patent offices could presumably better focus the examining corps and provide sufficient time to do a better examination.

Unfortunately, this utopian logic does not obtain in the real world. While the inventor takes time to determine the desirability of patenting, others may be waiting for answers as to the patentability of the subject matter and the scope of its protection.

Thus deferred examination leads to uncertainty as to the patentable scope of third party patents. Often, very broad pending claims, which are unsupported or which cover prior art compounds, cast a cloud over further developments. Without early examination, the uncertainty of what activities one is free to do would extend for a longer period.

The ability for a third party to request the start of the examination may be viewed as the solution to the above-noted problem. However, why should this party have to pay the examination fee in order to clarify the proper protection for a poorly drafted application or one filed by an over-reaching applicant? Even when systems do provide for this possibility, slow progress of an "inter parties" examination defeats the original purpose.

Since examination proceeds in secrecy under the U. S. system, or is deferred for many years in other countries, outsiders, if they are aware of the application, are forced to speculate on how an examiner will analyze the invention under the tenets of patentability. Many prognoses made on this basis have embarrassed the attorney with courage to make the prediction. It isn't only the embarrassment, however, but the economic reliance on such opinions that can lead to a

very wasteful use of resources. This observation applies to both those that rely on a prediction of patentability, as well as those who rely on a prediction of unpatentability. Obviously, one side is always going to be wrong.

In order to have a deferred examination procedure, major changes in U.S. law would have to be made. An early publication system would be required to minimize the problems mentioned above as a result of the secret examination process.

Another change which normally accompanies the deferred examination would be measuring the term of the patent from the filing date rather than the grant date.

Moreover, if it is assumed that the U.S. remains with the "first to invent/interference" process for determining rights in a patent, deferred examination would mean deferred interferences, which would be intolerable. In short, the U.S. system, as presently known, would totally disappear. These changes would face strong opposition from various quarters.

Are there intermediate positions on deferred examination which make sense, and for the most part would avoid stultifying uncertainty? The Patent Cooperation Treaty affords applicants 30 months in which an independent appraisal of patentability can be obtained for 40 countries, all for a single search fee and examination fee. An outside party may likewise access this information. After 30 months, when the national examination phase begins, the inventor has had reasonable time to acquire additional information on commercial prospects. Most applicants are then in position to commit resources necessary to a full

examination process. To permit deferred examination, beyond 30 months, particularly when the PCT examination process may have yielded a negative opinion, would be tantamount to giving the inventor an unwarranted monopoly.

Deferred examination, longer than 30 months, should be viewed as a stop-gap measure. One remedy to its excesses is to permit both inventors and interested third parties to accelerate the examination process at any point after 30 months. As discussed before, after 30 months, the inventor has had time to acquire necessary data and should not be unfairly prejudiced if a third party were to ask the patent office to answer the question of patentability as soon as possible. Similarly, an inventor should be in possession of sufficient information that the merit of investment required to fund the examination process would be warranted.

The Japanese and U.S. markets are major world markets for which most inventors or their assignees desire patent protection. However, the U.S. and Japanese patent systems stand at opposite extremes (with their zero and seven-year periods, respectively) with regard to the issue of deferred examination. The need for certainty must be balanced against its cost, both to inventors and the societal apparatus (patent office) assigned the task of authorizing the protection of intellectual property. Both systems have their positive and negative aspects and change of either will probably be difficult outside a broader restructuring under the concept of harmonization. However, we believe the thirty-months deferred examination procedure of PCT Chapter II appears to be a reasonable compromise.

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Various Measures concerning Acceleration of Examination in Japan

Presented at 19th PIPA Congress
Japanese Group, Committee No. 3

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Abstract

In the face of severe competition for technology development on global scale and positive measures for reinforcing intellectual property protection by the industry, the number of patent and utility model applications is increasing.

We reported previously the use of the deferred examination system based on our experience as users in a country where the system is established.

This paper discusses various measures being promoted by both government and private sectors and the current status concerning acceleration of examination which is the original intent of the deferred examination system.

1. Introduction

In the 18th PIPA Congress in Baltimore last year, we reported on the use of the laying-open and deferred examination systems of the world and Japan based on a questionnaire survey conducted among 30 Japanese PIPA member corporations, and commented from the standpoint of users representing a country where the system is established.

We expressed our welcome to the US move toward adoption of the laying-open system and recommended not to grant a right to the applicant to arbitrarily restrict the

laying-open of application and mentioned a need for studying the provisions on compensation after laying-open.

As for the deferred examination system, we discussed the significance of concurrently considering its introduction with that of the laying-open system and economical and technical utilities of the deferred examination system based on the post-filing review in the light of subsequent technical trend. We also pointed out the need for harmonization or international unification of the periods for request for examination in the countries where the system is already established.

We believe that the colleagues who attended the last Congress appreciated our points. Further to said report, we wish to mention matters related to acceleration of examinations which were not fully introduced in said report.

The deferred examination system was introduced to our country along with the laying-open system in order to improve the quality of and to shorten the period of examination, and, particularly to accelerate examination procedure. We believe that we are achieving such original purpose. However, the problem of lengthy examination still exists and we cannot help recognizing it as a fact.

We should therefore like to introduce the measures being taken currently in Japan for acceleration of examination which is the original goal of the deferred examination system, and hope that this will help our colleagues attending this Congress today to better understand the situation.

2. Measures for Acceleration of Examination and Current Status

Various measures and countermeasures are being contemplated both by government and private sectors as answers to this important question of accelerating examination of applications. We introduce here the current status.

2.1 Proposal by Japan Patent Association

According to the recommendation submitted to the Director-General of the Patent Office by Japan Patent Association, following five proposals were made for shortening the time for processing examination.

(1) Radical increase of examiners

(2) Establishing an offical search organ and consigning searches

A specialized organ for prior art searches should be established and consigned with prior art searches for examination purposes.

(3) Urgently setting up the prior art data base (including "F" term*) and accelerating laying-open

Data base construction for prior art searches is being promoted under the Paper-less Project, and is considered to be extremely important for improving efficiency of examiners and pre-filing searches for applicants. Therefore, early construction and opening to the public are urged.

(4) Introduction of Search Report System

On the presumption of establishing a public search organ, the system of search report should be provided to help the applicant to determine whether they should file the examination request or not.

(5) Review of Utility Model Registration System

The current utility model system is similar in substance to the patent system and warrants a drastic review on a long term basis, but acceleration of examination is to be facilitated by introducing a simplified examination system, etc.

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* "F" term means file forming term (a term used for classification) constituting a file for search by examiner.

2.2 Discussion at the Advisory Committee for Patent Administration Problems

According to an intermim report submitted by a private advisory committee of the Director-General of the Patent Office in December, 1987, needs for the following measures are discussed in relation to acceleration of examination.

2.2.1 Immediate Measures

(1) Active use of private sectors for examiner's searches

"F" term retrieval system constructed under the Paper-less Project should be utilized, and prior art searches should be contracted to outside organs aiming at 1989 as the target year.

(2) Rigorous selection of request for examination by corporations

Targeting at 80% publication ratio, corporations will formulate plans for prioritized examination to thereby select more rigorously the applications for which examination requests are filed. (Top 100 corporations with greater number of patent applications will be asked to participate from 1988). In carrying out this measure, a patent information data base should be established urgently and positively offered to public.

(3) Increase in the number of examiners

Maximum efforts should be made for large increase in the number of examiners

2.2.2 Long and Medium Term Measures for System, etc.

A specialist committee should immediately start detailed investigations concerning the following points.

(1) Introduction of preliminary search system

As a measure to substantiate preliminary searches, possibility of introducing a preliminary search system should be contemplated under which the applicants or third parties are obligated to request searches prior to filling of examination request and the government conducts the search

thus requested by the designated search organ. This is expected to result in more rigorous screening of applications for which examination requests are filed, and the search results are used in the examination to further facilitate efficient examination processing.

(2) Review of utility model system

As the technical standards rapidly improve and the life cycle for technology shortens also rapidly, the need for early registration of right increases. In view of radical changes in the environment of the utility model system, possibility of introducing a simplified examination system is reviewed.

Concrete discussion or execution of some of the measures discussed above, particularly the current tentative ones, are already started. As for possible abolition of the utility model system, a specialist committee, a private advisory organ for the Patent Office Director-General, is deliberating if a full abolition is recommendable or change to non-examination system should be adopted. The result of deliberations is reported to the Director-General, and the Patent Office is scheduled to start concrete work such as revision of the law.

We hope to see further deliberation and early realization of remaining measures, and when all the measures are concretely presented for execution, we believe that the laying-open system and the deferred examination system will act synergistically to further accelerate examination at the Patent Office.

3. Deferred Examination System and First-to-file System

In keeping with global harmonization of the patent systems, the United States is attempting to break away from the first-to-invent system and adopt the first-to-file system as reported previously. We believe this is indeed laudable and Japan welcomes this move along with other countries which have established the first-to-file system.

Naturally, the US patent system is a fully considered system nurtured and raised by its long years. The number of filings in US is yearly increasing as is evident from WIPO and other statistics.

The number of domestic applications in US is expected to increase with the transition from the first-to-invent system to the first-to-file system, and we understand that this increase is one of the reasons for opposition against the transition.

The expected increase in number of applications and acceleration of examination are cited as the merits of the deferred examination system as reported in the last Congress. So long as the introduction of the deferred examination systems is concerned, we find that it is absent in the US proposals for harmonization.

Shortened examination term by resorting to the applicant's obligation for disclosure of prior art information is cited as one of the reasons why US adheres to the non-deferred examination. Under the current system where all applications are examined, we cannnot help but question to what degree the term can be shortened in view of the prospect for increase of applications.

The deferred examination system enables post-filing review of applications by the applicant in view of the subsequent technical trends or changes in technical values, and thus removes a burden from the examiner to examine unnecessary applications and contributes to acceleration of examination.

Lacking a key to a solution to accelerated examination in the face of expected increase of applications, re-examining the deferred examination system as the second best countermeasure would be worthwhile.

4. Conclusion

The deferred examination system was introduced to Japan with the laying-open system for improving the quality of examination and avoiding delays in examination. When

viewed by applicants, the system has both merits and demerits as reported in the last Congress.

In the face of expected increase in the number of applications as a result of increasingly intensifying R&D competitions by corporations and resulting reinforced protection of intellectual properties, it is true that the deferred examination system alone cannot be the only available measure for accelerating examinations.

Even without reading the history of the patent system, one is well aware that introduction of a single system rarely resolves all the problems. Constant review and positive innovation are more often instrumental in achieving synergistic effect of improvement of the related systems.

We discussed various measures being contemplated in Japan hoping that they will be realized early and will further accelerate the examination at the Patent Office as they work synergistically with the laying-open system and the deferred examination system previously reported. We hope that this paper will be useful in helping the US members to deepen their appreciation of Japan's efforts for accelerating examination.

5. References

(1) Recommendation for Shortening the Term for Examination Processing (Japan Patent Association)

(2) Interim Report by Advisory Committee on Patent Administration Problems (Patent Office)

GRACE PERIODS

Pacific Industrial Property Association

Toba City, Japan

October 1988

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REPORT OF PIPA SUBCOMMITTEE 3

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GRACE PERIODS

Background

There are those, particularly in Western Europe, who argue that there should not be any grace periods since it is in the best interest of all parties concerned that the inventor be encouraged to apply for patent protection before disclosing his invention. The argument has also been made[1] that in the event that an invention is disclosed prior to filing, third parties might find themselves entangled in infringement proceedings with regard to subject matter which they considered in good faith to be free.

Indeed, this view prevailed in the drafting of the European Patent Convention (EPC). Thus, EPC Article 55 is very limited allowing later filing only in the case of evident abuse of the inventor's rights (Article 55(1)(a)) or display at an officially sanctioned exhibition (Article 55(1)(b)).[2]

This approach seems to us to be unduly restrictive and likely to lead to injustice, particularly in the case of small inventors or enterprises not familiar with the intricacies of international patent law. It is also somewhat paradoxical in view of the driving force behind the patent system, i.e., the need to make new inventions publicly available as soon as possible. Existence of a grace period is especially important in academia.

Thus, although in general it is very difficult to criticize the European Patent Convention, in this area we feel that the introduction of the European system with consequential elimination of grace periods in major industrialized European countries such as W. Germany, U.K. and Italy, constituted a retrograde step. It almost goes without saying that we support the American and Japanese position that some form of grace period is essential.

Present Situation

The major countries presently granting a grace period with respect to publication in scientific journals are[3]

Australia	Italy	Portugal
Brazil	Japan	Romania
Canada*	New Zealand	S. Korea
China (PRC)	Pakistan	Taiwan
E. Germany	Philippines*	USA*

With the exception of those countries marked with an asterisk where the grace period is, or shortly will be[4], one year, the grace period is only six months. In all situations, the grace period operates only if the national filing is made within the relevant time frame. In other words, if the national filing is made after the grace period has expired, it does not help that the priority filing was made in time.

In modern times, where international patent protection for important inventions is so crucial, this is a far from satisfactory situation. As much has been recognized by the Committee of Experts convened by the World Intellectual Property Organization (WIPO) to investigate the possibility of harmonizing world patent law. Their recommendation, which we wholeheartedly support, is that there be a grace period and that that grace period be applicable to situations where either the national or priority filing is made in a timely fashion. Thus, we on the American side would recommend adoption of Draft Article 201 from the WIPO Treaty, Section (1) of which reads:

Article 201

Grace period

(1) A patent shall not be refused or held invalid by virtue of the fact that a disclosure was made which may affect the patentability of the invention that is

the subject of an application for that patent or of that patent, provided that the said disclosure was made:

(i) by the inventor, or

(ii) by a third party, other than an industrial property office, based on information obtained from, or in consequence of acts performed by, the inventor, or

(iii) by an industrial property office in the form of an official publication, pursuant to an application filed without the consent of the inventor and based on information obtained from, or in consequence of acts performed by, the inventor,

and provided that the said disclosure occurred not more than 12 months before the date on which the application for that patent was filed by the inventor or, where priority is claimed, before the priority date.

Notes on Article 201[5]

In contrast to the grace period which presently operates in the USA, Canada and the Philippines, protection is provided only for disclosures which emanate from the inventor.

Unlike the present Japanese and EPC requirements, Draft Article 201 does not require the Applicant to notify the Patent Office of the existence of the relevant publication.

This safeguards an Applicant who is simply unaware of a publication. However, perhaps the interests of the public at large might be better served if the patent application as published contained some indication that an earlier, ostensibly patent-defeating, publication fell into the grace category. This would be particularly important if reliance were to be made on paragraphs (ii) or (iii) above in which situations it could be extremely difficult to connect the author of any article with the inventor.

Perhaps the draft WIPO article should also be modified to make it perabundantly clear that more than one disclosure can be excused under the grace provisions.[6] For instance, the word "a" in line 2 could simply be replaced by "one or more".

The grace period suggested by WIPO is twelve months. The American side would prefer such a one-year grace period which in our view leads to greater flexibility. In addition, in the case of the academic or small inventor or enterprise, the additional time might be critical to enable the procurement of sufficient financial or organizational support to obtain patent protection.

Protection of Innocent Third Parties

As mentioned above, one criticism which has been leveled against grace periods is that innocent third parties who

make use of published inventions in good faith could be harmed. This problem was discussed at some length during the preparation of the Draft WIPO Treaty and one suggested solution can be found in Article 308 of the Draft treaty relating to the protection of prior users' rights. This Article reads as follows:

Article 308

Prior Users' Rights

Any person who, before the filing date or, where priority is claimed, before the priority date of the application, and within the territory of the Contracting State concerned,

(i) has used, for commercial purposes, the invention which is claimed in the application; or

(ii) has made effective and serious preparations for using, for commercial purposes, the invention referred to in (i)

shall have the right to continue to use the said invention freely, despite the grant of a patent on that application, provided that he can prove that his knowledge of the invention was not by reason or in consequence of an abuse committed with regard to the owner of the patent or his predecessor in title; such right cannot be assigned or transferred by succession except as part of the enterprise of the said person.

The intent of this section is that someone who learned of the invention from a publication by an inventor, and who in good faith had begun to make use of the invention before the priority date, would be protected.

However, we feel that we must point out that, as a practical matter, it would be extremely dangerous to rely on the protection offered by this section. Thus, under current international patent practice, one does not learn of a patent filing until 18 months from its priority date. It is therefore difficult to be sympathetic to someone who sees an invention in the literature and then begins to make use of that invention within the 12 month grace period. This seems to us to be somewhat reckless and perhaps not deserving of protection. There is simply no guarantee that a patent has not been filed.

Conclusion and Recommendation

We recommend the adoption of a grace period of one year to be determined from the local or priority filing date by introducing legislation corresponding to Article 201 of the Draft WIPO treaty.

[1]See page 43 of Van Empel's commentary on the 1973 Munich Convention entitled "The Granting of European Patents" published by A.W. Sijthoff-Leyden, 1975.

[2]The relevant part of Article 55 of the European Patent Convention reads as follows:

Non-prejudicial disclosures

(1)...a disclosure of the invention shall not be taken into consideration if it occurred no earlier than six months preceding the filing of the European patent application and if it was due to or in consequence of:

(a) an evident abuse in relation to the applicant or his legal predecessor, or

(b) the fact that the applicant or his legal predecessor has displayed the invention at an official, or officially recognized, international exhibition...

[3]See page 4-24, Volume 2 of World Patent Law and Practice, edited by Sinnott and published by Matthew Bender.

[4]The present Canadian grace period is 2 years but the new law provides a 1 year grace period which will be adopted once the rules are promulgated.

[5]The remaining parts of Section 201 of the Draft Treaty read:

(2) For the purposes of paragraph (1), "inventor" also means a co-inventor or the co-inventors as well as any natural person or legal entity other than the inventor who or which is entitled to the grant of a patent for the invention at the date of the application, such as his successor in title or an employer automatically entitled to the invention, and "third party" means any natural person or legal entity other than the inventor as defined in this paragraph.

(3) For the purposes of paragraph (1), "disclosure" means making available to the public by written or oral means, or by use or in any other way.

(4) For the purposes of paragraph (1), the applicant or the owner of the patent shall have the burden of proof in respect of the conditions stated in that paragraph.

[6]Our Japanese colleagues advise that under Japanese law, there is an interpretation that only one publication is excused (private communication from Mr. Kazuo Kamisugi of Takeda Chemical Industries).

GRACE PERIOD

Japanese Group, Committee No. 3

Subcommittee on Grace Period

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Abstract

Since 1984 the issue of a grace period has been studied in WIPO, and this study led to discussions of the broader harmonization of current patent systems in the world. A grace period affords exceptional relief to early disclosure of an invention under the first-to-file system, and is one of the important items for harmonizing this system with the first-to-invent system.
This report presents our members'opinion on "public disclosure", "a person who made the disclosure", "the scope of the benefit of a grace period", "the length of the period", and "the burden of proof", on the basis of Article 201 proposed by WIPO of which mature discussions seem to have already been made.

1. INTRODUCTION

The issue of a grace period has been studied since 1984 in WIPO and this study led to discussions for harmonizing the patent laws in the world. This issue was also taken up as one of the important items for such harmonization at trilateral conferences by the Patent Offices from the United States, Europe and Japan.

The concept of a grace period means that even if the content of an invention is disclosed to the public prior to the filing of a patent application for the invention, the application shall not be refused on the ground of such disclosure when specific requirements are satisfied. This concept is intended to afford a sort of relilef to early disclosure of the invention, and is an exceptional measure under the first-to-file system. Therefore, it should be noted that the concept of a grace period is not to give any priority right to the early disclosure, but to exclude such disclosure from the prior art and render it "non-prejudicial" to the patentability when the application is examined.

2. WIPO PROPOSAL

A summary of the content of the WIPO proposal (Article 201) at the present stage (Fifth Session, Committee of Experts; HL/CE/V/2)is as follows.

(1) A patent shall not be refused or held invalid on the ground of disclosure made not more than 12 months before the application date or the priority date, provided that the disclosure was made;

(i) by the inventor, or

(ii) by a third party, other than an industrial property office, based on information obtained from the inventor, or

(iii) by an official publication of an industrial property office, pursuant to an application filed without the consent of the inventor and based on information obtained from the inventor.

(2) The "inventor" in the preceding paragraph includes any natural person or legal entity entitled to the grant of a patent such as a co-inventor or a successor of the invention. A "third party" means a natural person or legal entity other than the "inventor" stated above.

(3) "Disclosure" means making available to the publlic by written or oral means, or by use or in any other way.

(4) The applicant or the patentee shall have the burden of proof in respect of the conditions stated in (1) above.

The content of the WIPO proposal may not be the best one for the purpose, but as it seems to cover the gist of the grace period subject, we would like to discuss the main points of the subject, based on the WIPO proposal. The following opinion, however, is our subcommittee members' personal view, and not the consensus of the Committee No. 3 nor the PIPA Japanese Group.

3. DISCUSSIONS

(1) Public disclosure

The provision of a grace period should be applicable to any type of disclosure to the public. It is not desirable to limit it to a written disclosure, as provided in Article 30 of the current Japanese patent law.

In addition, it does not seem to be necessary to put any specific limitation to the application of a grace period in case of more than one disclosure, which is also different from the practice of the Japanese patent law.

(2) A person who made the disclosure

We agree to the WIPO proposal to apply a grace period when the invention is disclosed by (i) the inventor, (ii) a third party, based on information obtained from the inventor, or (iii) an industrial property office in case of an application derived unlawfully from the true inventor.

There may be some arguments on the point that in Article 201 (1)(ii) the disclosure by an official publication of an industrial property office based on a patent application by the inventor or his successor is excluded from the grace period application. However, an official publication of a patent application is a step to obtain a patent right and differs from a mere publication on an academic paper. Thus, considering that the appplicant can file a patent application in other countries within one year from the first filing date by claiming the priority right under the Paris Convention, we think, in addition to the priority right, it unnecessary to apply a grace period to an official publication.

It is not rare that some of persons who disclose the invention in the literature or an academic meeting and the true inventors named in the patent application are not identical; it happens that in some cases the whole are different. Even in such a case, a grace period should be applied to the disclosure as far as it is based on information from the inventor. In the WIPO proposal, a person who discloses the invention, but is not the inventor, is defined as a "third party", and any discrepancy between the person who discloses the invention and the inventor may be resolved by interpreting Article 201 (1) (ii) alone or Article 201 (1) (i) and (ii) together. In this case, It will naturally become

necessary that the person who discloses the invention, but who is not the inventor, should present any evidence (e.g. affidavit) stating that he obtained information about the invention from the inventor.

(3) The scope of the benefit of a grace period

We agree to the point that when a grace period can be applied to public disclosure, the disclosure is not prejudicial to the patentability, inclusive of novelty and inventive step (or unobviousness), of the invention for which a patent is applied. This position is natural based on the concept that the disclosure is excluded from the state of the art.

The current Japanese patent law permits application of a grace period only in respect of novelty. Thus, when there is a discrepancy between the scope of disclosure and that of the claim of a patent application, the disclosure is cited as a prior art to the discrepant part, and therefore a remedy in this respect is desired.

If an independent third party's disclosure or patent application (B) intervenes between the disclosure to which a grace period is applied and a patent applicatin (A), the application (A) will be rejected due to the disclosure or application (B) because a grace period does not afford any priority effect to the prior disclosure, and the application (B) will also be rejected due to the prior disclosure of (A). In this case, however, to eliminate an unlawful derivation with regard to the disclosure or patent application, it would be necessary to establish that the disclosure or patent application of (B) is not based on the prior disclosure of (A).

(4) The length of a grace period

As to the length of the period, a proposal for a 6-month or 12-month grace period prior to the filing date (or the priority date) has been discussed in WIPO. However, the length of the period does not seem to be so crucial. As stated above, if an independent third party's disclosure or patent application is intervening, a patent application to

which the grace period is applied will be rejected, irrespective of a 6-month or 12-month period, and, therefore, the inventor who wants to enjoy the benefit of a grace period must file his application as soon as his invention is disclosed, without awaiting the final date of the grace period. In this respect, the grace period is fundamentally different from the period of the priority right.

In Japan, viewed from the current patent law, a number of people support a 6-month period for the harmonization proposal. However, taking into acount the present law in the United States and foreseeable arguments in that country when the existing first-to-invent system is shifted to the first-to-file system, we are agreeable to the proposal for a 12-month period as a package deal if the United States adopts the first-to-file system.

Further, as shown in the WIPO proposal, it is necessary to decide the period based on the priority date, when priority is claimed, or based on the filing date, when no priority is claimed.

(5) The burden of proof

In general, there may be no objection to the point that the burden of proof to enjoy the benefit of a grace period will be imposed on the applicant.

Article 201 (4) of the WIPO proposal provides only who is responsible for the burden of proof, and the notes state that the questions what type of evidence should be presented and when are left to the national law. However, it will be necessary to avoid disturbing the application of a grace period or the benefit of priority because of defferences in the provisions of the Contracting States. For instance, an incident should not occur such that when a patent application is filed in the 2nd country which requires proof of the relevant facts at the time of filing, claiming priority of the application filed in the 1st country which does not require such proof, the priority claiming is not permitted because the repuirements of the 1st country do not meet those of the 2nd (cf. Kawai v. Metlesics, 178 USPQ 158, CCPA, 1973).

While it may be necessary to make clear at the time of filing that a grace period is to be applied or not to the patent application, it is desirable that the Contracting Sates agree to submitting evidence where necessary (for example, when it is required by the examiner in charge).

4. CONCLUSION

It is not an easy task to harmonize the patent systems of various counries with different laws. It may be a shorter way to achieve overall harmonization by trying to agree on individual feasible items and to make them realize rather than sticking to the formal agreement on all the items for the harmonization. In WIPO or at the trilateral conferences of the Patent Offices, while discussions of problematic issues shoud be continued, less problematic issues should be given priority for agreement and materialization. The item of a grace period would be one of the issues on which mutual consensus could be reached.

DURATION OF PATENTS

Pacific Industrial Property Association

Toba City, Japan

October 1988

J. E. Espe

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HARMONIZATION

U.S. GROUP, COMMITTEE NO. 3
Subcommittee No. V.

DURATION OF PATENTS

SUMMARY

As a step toward harmonization of patent laws, it is proposed that the duration of a patent extend twenty (20) years from the earliest actual date of filing in that country with provisions to extend the period to compensate for unusual delay in granting of the patent or delay in exploiting the invention due to government secrecy order, regulatory approval proceedings or prolonged opposition proceedings.

BACKGROUND

Most of the major countries of the world, as well as the European Patent Convention, measure the term of a patent from the filing date. Two major exceptions are the U.S. and Canada with Canada, of course, having recently amended its patent statute to also provide for the term to run from the filing date. The U.S. term runs for seventeen (17) years from the issue date. Most countries which have the filing date as the beginning of the term provide for a twenty (20) year term with Japan providing a term of fifteen (15) years from post-examination publication or twenty (20) years from filing whichever is shorter.

An important public interest aspect of patent law is the early disclosure by the inventor of his invention so that others can build on it in furtherance

of technological development in that field. Having the term run from the filing date encourages the applicant to diligently prosecute his application to publication and/or issuance, depending upon which occurrence triggers his patent rights. Under the U.S. system, where the term runs from the issue date, there have been instances where delay of the issuance of the patent has resulted in the patent having an active life decades after the invention was made. This has resulted in the patentee being able to assert the patent against an industry that has developed and matured well beyond the patentee's contribution, and, in essence, to enjoy the fruits of subsequent contributors. A shining example of this sort of situation is the Gould laser patents, one of which has issued in the U.S. as recently as November 1987 based on an original application filed in April 1959. This patent will not expire until the year 2004, more than forty five (45) years after its original filing date. An industry that grew as a result of subsequent developments faces, for the next sixteen years, a patent covering an invention made before 1959. Having the term of the patent run from the filing date will avoid situations of this nature.

DISCUSSION OF PROPOSAL

The proposal, to be effective, would need to be part of a system including first-to-file and early publication with at least limited patent rights extending from publication.

The "filing date" would be the date of actual filing in that country as opposed to the priority date and would be the filing date for the parent application with respect to any divisional, continuation or reissue application.

A major shortcoming of a patent term which runs from the filing date is the potential for diminished return to the applicant where, for some reason beyond the applicant's control, the publication of the application or issuance of the patent is delayed, or commercial use of the invention is prevented, due to regulatory review as may occur in the case of pharmaceuticals, agrichemicals and pesticides. Delays may also occur as a result of secrecy orders or prolonged opposition proceedings. It would be appropriate in such cases to provide for the applicant relief in the form of extension or restoration of the patent term so as to provide a minimum effective period.

Extension and restoration would apply only to delays which are of no fault of the applicant and would be limited to those caused by secrecy orders, regulatory approvals or prolonged oppositions. Such extension or restoration would work to provide a minimum effective term of five (5) years. In the case of a secrecy order where the order is never rescinded, provision can be made for the government agency issuing the order to pay "just compensation" to the applicant.

DURATION OF PATENTS

Presented at 19th PIPA Congress
Japanese Group, Committee #3
Subcommittee on Duration of Patents

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Abstract

The issue on the duration of patent is now being discussed at various international forums, and an agreement has generally been reached among advanced nations. The interests of each country in this issue may conflict and, in particular, strong opposition may be made by the developing countries. Nevertheless, the duration of patent is one of the essential and important items in harmonization. Our group studied the following items and the contents of our studies are presented here.

1) Aim of patent system and duration of patent
2) Significance of duration of patent
3) Factors defining duration of patent
   (1) Initial date
   (2) Term
4) Extension system of duration of patent

1. INTRODUCTION

The issue on the duration of patent is now being discussed at various international forums, such as WIPO, trilateral conference between Japan, Europe and the U.S., and GATT. The proposed duration of patent generally agreed upon is "twenty years from the filing date of an application". Nevertheless, the present studying group dared to discuss the issue of the duration of patent again from the beginning of the patent system.

2. AIM OF PATENT SYSTEM AND DURATION OF PATENT

The patent system aims at promoting the progress of technology by granting the right to a monopoly in compensation for the opening of a technological idea to the public. Therefore, to discourage other persons from their creative activities for an unreasonably long period is contrary to the spirit of the patent law. It is proper that the term of protection by patent rights should be limited to a certain length.

3. SIGNIFICANCE OF DURATION OF PATENT

While different national laws prescribe the duration of patent in different ways, the ways of the expression thereof may be classified into the following two:

1) Countries prescribing the time period during which the patent right is effective (effective period of the patent right), and
2) Countries prescribing the time of termination of the patent right (the expiry time of the patent right).

Since the patent right comes into force upon the issue or registration of a patent, the beginning date of the effective period of the patent right is generally the date of patent issue or registration, and the last day thereof is the patent expiry date in both classes of countries mentioned above under 1) and 2). Therefore, it seems theoretical that the initial date of the duration of patent should be the date of patent issue or registration and it seems ideal that the last day thereof should be prescribed in a manner such that all the corresponding patents in all countries expire at the same time.

4. FACTORS DEFINING DURATION OF PATENT

The two important factors which defines the duration of patent are the initial date and the term.

1) Initial date

(1) What day should be the initial date ?

The initial date which serves for defining the duration of patent may be one of the following:

① Date of patent issue or registration (e.g. U.S.A.);

② Date of publication after examination (e.g. Korea, Japan; in Japan, there is the provision of ceiling from the filing date of an application); and

③ Filing date of an application (e.g. EPC, G. Britain, W. Germany).

(2) Advantages and disadvantages of each initial date

The above-mentioned initial dates ①, ② and ③ have the respective advantages and disadvantages as follows:

①Date of issue or registration

Advantage

The time period during which the patent right is effective (effective period of the patent right) can be defined definitely.

Disadvantage

If a long period is taken for examination, the issue or registration of the patent is delayed. Therefore, a long-term monopoly will be granted to a technology which is then already usual and commonplace.

The date of patent issue or registration will vary from country to country, hence the expiry date of the patent will vary from country to country.

②Date of publication after examination

Advantage

Since, once published after examination, the application has substantially the same effect as the patent right (right of enjoying provisional protection),

the duration of patent and the effective period of patent right almost coincide with each other.

Disadvantage

Some countries have no publication system and, therefore, the international harmonization is difficult.

If a long period is taken for examination, a long-term monopoly will be granted to a technology which is then already usual and commonplace.

The date of publication will vary from country to country, hence the expiry date of the patent will vary from country to country.

③ Filing date of an application

Advantage

The patent right expires almost at the same time in all countries.

Recently, a patent was issued to a 30-year-old application in U.S. No patent will be issued any longer to such a technology already usual and commonplace.

Disadvantage

The duration of patent is eroded from the filing date to the date of patent issue or registration, hence the effective period of the patent right is shortened.

In view of the above-mentioned advantages and disadvantages of the three kinds of the initial date, the recent rapid technological innovation, and the ease of international harmonization, it is considered to be appropriate to reckon the duration of patent from the filing date of an application. Since a patent application becomes effective after patent issue or registration, the reckoning from the filing date is to define the initial date which specifies the last day of the duration of patent.

(3) Problems to be discussed where the filing date of an application is employed as the initial date

The following three problems were discussed:

① Where the international Convention priority right is claimed, which should be taken as the initial date, the filing date of an application in each country or the filing date of the earliest priority application in the first country ?

② With regard to the initial date for an application claiming so-called "inner priority right"

③ With regard to the US PTO proposal on the duration of patent

① Where the international Convention priority right is claimed, which should be taken as the initial date, the filing date of an application in each country or the filing date of the earliest priority application in the first country ?

From the viewpoint of worldwide complete harmonization for unifying the date of patent expiration, it seems recommendable to take, as the initial date, the filing date of the earliest priority application in the first country (thus, for instance, 21 years from the filing date of the earliest priority application in the first country). In that case, however, amendment is required to Article 4-2-(5) of the Paris Convention and much time and labor will be required for realization of such amendment.

Where the filing date of application in each country is taken as the initial date, the dates of patent expiration in all countries will be almost unified. Since this system is currently adopted in a large number of countries, this approach will expectedly be accepted without difficulty.

② With respect to the initial date for an application claiming the so-called "inner priority right"

In principal members of the EPC and Japan are now adopting the inner priority system, and the initial date of reckoning the duration of patent is the filing date of the later application claiming the inner priority right of the formerly filed domestic application.

Presumably, the main reasons are:

i) There is no ground for distinguishing the Convention priority from the inner priority; and

ii) If the initial date is reckoned from the filing date of the first domestic application, for example, in W. Germany the initial date of duration of patent for a domestic application differs from that for an EPC-route application designating W. Germany (for the former application, the initial date is the filing date of the domestic application in W. Germany, while for the latter, the initial date is the filing date of the EPC application), and this difference leads to inequality.

For the purpose of harmonizing the date of patent expiration in all countries as far as possible, it is recommendable to adopt the filing date of the later application as the initial date.

Between countries where the inner priority system is adopted on one hand and countries where no such a system is adopted, for example, the U.S. on the other hand, a difference up to one year may result in the

duration of patent even if the initial date is reckoned from the filing date of an application.

③ With regard to the US PTO proposal on the duration of patent

According to the US PTO proposal, the duration of patent should be at least 20 years from the filing date of the earliest application in that country. In answer to a question addressed by the Japan Patent Association mission sent to the U.S. last year, the US PTO explained that the filing date of the earliest application in that country means the filing date of the first parent application even in the case of a continuation application or a continuation-in-part application. This is considered to be a matter of course as far as the filing date of an application is adopted as the initial date of reckoning.

However, for the new matter inserted in a continuation-in-part application, the duration of patent is disadvantageously shortened by the period from the filing date of the earliest parent application to the filing date of the continuation-in-part application, since the duration of patent is reckoned from the filing date of the earliest parent application. One of conceivable ideas for avoiding this disadvantage is to make provisions to the effect that the initial date should be the filing date of the continuation or continuation-in-part application, not the filing date of the earliest parent application, and that the continuation or continuation-in-part application should be filed within one year from the filing date of the earliest parent application.

If the current continuation-in-part application system is maintained and the filing date of the

earliest application in that country should be taken as the initial date, it may be a wise policy in some instances to file a separate application covering the new matter.

The phrase "at least 20 years" in the proposal does not define the upper limit, hence what is meant by the phrase is not clear.

2) Term

The duration of patent has to be provided in due consideration of the balance between the guarantee in compensation for the disclosure of technology (protection of the invention) and the promotion of technology advancement (public interest).

Under the current Japanese Patent Law, the duration of patent is 15 years from the date of the publication, but cannot be exceeded 20 years from the filing date. This term has so far caused no particular troubles on the applicant side. The international trend of the duration of patents is "twenty years from the filing date of an application", and furthermore a number of cases in Japan whose patent expiration dates are 20 years from the filing date are now increasing. In view of these, "twenty years from the filing date of an application" is considered to be advisable, which can expectedly be agreed upon without difficulty by many countries.

To cope with the erosion of the substantially effective period of the patent right due to delay in the examination process, it has been proposed that a minimum term should be prescribed. However, the time of maturation into a patent will vary from country to country, and therefore this proposal is rather contrary to the purpose of harmonization for causing corresponding patents in many other countries to

world-widely expire on the same day as far as possible. Provided that, for an invention which is subjected to a governmental regulatory review, the extension system to be mentioned below is considered to serve as a remedy.

As regards the minimum term based on an opposition, there is a theoretical problem, that is, the duration of patent may vary depending on the presence or absence of an opposition. Further, in an extreme case, it is possible for the applicant to extend the duration of his patent by filing his opposition in the name of a third party. Since once an application is published after examination, the applicant acquires a right (right of enjoying provisional protection) which is substantially the same as the patent right, some delay in registration due to an opposition will perhaps never result in any serious disadvantage to the applicant.

In any case, quick proceedings in examination and opposition are desired for avoiding the erosion of the effective period of patent right.

5. EXTENSION SYSTEM OF DURATION OF PATENT

The extension system of the duration of patent had been adopted in countries in which the patent term was relatively short, for example, Great Britain and its Commonwealth countries such as South Africa and Australia (in these countries, 16 years from the filing date of an application). While the duration of 16 years and the extension system are still maintained in Australia, the extension system was abolished in Great Britain and South Africa when the duration of patent was extended from 16 years to 20 years from the filing date. This extension system was employed when the duration of patent was as short as 16 years from the filing date. Since it is thought generally enough to

recover the investment within 20 years from the filing date of an application, the extension system is considered, as a general rule, to be no more necessary.

In cases, however, where an invention cannot be practiced commercially from a cause for which the applicant is not responsible, for example, by the regulatory review, the duration of patent is eroded accordingly. In particular, in the case of medicines, a huge investment for marketing medicaments cannot be recovered before the expiration of the patent. To make compensation for such disadvantage, the extension system of duration of patent will be necessary for such a patent. At present, the extension system for patent which is subjected to the regulatory review is in function in the U.S., Korea and Japan, and an extension by at most 5 years is possible depending on the requirements which are somewhat different from country to country.

Although a very long extension is unnecessary, an extension should be granted by a certain reasonable period, as the case may be, and the extension period should desirably be unified world-widely.

6. IN CONCLUSION

In the foregoing, some discussions and opinions were presented about the significance of the duration of patent, factors decisive of and problems on the duration of patent, and the extension system. These problems have been discussed at various international forums and it has been proposed that the duration of patent should be 20 years from the filing date of an application. This proposal has been in general agreed upon among advanced nations, and our group also considers that this proposal has no particular problem and therefore is acceptable. In respect to this issue,

the interests of each country may conflict. In particular, the developing countries may strongly oppose this proposal. Nevertheless, it is earnestly expected that the worldwide harmonization be realized as soon as possible.

PRIOR USER'S RIGHTS

Pacific Industrial Property Association

Toba City, Japan

October 1988

Karl Hormann

Polaroid Corporation

Prior Users' Rights

by

Karl Hormann

The patent laws of most, if not all, of the so-called industrialized or developed countries have in common that patents may be granted only for inventions which are new or at least unobvious to persons skilled in the art. This is certainly true of the patent laws of Japan and of the United States as well as of the European Patent Convention. My reason for singling out these three is that the Patent Offices of Japan, the United States of America, and the European Patent Office are today in the forefront of serious efforts to harmonize their patent laws to the greatest extent possible. The benefits to be derived from harmonized or at least harmonious patent laws, procedural as well as substantive, are believed to be obvious to anyone who has dealt with these three systems.

I have been asked to speak to you about the rights prior users have in relation to patent applicants or patentees. Owing to the relatively vast body of case law that was developed on this subject in the United States, I found that is was not easy to treat of the subject exhaustively in less time than I should have liked to compel you to listen. Nevertheless, I hope that you will not have finished listening before I have finished speaking. Perhaps if we harmonize your listening with my speaking we shall be able to convey a message to those who say that they would like to harmonize patent laws.

It is my understanding that in Japan a prior user of a patented invention shall have a non-exclusive license "on the patent right under the patent application" and that "such license shall be limited to the invention which is being worked or for which preparations for working are being made and to the purpose of such working or the preparations therefor".

The Germans have had a similar provision in their patent code. Article 12 of its 1981 version states that a patent shall have no effect in respect of a person who at the time of the filing of the patent application had commenced exploiting the invention within the country or had made the preparations necessary for such exploitation. He may exploit the invention, for the needs of his own business in his own or third party manufacturies.

What happens to the rights of a prior user in respect of a patent obtained by way of the European Patent Office under the Munich Convention depends on the laws of the countries in which the Munich patent takes effect.

But what about the United States? Here, the situation is rather more complicated.

For under United States law a patent is awarded to the first inventor rather than the first applicant, as is the case in Japan, Germany, or under the Munich Convention. This first to invent concept is the reason for the institute of interference provided for by the United States patent code, 35 U.S.C. 135. An interference is declared, by the United States Patent Office, to determine who is the first inventor, "whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent". Interferences are not declared in cases of conflict between pending applications and prior inventions which have never found their way into patents or patent applications but which, unknown to the patentee or the Patent Office, have in some manner been exploited by a third party. Nor can interference proceedings be initiated by applicants or patentees. Furthermore, applicants claiming a foreign priority would seem to be barred from relying upon reduction to practice dates earlier than the priority date.

Under United States practice prior users' rights are conferred indirectly by those statutory provisions, 35 U.S.C. 102(g) and 35 U.S.C. 103 which prevent issuance of patents or compel its invalidation. These provisions are in my opinion unequivocal, but they have nothing in common with the prior users statutes of Japan and Germany. The provisions of the U.S. code clearly define the criteria leading to a patent or away from it. Thus, a person shall be entitled to a patent unless before the applicant's invention thereof the invention was made in the United States by another who had not concealed, suppressed or abandoned it. A patent may also not be obtained "...if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art...".

This language has been interpreted to mean that the prior invention must have been completed or reduced to practice to an extent sufficient to render a later invention obvious, if not anticipated, and the remedy provided under the statute to a third party having rights preceding the patented invention is invalidation of the patent.

Completion in this sense may mean one of two things: The earlier inventor filed a patent application subsequently issued as a patent disclosing the invention in a manner permitting a person skilled in the art to practice the invention, or he builds an actual embodiment of the invention conceived to demonstrate operability of the invention for its intended purpose.

We are not here concerned with the granting of patents but rather with the prior rights of a third person who has been sued for infringement of a patent granted the

statutory provisions notwithstanding. For such prior rights come into their own only in patent infringement actions. That is to say, a defendant in a patent infringement suit may raise the defense of patent invalidity by invoking prior rights such as prior invention, prior use, and prior knowledge. To the extent he is successful, the patent in suit will be declared invalid and his damages will likely be reduced. For lack of an opposition proceeding, the validity of a United States patent may be contested only by actions, usually infringement suits, commenced by the patentee.

Prior rights as a defense in an infringement action may be cloaked in prior unabandoned and unsuppressed inventions coupled, if necessary, with obviousness, or they may be relied upon as prior use or knowledge which has been brought into the public domain.

The defense of prior inventorship has been an integral part of the United States patent system from its inception. It can be invoked in combination with other facts to establish obviousness of the patented invention and thus cause the patent to be invalidated. In such a defense, it is generally important to show that the first inventor had reduced his invention to actual practice. The many cases that have dealt with the subject render the meaning of actual reduction to practice in this context not quite clear; but it would seem that at a minimum the first inventor must have at least initiated placing his invention in possession of the public. An invention successfully maintained in secrecy is very likely not a good defense against a charge of infringement.

It is well settled that prior invention by an alleged infringer is a good defense against patent infringement although I think it fair to say that the defense of prior invention has seldom, if ever, been raised without the added defense of prior use or at least prior knowledge. Prior invention per se would probably not be a sufficient defense. Even in the early case of Bedford v. Hunt, 3. F.Cas. 37 (C.C.Mass. 1817) it was held that the "first inventor, who has put the invention in practice, and he only, is entitled to a patent" and that a "subsequent patentee, although an original inventor, may be defeated of his patent right upon proof of such prior invention being put into use".

Certain requirements must be met to raise the right of prior invention to the level where it can be raised successfully as a defense in a patent infringement suit. Among these are: that the invention must have been given physical shape to demonstrate its functionality; that all the elements of the invention claimed in the allegedly infringed patent were incorporated in the embodiment actually put together; and that the embodiment performed the functions for which it was designed. There are other

requirements; but they deal largely with the degree of testing necessary to satisfy a person skilled in the art. For present purposes they may be ignored.

As regards prior inventions reduced to practice but kept secret, the general rule is that it cannot be used to invalidate a patent on a later invention. There must have been some kind of a disclosure or accessibility to the public.

Certain criteria have to be met to establish prior use as a valid defense in patent infringement litigation: there has to have occurred a complete reduction to practice; the use must have been a commercial, rather than an experimental one; proof beyond a reasonable doubt must be provided of its use; and the public must have been aware of the prior use.

The consequences which ensue from prior rights in Japan and Germany on the one hand and the USA on the other are rather significant. Non-exclusive licenses and a statutorily guaranteed right to continue practicing the invention with a continued existence of the patent on one side, and invalidation of the patent on the other side.

We have seen that in Germany a prior user may continue exploiting an invention after another has obtained a patent thereon. This right is an equitable one, based upon the notion that it would be unfair to deprive the prior user of an investment. One may assume that the theory underlying the comparable Japanese statute is also an equitable one.

In the United States, a bona fide prior user of a subsequently patented invention may probably continue using the invention. Earlier statutes expressly gave him such a right. Under modern practice, the right may be inferred from the fact his prior use is in the nature of private property vested in him by common law.

By way of suggestion to those advocating harmony among the three patent systems referred to in this paper I would say that the Japanese and German statutes relating to prior users appear to be of greater benefit to society at large and that the U.S., should it adopt a first-to-file system, would benefit from a similar statute because it has a potential for reducing current elaborate legal disputes.

ON PRIOR USER'S RIGHT

Presented at PIPA 19th Congress

Japanese Group, Committee No. 3

Subcommittee No. 6

Mamoru TAKADA : Mitsubishi Electric Corporation
Kazuya HOSAKA : Hitachi, Ltd.
Michihiro KAMEISHI : Kanegafuchi Chemical Industry Co., Ltd.
Ichiro ENOMOTO : Fujitsu Limited
Speaker: Takeo HAMAZAKI : Mitsubishi Rayon Co., Ltd.

Abstract

As patent systems, two systems of first-to-invent principle and first-to-file principle are prevalent world-wide. There are many countries adopting the first-to-file system which makes provisions for prior user's right by granting non-exclusive license on the patent right of the third party to maintain equity between the patentee and the prior user who used the invention in good faith prior to the filing of a patent application.

This paper discusses the system of prior user's right as defined in Article 79 of the Japanese Patent Law and recent decisions and the proposed WIPO Article 308 related to the prior use, and presents our proposal for amendment thereto.

I Introduction

It is well known that there are two principles under which patent systems are established in the world; first-to-invent principle and first-to-file principle.

Under the first-to-file system, a party may have independently made an invention and worked it in good faith prior to the filing of a patent application by first applicant. Such prior user may have not filed a patent application for the invention for reasons such as he considered that the invention lacked novelty or inventiveness, etc. even though he invented it independently. If such a prior user is barred from working his own invention subsequently by a third party's patent right, it would lack fairness.

Article 79 of the Japanese Patent Law is provided for filling the gap created under its first-to-file system and for

protecting the prior users based for reasons of equity or economy. It recognizes prior user's right under certain conditions and restricts the effects of patent right in order to achieve equity between the patentee and the prior user.

Reports on prior user's rights were made in the past PIPA Congress, but we chose to discuss the Japanese system and related recent decisions again and deliberate WIPO proposal for Article 308.

II System Concerning Prior User's Rights in Japan

1. Legal Provisions Concerning Prior User's Rights

Prior user's right in Japan is a right of a good faithful party (prior user) to obtain non-exclusive license for free of charge under certain conditions who has worked an invention which is identical to that of the patentee's invention before filing of a patent application for the invention. Article 79 of the Japanese Patent Law stipulates the following provision concerning the prior user's right.

> (Non-exclusive license by virtue of prior use)
>
> 79. - Where, at the time of filing of a patent application - or at the time of filing of the original patent application or of submission of an amendment when the patent application is deemed to have been filed at the time of submission of the amendment in accordance with Section 40 -, a person who has made an invention by himself without knowledge of the contents of an invention claimed in the patent application or has learned how to make the invention from a person just referred to, has been commercially working the invention in Japan or has been making preparations threfor, such person shall have a non-exclusive license on the patent right under the patent application. Such license shall be limited to the invention which is being worked or for which preparation for working are being made and

to the purpose of such working or the preparations therefor.

In the last paragraph of Article 4-B of the Paris Convention, it is stipulated that the right acquired by a third party prior to the date of first filing on which priority claim is based shall be subject to the domestic laws and regulations of the member countries. Article 79 of the Japanese Patent Law is the domestic law as mentioned therein.

2. Reason of Existence for the Prior User's Right

Regardless of its name, non-exclusive license because of prior use is in essence a right of refutation . Therefore, it always presupposes that the licensee worked or was preparing to work an invention identical to the patented invention. Various doctrines form the basis for recognizing the prior user's right, and they particularly include the following doctrines; (i) the doctrine of economy and (ii) the doctrine of equity. They are outlined below.

(i) Doctrine of economy asserts that causing the prior user to stop the business of working or preparing such business for working of the invention in good faith at the time of filing of a patent application is cruel to the prior user and at the same time is not preferable for national economy or industrial policy. A decision by Tokyo District Court (dated February 25, 1955) is a representative example based on this doctrine.

(ii) Doctrine of equity asserts that stopping the prior user in good faith who was actually working or preparing to work the invention at the time of filing of a patent application because of the patent right issuing thereon results in victimizing the prior user in good faith, and excessively protecting the patentee, thus being contrary to the concept of equity. Decisions deemed as representative examples of this doctrine include that by Osaka District Court (dated July 10, 1967) and that by Tokyo High Court (dated May 27, 1975).

Thus the court deccisions are gradually shifting from the doctrine of economy to that of equity. The latter is now an accepted doctrine.

3. Requirements for Recognition of the Right to Prior Users

Article 79 stipulates requirements for the so-called prior user's right, and they are explained below.

(1) Route of Acquiring Knowledge about the Invention

Article 79 provides the route of acquiring knowledge of the invention as "making an invention by himself without knowledge of the contents of an invention claimed in the patent application, or by learning how to make the invention from a person just referred to."

That is, in regard to the invention for which a patent application was filed, the provision stipulates that the inventor (X) of the application recognizes the right of prior user in respect of another independent inventor (Y) of different origin or an assignee of such another independent inventor (Y), requiring that there should be no injustice in the route through which the knowledge of invention has been acquired.

(2) At the Time of Filing of a Patent Application

The requirement for the prior user's right of "commercially working the invention or has been making preparations therefor" means that the working or preparation for working is actually being performed at the time of filing of a patent application. That working the invention was made in the past prior to filing of a patent application is not enough. Such working the invention or preparation therefor should have been actually conducted at the time of application and even if suspended temporarily subsequently after filing, they are deemed as a prior use.

(3) Preparation for working

In order to assert that "working or preparation for working the invention" was being done, the invention should have been completed. (See "Case concerning Molten Alumina": Decision by Osaka District Court (February 14, 1966)).

The decision by the Supreme Court concerning the completion of the invention in this case (dated October 13, 1977) teaches that "in order to assert that an invention had been completed, the invention should be constructed concretely and objectively to such a degree that those with ordinary knowledge and skill in the art would be able to achieve the effect aimed by repeatedly working the invention, and the invention should be interpreted sufficiently disclosed".

When the invention was actually being worked, demonstrating that "the business for working the invention was actually being carried out" is comparatively easy while demonstration of "preparing for working" is difficult. It is not necessarily clear what stage is meant by "preparing for working" is; the preparation is deemed to have been actually done if there is enough evidence to prove the preparation in an objective manner.

Decision by Nagoya District Court (February 27, 1984: Case concerning Heating Furnace) is an example which recognized preparation for working. It teaches the following; "the defendant had submitted the estimate, specifications, etc. but had not received the order. Therefore, the final production drawings had not been completed, but the preparation had been made up to the stage where the final production drawing could be prepared once the confirmed order was received and details discussed with the client. In addition, the fact that a considerable period of time is required to manufacture the heating furnace from submission of quotation to receipt of order and delivery, and since the furnace is not a mass produced product, but its production is started after receipt of an individual order by purchasing parts, etc., the preparation should be described as actually having been started beyond mere prototype making, test and studieds".

The Supreme Court decision stated the following in its decision of the appeal of this case (October 3, 1986); "preparation for working" in working the invention described in Article 79 of the Japanese Patent Law is that the party who made an invention of the same content as that of the patent without knowledge of the invention under patent application or the party who learned it had an intent to immediately work the invention

and his readiness for immediate working expressed in such a degree as to be objectively recognized even though he might not have been in the stage of working it as a business.

4. Scope of Prior User's Right

Article 79 of the Japanese Patent Law defines the scope of non-exclusive license granted to the prior user is "within the scope of the invention which is being worked or for which preparations for working are being made" and "within the scope of the purpose of such working". Discussion will be made to this point briefly.

(1) Within the Scope of the Invention Being Worked or for Which Preparations for Working are Being Made

Generally accepted theory is that the scope of the prior user's right falls within the scope of the invention already being worked or for which preparations for working are being made at the time of filing of a patent application, and if a portion of the scope of a patented invention is being worked, then the prior user's right is deemed not to extended to the part of invention which is not being worked.

There are two decisions or doctrines on up to what scope or limit modification of embodiments may be allowed; one limits it to the mode of working which had been practiced, while the other limits the modification to the scope integral with the invention being embodied.

Recent decisions and many doctrines adopt the latter. The above mentioned decision of the Supreme Court (October 3, 1986) taught the following: "So-called prior user under Article 79 of the Japanese Patent Law is deemed entitled to non-exclusive license under the patent right in respect of "the invention being worked or for which preparations are being made or within the scope of the object of the working", and "within the scope of the invention being worked or for which preparations are being worked" as used herein is not limited to the mode of or preparatin for working which the prior user was actually using in Japan at the time of filing of a patent application (or on the priority date), but means the technical idea or the scope of the

invention being embodied in the mode of working; therefore it is reasonable to interpret that the effect of the prior user's right extends not only to the mode of working which the prior user was already practicing or making preparations therefor at the time of filing of a patent application (or on the priority date), but also to the modified mode of working within the scope which does not impair the integrity of the invention embodied therein. In view of the fact that the intent of the system of prior user's right is mainly for keeping an equity between the patentee and the prior user, not at all allowing the prior user to modify his mode of working which he was actually practicing or preparing to practice at the time of filing of a patent application (or on the priority date) is too severe for the prior user and unreasonable. It is in keeping with the reason of the law to recognize the prior user's right within the scope of the invention over which the prior user had control as its own. If the invention embodied in that mode of working falls subject to only a part of the patented invention, then the effect of such prior user's right is naturally limited to said part of the invention. But if the scope of said invention coindides with the scope of patented invention, then the effect of prior user's right should naturally extend to the full scope of said patented invention".

(2) Within the Scope of the Purpose of such Working

The prior user is recognized of his right "within the scope of his purpose of such working". In other words, it suffices if the prior user could continue to pursue the purposes of the businesses he was actually engaged or preparing. Therefore, the prior user's right is recognized limited to the scope of his purposes, but not beyond such scope. So long as they are within the scope of his purpose of such working, expansion of workig is recognized. (See Decision dated September 29, 1966 of the Tokyo High Court).

5. Transfer of the Prior User's Right

The prior user's right may be transferred, but only together with the business in which it is worked or only with the consent of the patentee or in the case of inheritance or other general

succession. (Article 94-(1) of the Japanese Patent Law).

Pledge may be set on the prior user's right, but only with the consent of the patentee. (Article 94-(2) of the Japanese Patent Law).

A problem will occur when the prior user's right is transferred together with the business in which it is worked; the mode of transfer is questioned.

III WIPO Proposal for Article 308 (Prior User's Right)

1. Content

WIPO is currently examining various proposals for harmonization of patent matters including that for prior user's rights. Their proposal is described below as the draft Article 308.

HL/CE/V/2

Article 308

Prior Users' Right

Any person who, before the filing date or, where priority is claimed, before the priority date of the application, and within the territory of the Contracting Sate concerned,

(i) has used, for commercial purposes, the invention which is claimed in the application; or

(ii) has made effective and serious preparations for using, for commercial purposes, the invention referred to in (i)

shall have the right to continue to use the said invention freely, despite the grant of a patent on that application, provided that he can prove that his knowledge of the invention was not by reason or in consequence [of acts committed by the owner of the patent or his predecessor in title or] of an abuse committed with regard to the owner of the patent or his predecessor in title; such right cannot be assigned or transferred by succession except as part of the enterprise of the said person.

2. On Draft Article 308 of WIPO

(1) Timing of the Prior Use

The Japanese Patent Law stipulates the timing of prior use in Article 79 as "at the time of filing of a patent application" and excludes use before filing. On the other hand, WIPO's draft of Article 308 stipulates "before the filing date or where priority is claimed, before the priority date of the application". This provision appears more lenient than Article 79 of the Japanese Law, but we believe that it is necessary to study whether it is reasonable or not.

(2) Preparation for Working

The expression "effective and serious preparations" is somewhat ambiguous as to the degree of effectiveness or seriousness and we believe it should be more clearly defined. Deletion of "effective and serious", for instance, may be more definite. At any rate, burden of proof concerning "preparation for working" should rather be placed on the prior users, and the expressions used here need further review and study.

(3) The Expression "The Right to Continue to Use the Said Invention"

It is not clear to what extent the scope of working the invention extend under the current draft. However, the content of the prior use should not be expanded unnecessarily, and we believe it desirable to add an expression such as "within the scope of the invention and the purpose of such working being practiced or prepared" as regulated in Article 79 of the Japanese Patent Law.

(4) The Expression of "Freely"

It is not clear whether the expression "freely" means only "free of charge" or "without reservation" including free of charge. In view of the meaning of the prior user's right, it appears more reasonable to understand it to mean the latter. However, it is preferable that the expression on the working the invention may be restricted to within the some condition.

(5) The Expression of Transfer

The draft Article 308 provides that "such right cannot be assigned or transferred by succession except as part of the enterprise of the said person", enabling transfer of the prior use only with the transfer of business.

If the transfer of the prior user's right was freely allowed, the patent right would become emasculated and we cannot agree with this language at all. We believe, however, that transfer of prior user's right should be approved in respect of (i) only with the consent of patentee and (ii) in the case of inheritance or other general succession as defined by Article 94 of the Japanese Patent Law.

3. Proposed Revisions to WIPO Draft Article 308

We propose the following revisions to WIPO Draft Article 308 based on the discussion in 2(1) to (5) above.

Article 308
Our Draft of Amendment on Prior Users' Rights

Any person who, before the filing date or, where priority is claimed, before the priority date of the application, and within the territory of the Contracting State concerned,

(i) has used, for commercial purposes, the invention which is claimed in the application; or

(ii) has made [effective and serious] preparations for using, for commercial purposes, the invention referred to in (i)

shall have the right to continue to use freely the said invention within the scope of the said invention and the purpose of the business such using the said invention or preparation therefor [freely], despite the grant of a patent on that application, provided that he can prove that his knowledge of the invention was not by reason or in consequence [of acts committed by the owner of the patent or his predecessor in title or] of an abuse committed tith regard to the owner of the patent or his

predecessor in title; such right cannot be assigned or transferred [by succession] except [as part of the enterprise of the said person] together with the business in which it is worked or with the consent of the patentee or in the case of inheritance or other general succession.

IV: Conclusion

The system of prior user's right as discussed attempts to protect the status of a party who was practicing an invention at the time a patent application for the invention was filed although he did not file an patent application of his own, and tries to attain an equity between the patentee and the prior user.

In introduction of the first-to-file system, a smooth transition from the first-to-invent system will be facilitated by introducing such a system as a package.

COMMITTEE NO.4

* Amendments to Section 337 of the Tariff Act of 1930

--- Donald W. Banner 443

* Working of Patented Inventions in Experiments or Research

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* The Experimental Use Exception to Patent Infringement

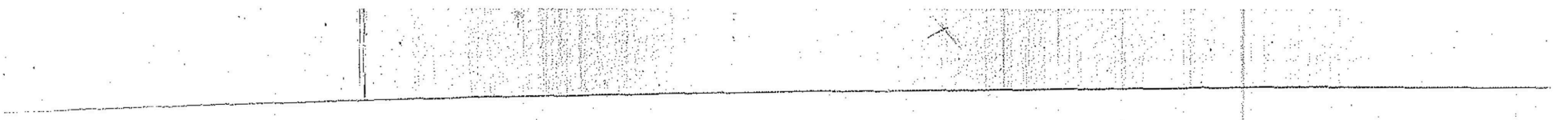
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AMENDMENTS TO SECTION 337 OF THE TARIFF ACT OF 1930

Pacific Industrial Property Association

Toba City, Japan

October 1988

Donald W. Banner

Banner, Birch, McKie & Beckett

AMENDMENTS TO SECTION 337 OF THE TARIFF ACT OF 1930

On August 23, 1988, President Reagan signed into law the "Omnibus Trade and Competitiveness Act of 1988". This Act had extremely strong political support, primarily because of the trade deficit problem in the United States. For example, from 1891 through 1971 there was no trade deficit in the United States. Every year since then the United States has had a trade deficit which, furthermore, has been rising at an alarming rate. For example, in 1980 the trade deficit of the United States was $30 billion dollars while in 1987 it was $176 billion dollars.

The Act has many different provisions and is approximately 900 pages in length. It includes such things as changes in the law relating to the right of an inventor in the United States to file patent applications in other countries; it also changes the U.S. process patent impact so that products made in other countries by a process patented in the United States can be an infringement of the process patent.

My topic will be limited, however, to the changes which this new Act made in Section 337 of the Tariff Act of 1930. The Tariff Act is, of course, administered by the International Trade Commission. Congress found that protection under Section 337 prior to the present statute was "cumbersome and costly and has not provided United States owners of intellectual property rights with adequate protection against foreign companies violating such rights." It said that the purpose of the changes in Section 337 was "to make it a more effective remedy for the protection of the United States intellectual property rights."

There were several changes in Section 337 which are of a major nature. For example, as amended, the Act declares as unlawful:

"(B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that--

(i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under title 17, United States code; or

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

(C) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946.

(D) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of a semiconductor chip product in a manner that constitutes infringement of a mask work registered under chapter 9 of title 17, United States Code.

(2) Subparagraphs (B), (C), and (D) of paragraph (1) apply only if an industry in the United States, relating to the articles protected by the patent, copyright, trademark, or mask work concerned, exists or in the process of being established.

(3) For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, or mask work concerned--

"(A) significant investment in plant and equipment;

"(B) significant employment of labor or capital; or

"(C) substantial investment in its exploitation, including engineering, research and development, or licensing."

To enforce a patent in an ITC proceeding previously it was necessary to prove (1), that there was an industry in the United States that was "efficiently and economically operated" and, (2), that the import and sale of the infringing goods had - or would - cause substantial "injury" to such an industry or would prevent such an industry from becoming established. It was necessary to prove both of these criteria even in default cases where the importer of the allegedly infringing products had refused to participate in the proceeding.

To show compliance with that requirement that the industry involved was "efficiently and economically operated", it was necessary to prove many facts. For example, - even though not necessary in every case - the factors which were proven in such ITC proceedings to satisfy this requirement included proof of advertising expenditures, sales practices, the use of modern equipment, a well-conceived distribution program, profit in the product lines, increases in the market share, improvements in the product, a favorable ratio of current assets to current liabilities, a favorable ratio of stockholder equity compared to debt, strong emphasis on invention and new ideas, good working conditions for employees including employee training, investment in capital improvements, maintenance programs for production equipment, excellent quality control,

space for manufacturing, fringe benefits such as vacation, health care and pension plans for workers, etc.

To satisfy the requirement that "injury" had been suffered it was not uncommon to have to show factors such as the loss of sales, "under selling" by the respondent, decreased employment, excess domestic capacity, increasing volume of imports, trends in market demands, customer losses, royalty losses, inability to obtain licensees, etc.

The expense of ITC proceedings - which sometimes would approach several million dollars - was due in large proportion to proof of these statutorily required "economic factors." It has been estimated that up to 50% of the cost of the proceedings was due to the proof of these "economic factors." In addition to this enormous expense, the information which was required to be disclosed to competitors - or at least to their lawyers - obviously was extremely sensitive. Discovery is permitted in the ITC with respect to any unprivileged material relevant to the claim or defense of any party and includes information about the existence, description, nature, custody, condition and location of books, documents and other tangible things as well as the identity of people who know where they are.

Those "economic factors" operated to deny access to International Trade Commission proceedings to some small firms that needed relief. Those factors were archaic, extraordinarily expensive and overwhelmingly burdensome.

As a result, the new statute provides that with respect to patents (utility or process), copyrights, trademarks registered under the Trademark Act of 1946, and semiconductor chip products registered under the "Chip Protection Act" it is no longer necessary to show that there is an industry that is "efficiently and economically operated" nor is it necessary to show "injury".

It is necessary, however, to show that there is an industry in the United States relating to the articles protected by the patent, trademark, copyright or chip product concerned. The new statute provides that such an industry shall be considered to exist if there is in the United States with respect to the articles protected by the patent, copyright, trademark, or mask work concerned--

(A) significant investment in plant and equipment;

(B) significant employment of labor or capital; or

(C) substantial investment in its exploitation, including engineering, research and development, or licensing."

This is an extremely important provision. It would appear that either a United States company or a foreign company which owns a U.S. patent, copyright, registered trademark or mask work can enforce those rights in the International Trade Commission if it meets one of the above three criteria.

Another significant change made involves the right of a complainant to obtain temporary relief. Before the present change in the statute if a complainant asked for preliminary relief, the Commission had six months to make a determination as to whether that relief would be granted. This change in the statute requires the Commission-generally-to rule on that request for temporary relief within 90 days. The period can be extended for an additional 60 days if the Commission decides the case is "complicated" but the Commission must then publish its reason for finding the case "complicated". This means that in most cases the time schedule will be extremely difficult for all, but especially so for respondents who may have had little or no advance notice of the investigation by the Commission or of the request for temporary relief.

Another important change made by the present statute involves the procedure involved with defaulting respondents. Where a respondent fails to participate in the

ITC proceeding and the complainant seeks relief only against that particular respondent, the Commission is given the right to accept the allegations of the complaint as true. The Commission could then grant the requested relief without taking further evidence. Furthermore, if there is no respondent who participates in the Commission's investigation and the complainant seeks a general exclusion order, the Commission can grant the requested relief and grant the general exclusion order if the "violation is established by substantial, reliable and probative evidence."

The changes made by the "Omnibus Trade and Competitiveness Act of 1988" clearly are of a significant nature. They are in effect now. There are, of course, other changes which that Act made in International Trade Commission proceedings but those set out above are sufficient to indicate the broad, sweeping character of the legislation which reflects - in turn - the depth of concern in the United States with the staggering trade deficit.

Working of Patented Inventions in Experiment or Research

Presented at PIPA 19th Congress
Japanese Group, Committee No. 4

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Abstract

Japanese Patent Law stipulates in Article 69-1 that "effect of patent right does not extend to working of patented invention for experiment/research", thereby limiting the effect of patent right. However, there are no stipulations in the law as to the objects and the allowable scope of such experiment/research. There are no related decisions.

This report examines the decision in re herbicide (July, 1987), comments on the objects and the limit in view of the intent of Article 69-1, presents case studies in which the definition of experiment/research would be relevant, and gives our views.

1. Introduction

The Japanese Patent Law protects those who published new technology (inventors) by granting an exclusive right called the patent right as a compensation, encourages publication of inventions, and aims at development of industry through technical advances based on published inventions and working of patented inventions as stated in Article 1:

> "The purpose of this Law shall be to encourage inventions by promoting their protection and utilization so as to contribute to the development of industry."

Article 68 of the Law further stipulates the effect of patent right more concretely and indicates that the patent right is an exclusive right:

A patentee shall have an exclusive right to commercially work the patented invention."

If the effect of patent right is recognized at all times, however, it may obstruct technical advance and prevent industrial development. The Law therefore stipulates the following in Article 69-1.

"The effect of the patent right shall not extend to the working of the patent right for the purposes of experiment or research."

The language which defines the reasonable scope of experiment/research under this article is not clear, and it is possible to interpret the scope either unreasonably large or narrow.

Experiments and research activities are widely conducted today at universities and industrial circles. It is an interesting question to see if the patent right extends to working of the patented invention in such experiments/researches, and if so, the limit thereof. There was rendered recently a very important decision concerning the scope of this exclusion of experiment/research which is relevant to Article 69-1. (Case Concerning Herbicide). There have been very few such decisions for many years. The decision is introduced here, particularly in view of interpretation of Article 69-1 and imaginary cases.

2. Discussion and Summary of the Decision

Case concerning Herbicide

Decision dated July 10, 1987; (WA) 7463 of 1985, (WA) 6428 of 1985, and (WA) 671 dated 1986

(Hereinafter preferred to Cases A, B and C.)

Outline of the Case[1)]

The plaintiff X (Monsanto Company) is a patentee of an invention related to herbicide for which a patent application was filed in October, 1971, published in February, 1981, and registered in November, 1981. One of the embodiments of the present invention is related to

"herbicide characterized in that it contains glyphosate as an effective constituent". The specification describes the use of aqueous solution of glyphosate as a herbicide, and that it may include other herbicides as a support. Therefore, an aqueous solution containing glyphosate and trimethylsulfonium hydroxide as a support which was known as a herbicide at the time of the oldest priority date of this invention meets the criteria of "a herbicide characterized in that it contains glyphosate as an effective constituent". The aqueous solution contains glyphosate ions and trimethylsulfonium ions, and these ions are effective as herbicides.

The defendant Y_1 (Stauffer Japan, Inc.) and Y_2 (Stauffer Chemical Company) consign tests on efficacy, side effects and residues to Association A which is not a party to the Case (Japanese Association of Research on Plant Regulators, Inc.) required for registrations of agricultural chemicals (Article 2 of the Law concerning Control of Agricultural Chemicals) for the herbicide imported to Japan by Y_1 for manufacture, import, use and assignment of "herbicides in a condensed aqueous solution containing salts of trimethylsulfonium ions of glyphosate" in Japan. Salts of trimethylsulfonium ions of glyphosate which is an effective constituent of said herbicide becomes dissociated to glyphosate ions and trimehtylsulfonium ions, and is therefore identical to X's herbicide in structure. Y_2 is the parent company of Y_1 and conducts tests for registration of agricultural chemicals in other countries (USA, West Germany, New Zealand) and has started sale of herbicides (UK). X has filed applications for injunctions of such tests or sales and won decisions in their favor. (UK, West Germany and New Zealand).

X has filed the suit against Y_1, etc. asserting infringement of the present patent right, and demanding (1) preventive injunction of the manufacture, import, use and assignment of the herbicide, (2) prohibition of consignment of tests and filing application for

registration of agricultural chemicals, and (3) destruction of herbicides in possession of Y_1 and Y_2.

Gist of the decision[2)]

(i) The compound of the patented invention and that of the defendants are deemed to be identical except for difference in indication of chemical formulas.

(ii) The defendants' herbicide falls within the technical scope of the patented invention.

(iii) The object of tests conducted for obtaining registration for sale of agricultural chemicals such as those conducted in the present case is not for technology advance but mainly for the sale of the defendants' herbicide. Therefore, it does not fall under "experiment or research" as mentioned in Article 69 of the Patent Law.

(iv) Under their patent right, the plaintiff may demand the preventive injunctions of manufacture, import, use and assignment of the defendants' herbicides and suspension of the consignment of tests to said Association. (Artile 100-1 of the Patent Law). The plaintiff may demand injunction of filing application for agricultural chemical registration under Article 100-2, the last paragraph, of the Patent Law. The plaintiff may demand destruction of the defendants' herbicides imported and possessed by the Defendant Y_1 as an article constituting infringement. (Article 100-2).

3. Discussion of Article 69-1 of the Patent Law

(1) Object of legislation

Article 69-1 stipulates that "the effect of patent right does not extend to working of the patented invention for experiment or research". The decision in the herbicide case discussed above teaches the following concerning the purpose of this Article.

"The original intent of the above Article is that experiments or researches are for facilitating advance of technology to the next stage, and not for production, assignment, etc. of the patented article, and extending the effect of patent right to such experiments or researches will obstruct the advance of technology."

The Patent Office is of the same opinion and the academia also supports this as an accepted theory.

(2) Scope of Experiment/Research

Article 69-1 of the Patent Law stipulates only "working of patented invention for experiment or research" as a scope to which the effect of patent right does not extend; and such a scope is not definite, and is currently determined by interpretation of the provision. Thus, there are chances of disputes arising between the patentee and those attempting working of the patented invention over interpretation of this article. Discussion of the scope of experiment/research under this article is therefore considered meaningful.

In determining the scope of working of the patented invention under Article 69-1, we must first consider Article 68. The article defines that "a patentee has an exclusive right to commercially work the patented invention". Thus, the patent right does not extend to working of the patented invention if the working was not for commercial purposes, irrespective of whether or not the working was for experiment or research. Regarding this point, there is a theory which holds working of the invention for experiment/research is often for non-commercial purposes, the patent right naturally does not extend to such cases, and the provision is for caution alone under the current law[3]. It is not necessarily clear what "working commercially" concretely means under the current law, but the prevailing theory[4] holds that the working other than for individual or home uses is working commercially. Since the scope of "commercial working" is

usually widely interpreted, experiments/researches in universities or public organs as well as in industrial circles are often regarded as working for commercial purposes. Accordingly, the presence of Article 69-1 which excludes experiment/research from working of the patented invention is quite meaningful.

In considering the scope of allowable experiment/research under Article 69-1, the point is in interpretation of the phrase "for experiment or research". We shall discuss the interpretation of the experiemnt/research separately from the objects and purposes.

(i) Limitation of the object of experiment/research

The problem here is whether the allowable object of experiment/research should be limited to the patented invention per se or whether working of the patented invention as a means of experiment/research is allowed.

Someno discusses this point as follows.[5)]

> Scope and volume of research and development are tremendous today, and the volume of experiment or research is also increasing. If the patented invention was to be used for free of charge for development of a new technology which is irrelevant to the patented invention, the value of the patented invention would be excessively impaired. For instance, if a precise analytical device of a patented invention were to be used for free, then it is clear that the limitation is essential as discussed above".

She thus argues that the object of experiment or research should be limited to the patented invention per se. Yoshifuji[6)] argues that working of the invention should be interpreted as "as" not as "for"; because

> if "for" was to be interpreted literally, it could be interpreted more extensively than being worked "as" experiment or research, and when thus interpreted, it may become excessively unreasonable.

In other words, when manufacture and use, etc. of the invention for tools and devices (such as an abrasion tester) for experiment or research were to be interpreted as being for experiment/research, then the act of conducting them commercially would fall outside the scope of patent right, and it would become almost meaningless to grant a patent to this kind of invention."

Another decision concerns the object of the experiment/research.

"As the commercial manufacture and sale of reliefs became difficult because of shortage of hard urethane, petrochemical raw material, a party intended to produce and sell dolls' heads and used silicone rubber to make a mould similar to the patented article, conducted trial productions and researches of making dolls' heads, and then subsequently started commercial manufacture and sale of the dolls' head produced by the mould which the party developed. The party's manufacture and use of the mould similar to the patented article are considered to have been made for experiment or research, and do not constitute an infringement of a patent right."

(Decision of Tokyo High Court dated January 30, 1984 (NE) 2956 of 1980).

This decision believed that the object of experiment/research is the mould of a dolls' head, and conforms to the theory discussed above in principle. (Provided, however, there is a view that the object of experiment/research as deemed by this decision is in the dolls' head per se, and the decision does not necessarily conform to the theory discussed above.)

Prevailing doctorines and decisions support that the objects of the experiment/research should be limited to the patented invention per se. We consider the above theory

most reasonable. In other words, Article 69-1 is a rule providing for exceptions with a purpose of not obstructing the advance of technology. When the intent of the law and the equity between the patentee and third parties are considered, the object of experiment/research under Article 69-1 should not be expanded without order, but should be limited to the patented invention per se. In West Germany, the object of "experimental use" is limited to the patented invention by law.

We recommend that Japan should also clearly stipulate the allowable object of experiment/research under the law in order to eliminate doubts.

(ii) Limitation in view of the purpose of experiment/research

We shall now review the experiment/research considered allowable under Article 69 in respect of their purpose.

The above discussed decision for the case concerning herbicide is an important one as it rendered judgement on the limitations on experiment/research in respect of their purposes. The point raised in this case was that whether or not the tests for efficacy, etc. required for registration under Article 2 of the Agricultural Chemicals Regulation Law are deemed the experiment under Article 69-1. The decision teaches the following:

(1) Article 69 of the Patent law stipulates that "effect of the patent right does not extend to working of a patented invention for experiment or research", but the intent of this provision is to encourage advance of the technology, and not to produce, assign, etc. of the article under patent. Extending the patent right to such experiment or research does hamper the technology advance, and in view of the intent of the provision, the test for registration as agricultural chemicals required for sale of the same as in the present case is not conducted for technology advance but is mainly for

sale of the defendants' herbicide, and should not be deemed as "experiment or research" as meant in Article 69 of the Patent Law.

It thus clarified that the allowable scope of experiment/research under Article 69 is subject to limitation in respect of the purposes of experiment/research.

Another precedent decision similar to the above teaches the following.

"Delivery of 20 pieces of glass breakers as samples to Osaka City Electric Power Bureau was made as presumption for a commercial transaction and these breakers were supplied for no other purpose than as the samples of their products --------- therefore manufacture of samples naturally is not deemed as working the patented invention for experiment, and effects of the patent right cannot be excluded in this case."

It showed that making an article as a sample and delivering it for working for test presupposes commercial transaction, and is not deemed as conducting it "for experiment".

These decisions, particularly that on the "case concerning herbicides", show that working of a patented invention intended not for technical advance but for commercial purposes alone is not deemed as working the patented invention under Article 69 of the Law. This thinking is considered quite natural in view of the intent of the law.

When the scope allowable for experiment/research is examined in view of the above object and restrictions of the experiment/research, we consider that the object of experiment/research is the patented invention per se and the purpose is for promoting technical progress are subject to experiment/research as provided in Article 69-1 of the Law, and the experiment research intended for realizing commercial and economical gains alone are not subjected to

said provision.

Those allowable experiments/researches by Article 69-1 based on the above view are researches improving and accelerating the patent invention, and researches for examining patentability and feasibility. On the other hand, we consider the researches not allowable under Article 69-1 include working of the invention accompanying data collection for official registration, and sale, exhibition and loan of patented reagents, devices, etc. describing them as for purpose of experiment/research. The sale of produces by working the patented invention as experiment/research also causes economic damages to patentees and naturally does not fall under Article 69-1.

4. Investigation of Assumed Cases

We would now like to discuss cases assumed by us in respect of an interesting question related to experiment/research (but without past decisions).

(1) During the life of a patent, the patented invention is worked by a third party as a preparation for commercially working it after expiration of the patent right.

This case should be judged in the light of the intent of Article 69-1. The working of a patented invention (making the patented product) during the life of the patent under the pretext of working it for experiment/research but actually in preparation for selling the patented product as soon as the patent expires should be deemed as not an experiment/research under the law since it does not aim at advance of technology.

Working the patented invention during its life, on the other hand, in preparation for the future is considered to fall under Article 69-1 if it was for accumulating knowhow for effectively working the patented invention and confirming the technical effect of the patented invention.

(2) Sale of reagent for experiment/research, or when a third party sells a patented compund A as a reagent for experiment/research

The sale of a compound A as a reagent is for gaining business profit and not for using it for experiment/research under Article 69-1, and would therefore constitute an infringement of the patent right in view of the decision in the Case concerning Herbicide. Offering the compound A as a sample for determining if A can be used as a reagent is also deemed as a business, and would constitute an infringement since Article 69-1 is not applicable. Purchase of the compound A as a reagent, on the other hand, is deemed as experiment/research under Article 69-1 since reviwing properties of A as a reagent falls within the scope of investigation of technical effect of the patented invention.

If the purchase was for use in an entirely different research and not for improving the compound A per se, then it is deemed not as an experiment/research under Article 69-1 since the compound per se is not the object of study. Thus, it would be deemed to constitute a patent infringement.

(3) Acquisition of application data during the extended patent term for pharmaceuticals, etc.

Collection of application data for pharmaceuticals, etc. during the original patent term is made for the purpose of manufacture and sale of the patented pharmaceuticals after expiration of the patent right, and is judged not applicable to experiment/research under Article 69 in view of the teachings of the above mentioned decision (Case concerning Herbicide).

The Japanese Patent Law extends the life of a patent for the maximum of 5 years under Article 67, but what about collection of data for registration of pharmaceuticals, etc. during this extension?

In this case, so long as the collection is for the ultimate purpose of working after expiration of the right,

Article 69 is not applicable and the act would therefore constitute an infringement.

On the other hand, if the application data were to be collected after expiration, it would be another 5 to 6 years before official registration is obtained for manufacture and sale by a third party, and it would mean that the patentee is given an extension of his right in substance during these years. If these 5 to 6 years were added to the official extendable period of 5 years, the patent life would be extended by almost 10 years in substance, providing an excessive protection to the patentee. Under the US Patent Law, Section 271-e(1) and e(2), an application for approval of pharmaceuticals related to a patented invention constitutes an infringement only when the working is scheduled to take place prior to expiration of the term, thus defining the scope which would constitute an infringement. This is quite significant and suggests the need for a similar provision in Japan.

(4) Working in universities and public organs

In considering the working of patented inventions in universities and public organs, we must first determine whether working in such institutions constitutes "commercial working" of the invention or not. If "commercial working" was interpreted as working except for individual and home use as above discussed, then many of experiments or researches in these institutions would also be deemed as "commercial working". Researches in universities and public organs are generally done for the purpose of advancing tehcnology and often not for selling the patented article. Thus, they may be considered to fall subject to experiment/research under Article 69 the Law.

Assuming that a university or a public organ is "commercially" working the invention, the next question is whether or not such working is the experiment or research under Article 69. Generally, universities and public organs usually conduct researches for advancing the technology and for selling the patented article. Thus, we

may consider them as falling under Article 69.

What about the experiment/research consigned by private corporations to universities and public organs? Assuming a patented invention was worked under the title of experiment/research, if the objective was for commercially working the patented article, then we should refer to the above mentioned decision on herbicide.

> In the present case, however, ------- Y_1, etc. do not conduct the test by themselves, but consign it to a public organ which is not a party to this trial. The said association is a public organ which conducts tests as a specialist organ when consigned such tests irrespective of whether they infringe a patent right or not. In such a case, Y_1 etc. may be deemed as manipulating the said association which is a public organ and not a party to the trial for its own purposes and causing them to conduct the test."

In the light of this decision, we believe that when a university or a public organ works a patented invention calling it an experiment/research for the purpose of commercially working the patented article, then it should not be deemed as an experiment/research under Article 69 and the enterprise should be deemed as an infringer.

(5) Utilizing the patented article in the stage of research, manufacturing an entirely different article from the Article, and conducting business in the area of biotechnology

An example is where a patented microorganism is combined with another microorganism by cell fusion to obtain fused strains which are quite different from parent microorganisms and the obtained strains are used commercially.

In considering the cell fusion, the purpose is to manufacture fused strains having properties of the parent strains but improved over the parent strains; thus this is a study on improvement and falls naturally under Article 69-1.

When conducting the business using fused strains, does the patent right for the parent strains extend to the fused strain? If the properties of the parent strains are transmitted to the fused strains and there exists a relation of use between the two, then we believe that the patent right of the parent strains undoubtedly extends to the fused strains.

What about the case where the properties of the parent strains and the fused strains are different and there is no relation of use between the two when the properties of the two strain are compared?

A theory holds that there is always a relation of use between the parent strains and the fused strains irrespective of the differences in properties, and we second this theory. If there are large differences between the properties of the two strains and there is no use relation between the two, then preparation of the fused strains would be regarded as not constituting an infringement since it is for experiment/research and the party who prepared them would be free of restrictions of the parent strains in working the fused strains. Thus, greater the difficulties in making the parent strains, greater are the disadvantages for the patentee.

If there are differences which would cease the relation of use depending on how they are viewed, an opinion holds that the fused strain is not an improvement of the parent strain, and that the latter was merely used as a part in making the former, irrespective of the above mentioned generally accepted theory.

In this case, preparation of fused strains naturally does not fall under Article 69-1, and the use of parent strains constitutes an infringement of the patent right.

If there exists no relation of use between the parent strains and the fused strains in their properties, it is not quite clear whether an infringement is constituted or not. Such a problem is likely to occur in respect of DNA, plasmid, host microorganisms and

transforming substances or in the areas other than biotechnology. The problem is further complicated by other factors which occur with change of themes, and sufficient discussion concerning these subjects is necessary.

5. Conclusion

The scope of experiment/research allowable under Article 69 of the Japanese Patent Law was discussed in view of a recent decision rendered in the case concerning herbicide and current doctrines. There are many cases where it is difficult to determine whether or not working of a patented invention can be deemed as experiment/research under Article 69-1 or whether or not it constitutes an infringement of the patent right, but the most important rule among the criteria for judgement is whether the experiment/research is for merely advancing the technology to the next step or for only commercially working the patented invention. It is reasonable to consider that the object of experiment/research is the patented invention per se and the purpose is for promoting technical progress are subject to experiment/research as provided in Article 69-1 of the Law, and the experiment research intended for realizing commercial and economical gains alone are not subjected to said provision.

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THE EXPERIMENTAL USE EXCEPTION TO PATENT INFRINGEMENT

Pacific Industrial Property Association

Toba City, Japan

October 1988

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Upjohn Company

PIPA COMMITTEE NO. 4

THE EXPERIMENTAL USE EXCEPTION TO PATENT INFRINGEMENT - *A Safe Harbor for Research, or a Means To Avoid Patent Infringement?*

Lawrence T. Welch[1]

Every patent system has as its major objective the promotion of innovation, for the ultimate benefit of the public. To do this, the government grants a limited property right to the creators of useful inventions. As part of the bargain, the patentee must bring this knowledge to the public. The public thus benefits in at least two ways: it has access to the invention itself, through the exploitation of the limited property right of the inventor; and it has access to the knowledge generated during the creation of the invention. However, the public is granted access to the former during the term of the patent only if the inventor chooses to sell his invention;[2] and the public gets the invention only at the price charged by the inventor. However, from the moment of grant, the public should

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1. International Patents Director, The Upjohn Company, Kalamazoo, Michigan. This is a paper prepared for Committee #4 of the American Group of the Pacific Industrial Property Association (PIPA), to be presented at the PIPA Congress in Toba City, Japan, October 5 through 7, 1988. The assistance of Paul J. Koivuniemi and Sidney B. Williams, Jr., of the Corporate Patents and Trademarks Department of The Upjohn Company, is gratefully acknowledged. The views expressed herein are those of the author and do not necessarily represent the views of The Upjohn Company.

2. Further, the patentee can only bring the invention to the public if he is not prevented from selling his invention due to dominant patent rights of another party.

be entitled to the use of the knowledge in the patent, to promote further research. To accomplish this objective, major patent systems of the world have had to design a means for third parties to conduct research without infringing upon the rights of the patentee. While many jurisdictions have done this through statute[3], the U.S. experimental use exception is essentially all based on case law development. A narrow exception to this is 35 USC 271(e), which was designed to allow generic drug companies to undertake whatever preparations are necessary to begin commercial sales of a generic drug as soon as the patent on the pioneer product has expired.[4]

The present paper will analyze the case law development of the experimental use exception, including the most recent cases on the point; the limits of the experimental use exception under 35 USC 271(e); and some recent legislative initiatives to expand the experimental use exception to other areas.

HISTORICAL BACKGROUND

The experimental use exception to patent infringement[5] dates back to 1813 and the Massachusetts Federal Circuit Court case of

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3. See, e.g., Article 69 (1) of the Japanese patent law which states "The effect of the patent right shall not extend to the working of the patent right for the purposes of experiment or research."

4. The limits of this exception are still being defined by case law, as will be discussed below.

5. There is another is another kind of experimental use exception in U.S. law relating to whether an invention was in public use or on sale prior to the critical dates codified in 35 USC 102(a). This type of experimental use exception is outside the scope of the present paper. There is much more case law on this point, however, since this is often an issue relating to patent validity during litigation.

Whittemore v. Cutter,[6] written by visiting Supreme Court Justice Story. The defendant had objected to a jury instruction that, in order to find infringement, there must be an intent to use the invention for profit. In overruling the objection, Justice Story stated:

> It could never have been the intention of the legislature to punish a man who constructed such a machine merely for philosophical experiments, or for the purpose of ascertaining the sufficiency of the machine to produce its described effects.[7]

Justice Story later referred to and expanded upon his own precedent in *Sawin v. Guild*[8], wherein he noted that in order for there to be infringement, the making of the invention must be:

> with an intent to use for profit, and not for the mere purpose of philosophical experiment, or to ascertain the verity and exactness of the specification. *Whittemore v. Cutter*. In other words,... the making must be with an intent to infringe the patent right, and deprive the owner of the lawful rewards of his discovery.[9]

While some have argued that the above statements are dicta[10], nonetheless the above cases are the basis for all of the case law developments in this area. Thus, the test for experimental use, as first formulated, was that the use must be for the purpose of "philosophical" experimentation or to determine the "verity and

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6. 29 F. Cas. 1120, 1121 (No. 17,600) C.C.D. Mass. 1813).

7. Id, ar 1121.

8. 21 Fed. Cas. 554 (No.12,391) (C.C.D. Mass. 1813).

9. Id. at 555.

10. See, Bee, "Experimental Use as an Act of Patent Infringement," 32 J.P.O.S. 357,364 (1957).

exactness" of the patent specification, and must not be intended for profit. While there has been a number of cases interpreting and refining this test, the precise limits of the exception are still not clear.

For those of us advising businesses engaged in research and development activity with the ultimate objective of producing goods and services for profit, the question is, when does experimentation leave the realm of the "philosophical" and become a vehicle for obtaining profits?

ADAPTION OF PATENTED INVENTION TO EXPERIMENTER'S BUSINESS

Historically, cases which have found infringement despite a defense of experimental use have done so where it was clear that any experimentation that was done was merely to insure the patented invention was suitable to the defendant's business.

Thus, for example, in an early New York case[11], infringement was found where the product of the experiment was sold. Similarly, where the patented machine was used by the defendant to sell his own patent, and the defendant organized a company to sell products using the patented machine, infringement was found.[12] The key, according to the court, is that there must be an intent to use the invention for profit. Even where the patentee had made a public offer to license the patent, infringement was found when the as yet unlicensed defendant performed the patented

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11. *Poppenhusen v. New York Gutta Percha Comb Co.*, 19 F. Cas. 1059, 1063 (No. 11,283) (C.C.S.D.N.Y. 1858).

12. *Bonsack Machine v. Underwood*, 73 F. 206 (E.D.N.C. 1896).

process to determine its desirability.[13]

In *Radio Corp. of America v. Andrea*[14], the defendant was a manufacturer of radio parts, which it shipped abroad for assembly. Prior to shipment, it assembled the parts in the plaintiff's patented configuration to test the parts. This testing was held not to be experimentation within the scope of the exception. The intention of the defendant to use the invention of the patent for its own profit was quite clear in this case.

A more generalized test is set forth in *Douglas v. United States*[15], wherein it is noted that the legal maxim "de minimus non curat lex" applies, i.e., the law does not concern itself with trifles. The court of claims noted that the defense to patent infringement never prevails where there is a systematic, prolonged exploitation of the patented devices to further the legitimate interest of the user.[16] This, despite the fact that the legitimate interests of the defendant user in that case (the U.S. Government) was clearly not for monetary profit.

However, perhaps the best example of experimentation of a type not intended to be included in the exception is *Roche v. Bolar*[17]. While the holding of this case has been legislatively

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13. *Clerk v. Tannage Patent Co.*, 84 F. 643 (3d Cir 1890). Query as to why this is not experimentation to determine the "veracity and exactness" of the specification.

14. 90 F. 2d 612, 34 USPQ 312 (2d Cir. 1937, aff'g 15 F. Supp 685, 30 USPQ 194 (E.D. N.Y. 1936).

15. 181 USPQ 170, 176-177(Ct. Cl. Trial Div. 1974).

16. Id.

17. 733 F.2d 858, 221 USPQ 937 (Fed. Cir. 1984).

overruled in the case of human pharmaceuticals[18], nonetheless, the decision gives the best insight into the treatment of this exception by the Federal Circuit. The facts are simple. The defendant, Bolar, was a generic drug company seeking to enter the market for the plaintiff's patented drug as soon as the patent expired. Since the marketing of drugs requires approval of the U.S. Food and Drug Administration (FDA), Bolar obtained the drug from a foreign source and began generating the data necessary for approval prior to the expiration of the patent. Plaintiff Roche sued, seeking to enjoin these acts as patent infringement. After reviewing the case law on experimental use, the Federal Circuit held the exception to be "truly narrow," and declined to extend it to the facts of this case. In so holding, the court noted that Bolar's intended experimental use was "solely for business reasons" and was not for "amusement, to satisfy idle curiosity, or for strictly philosophical inquiry." The following passage perhaps best summarizes the philosophy of the court:

> [U]nlicensed experiments conducted with a view to the adaption of the patented invention to the experimenter's business is a violation of the rights of the patentee to exclude others from using his patented invention. It...is a misnomer to call the intended use de minimus. It is no trifle in its economic effect on the parties. It is no dilettante affair such as Justice Story envisioned. We cannot construe the experimental use rule so broadly as to allow a violation of the patent laws in the guise of 'scientific inquiry,' when that inquiry has definite, cognizable, and not insubstantial commercial purposes.[19]

PROFIT MAY NOT MEAN MONEY

There is a series of cases involving the U.S. Government

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18. See, 35 USC 271 (e), discussed *infra*.

19. *Bolar, supra, 221 USPQ at 941.*

which hold that for a use of a patented invention to be for "profit" it does not have to mean that the infringer made money from the use. Thus, for example, in *Pitcairn v. United States*[20], the defendant (the U.S. Government) asked that any of the patented helicopters that were used for testing, evaluational, demonstrational, or experimental purposes be excluded from the list of aircraft for which infringement compensation would be ordered. The Court of Claims declined to do so, holding that all of the helicopters should be included. In so doing, the court noted:

> Use for such purposes is use by or for the Government and is compensable... Tests, demonstrations, and experiments of such nature are intended uses of the infringing aircraft manufactured for the defendant and are in keeping with the legitimate business of the using agency. Experimental use is not a defense in the present litigation.[21]

Similarly, *Douglas v. United States*[22], discussed above, held that the Government use was not within the exception, where the government bought six airplanes and eleven replacement engines that were within the plaintiff's patents. The court noted that "each use was in keeping with the legitimate business of the using agency and served a valuable governmental and public purpose."[23]

A similar result should apply to uses of patented inventions within corporations, where the use is not to improve the invention itself but is for another internal purpose of the corpora-

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20. 188 USPQ 35, 47 (Ct. Cl. Trial Div. 1975)

21. Id.

22. 181 USPQ 170, 176-77 (Ct Cl. Trial Div. 1974)

23. Id.

tion.

SMALL, INCIDENTAL USES SHOULD BE EXEMPT

Where the use is insignificant, however, courts are more likely to hold the exception applies. Thus, where the defendant admitted using the patented invention for a single application, the court refused to grant summary judgment, holding that the application of the experimental use defense was a question of fact.[24] After trial, the single use was held not to constitute an infringement, the court stating that the doctrine of *de minimus non curat lex* applied to these facts.

THE DRUG EXEMPTION (35 USC 271(e))

As a result of the *Bolar* decision noted above, the generic drug companies began to lobby Congress to change the law so that they would be permitted to undertake the necessary steps to prepare for marketing of patented drugs prior to the expiration of the patent, arguing that the regulatory laws unfairly extended the patent term. Their efforts were successful during the drafting and passage of the Drug Price Competition and Patent Term Restoration Act of 1984. One of the compromises in this legislation[25], which provided for the extension of patent terms for the period lost due to regulatory delays, overruled the *Bolar* decision. 35 USC 271(e)(1) states:

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24. *Finney v. United States*, 178 USPQ 235 (Ct. Cl. Trial Div. 1973)

25. Another compromise is the ability of generic drug companies to file Abbreviated New Drug Applications (ANDA's) which allow a company to obtain regulatory approval by showing bioequivalence to the innovator's product, and relying on the innovator's New Drug Application (NDA) for safety and efficacy.

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> It shall not be an act of infringement to make, use or sell a patented invention, (other that a new animal drug or veterinary biological product...) solely for use reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use or sale of drugs.

At the same time, the law defined a new class of infringement in 271(e)(2), which notes that the submission of a New Drug Application or an Abbreviated New Drug Application for a drug or a use of a drug claimed in a patent shall be an act of infringement if the purpose of the submission is to engage in the commercial manufacture, use or sale of the drug prior to the expiration of the patent.

There have been few decided cases on the scope of this legislation. Two cases on this issue involved the Scripps Institute. The first case is *Scripps Clinic & Research Foundation v. Genentech, Inc.*[26] Scripps sued Genentech on its patent claiming a concentrated and purified form of blood clotting factor VIII:C. Among Genentech's defenses was that any of their use of Factor VIII which would otherwise infringe the claims of Scripps' patents was within the exception of 271(e). Genentech acknowledged that while its activities were not "solely" for the development and submission of information to the FDA, they bore a "reasonable relationship" to such purposes. Among the reasons for the infringing activities performed by Genentech were the preparation of a patent application and the development of a commercial scale process for manufacturing the product. The court noted the legislative history of the act, which states:

> "The only activity...permitted is a limited amount of testing so that generic manufacturers can establish the

26. 666 F.Supp. 1379, 3 USPQ 2d 1481 (N.D. Calif. 1987).

bioequivalency of a generic substitute.[27]

The court thus held that Genentech's sales and uses of factor VIII:C, which served multiple purposes unrelated to meeting FDA requirements, "clearly lie beyond the protection of 271(e)(1)."[28] However, in *Scripps Clinic & Research Foundation v. Baxter Travenol, Inc.*,[29] the court held, on similar facts, that the question was not clearly answered by the legislative history and refused to dismiss a defense on this issue, noting that factual issues remained. In so doing, the court noted:

> "The scope of section 271(e)(1) presents a question of law that has no clear answer...It is clear that section 271(e)(1) now condones...activities related to gathering information under laws regulating the marketing of drugs. It is also clear that section 271(e)(1) applies only to drugs, not to medical devices.[30] What is still unclear is what is meant by the phrase 'solely for uses reasonably related to' gathering and submitting information and whether Section 271(e)(1) should apply even if the data are also given to foreign regulatory agencies."

Noting that Baxter was gathering data which might be used for possible foreign product registration, the court went on:

> "The question of law, then, is whether any foreign activities can be 'reasonably related' to FDA drug approval. If not, then Baxter's activities would fall outside of section 271(e)(1) and Baxter's defense would be insufficient. The legislative history does not provide guidance on what activities are 'reasonably related' to FDA drug approval. Judge Schwarzer was

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27. *Scripps, supra, 3 USPQ 2nd at 1493.*

28. *Ibid.* at 1493.

29. 1988 U.S. Dist. LEXIS 1972 (D.Del 1988).

30. The court cited *Eli Lilly & Co. v. Medtronic, Inc.*, No. 83-5393, slip op. (E.D. Pa. Dec. 7, 1987) on this point.

> faced with this issue, but he interpreted the statute to only cover activities that were 'solely related' to FDA approval and did not consider what acts are 'reasonably related' to it. *Scripps v. Genentech*, 666 F.Supp. at 1396 ('Even if the uses to which Genentech and Cutter put the Factor VIII:C were reasonably related to meeting FDA requirements, they certainly were not solely related to that purpose.') This question must be more fully developed before the Court can decide it."

Thus, the district courts appear split on this issue.

LEGISLATIVE DEVELOPMENTS

Recently, an attempt was made in Congress to add an additional, narrow exception to patent infringement in the case of research with transgenic animals. H.R. 4970 was introduced on June 30, 1988 by Congressman Kastenmeier. It would add new paragraphs (g) and (h) to 35 USC 271. Proposed paragraph 271(g) states that it shall not be an act of infringement to make or use a patented invention "consisting of a genetically altered animal solely for research or experimentation without any commercial intent or purpose." Frankly, this would seem to be a codification of the existing law for all types of inventions, as discussed above. The provision goes on to state that the making or using of a patented invention consisting of a genetically altered animal solely for the development and submission of information under a Federal law which requires pre-market approval of the patented invention is "not to be considered a making or using with a commercial intent or purpose." This makes even less sense. Clearly, such activity would otherwise be considered as having a commercial intent. If the purpose of the proposed law is to exempt some form of pre-market activity, there are more direct ways of doing so. If this is the purpose, it is very obscure. Section 271(e) was enacted as part of a compromise

allowing innovator companies to extend their patent terms for the period of regulatory delay. In return, the generic companies were be allowed to make the preparations necessary to market the drug as soon as the patent expires. Inventors of transgenic animals cannot get patents extended, and thus it does not seem necessary to allow third parties to prepare to market a patented invention prior to patent expiration.

Proposed section 271(h) would exempt "small"[31] and "family"[32] farmers from infringement in all cases involving transgenic animals.

This, it appears the major thrust of this legislation is to protect farmers. Arguably, there are better, more direct means of doing this.

At the time this paper was prepared, all of these provisions have been dropped from pending legislation.

USING PATENTED INVENTIONS FOR EXPERIMENTAL PURPOSES IS DIFFERENT THAN EXPERIMENTING ON THEM

As one commentator has aptly put it[33], the critical distinction may be that experimenting <u>on</u> patented inventions should be permitted, but using the patented inventions <u>for</u> other research should not. The rationale here is that in the former case, improvements to the patented technology should result, consistent with the purposes of the patent system, while in the latter case

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31. Defined as a person earning less that $500,000 per year in gross receipts.

32. Defined as an enterprise where all of the management and a major portion of the labor is provided by one family, and the gross receipts are less than $2,000,000 per year.

33. Hantmann, "Experimental Use as an Exception to Patent Infringement," 67 J.P.T.O.S. 617,639 (1985).

they may not. Further, experimenting on a patented invention does not result in a profit from the infringement of the patent, will add to the knowledge in the public domain, and may result in the generation of new and/or improved inventions. Using a patented invention for other purposes may simply amount to a "free ride" with someone else's technology.

CONCLUSION

The following factors seem to be most important in determining whether a particular action falls within the experimental use exception :

(1) whether the use is to improve the patented invention, or merely to adapt it to the experimenter's own business;

(2) whether the immediate motive of the experimenter is the furtherance of knowledge, or the achievement of some other objective of the experimenter (i.e., "profit," as broadly defined by the case law);

(3) whether the use is of long duration or is merely a short, "de minimus" use; and

(4) whether the use falls within a statutory exception (currently only 35 USC 271(e)).

The experimental use exception is a necessary part of any patent system. Within the appropriate limits as described above, it strikes a proper balance between the patentee's right to exclude others and the public's need to advance science and technology.

Exclusion of Invalidating Factors after Grant of Patent by Patentee

Presented at PIPA 19th Congress
Japanese Group, Committee No. 4

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(Speaker)

Abstract

A patentee may resort to a trial for correction for exclusion of invalidating factors if the patent specification is found to be defective after grant. Corrections may be restricted in that the scope of rights cannot be made broader than those granted, but they are advantageous in that the decision of invalidation may be overruled. The use of this system is extremely limited compared to the re-issue system in the US. This report discusses the overall use status of the system for trial for correction, the manner of use by patentees for excluding invalidating factors, and the limit of corrections allowed.

I: Need for Exclusion of Invalidating Factors

Compared to the patent system in the US, invalidating factors are often excluded in the stage of examination in Japan:

(1) A prior art search should be conducted prior to filing, and reference to pertinent prior art is required in the specification by rule.

(2) As the examination is initiated upon filing of the request for examination, if factors for invalidation are found, the usual practice is either to file the request after amending the application or not to file the request.

(3) For a Japanese application of which corresponding applications have been filed abroad, searches and examinations are conducted earlier in foreign countries than in Japan, to thus enable exclusion of invalidating factors prior to filing of the request for examination.

(4) Prior to initiating substantial examination, the Patent Office requires another prior art search concurrently with examination by interview.

(5) The Japanese Kokoku published invention is offered to examination by the public under the opposition system.

Since the United States lacks systems corresponding to (2), (3) and (5) above, Japan has fewer defective patents issued than in the US.

After issuance, there is an extremely slight chance that such invalidating factors will surface and become apparent, for the reasons stated below.

(1) Under the Japanese patent system, a patentee uses the patent right not as a weapon for attacking others but for exclusively working the invention.

(2) When attempting enforcement of the right, the matter is often taken up by consultation among parties.

(3) A third party generally resorts to the opposition system in the stage of Kokoku publication if he wishes to invalidate the right by uncovering invalidating factors. It is generally the case that resort to an invalidation trial is attempted only when the opposition fails or when contesting the enforcement of the right.

II: Trial for Correction

There are very few instances for the patentee to attempt exclusion of invalidating factors after the grant

of a patent, but there is a legal system called a "trial for correction".

Section 126: A patentee may demand a trial for correction of the specification or drawings attached to a request only where such correction has any of the following objects:

I: Reduction of claim;

II: Correction of errors;

III: Clarification of ambiguous description.

2. Correction of the specification or drawings under the preceding subsection may not be such as to substantially enlarge or modify the claim or claims.

3. In the case of subsection 1-I, an invention comprising the features described in the corrected claim must be one which could have been patented independently at the time of filing of the patent application.

4. A trial under subsection I may be demanded even after the expiration of the patent right. However, this provision shall not apply after the patent has been invalidated in a trial under Section 123-(1).

A trial for correction is for the patentee to voluntarily correct his patented invention, and the scope for correction is substantially the same as the scope for amendment allowed after mailing of the true copy of the decision for publication (except for the requirement under subsection 3). It is different from the amendment allowed during examination in that there is no time limit. (Demands can be made at any time, except where the trial decision of invalidation has been irrevocably established.) (See above).

The trial for correction may be used for explaining ambiguous descriptions or correcting errors in order to prevent infringement by third parties.

Rather than for such positive purposes, the trial for correction is more significant if used as a means of defending the patent when an invalidation trial is filed or a decision of invalidation is received, for putting the

specification in an impeccable state or for avoiding attacks. More concretely, a patent with a defective part is amended by deleting the defective part, to prevent invalidation of the patent in whole.

Matsunaga termed the former an "active trial for correction" (for preventing access by others by amending a patentee's own right) and the latter a "passive trial for correction" (for defending oneself against an invalidation trial).

III: Status of Use

The incidence of Japanese corporations' utilizing the trial for correction is extremely low compared to their use of other systems. According to the survey concerning trials for 12 years between 1970 and 1981 conducted by Patent Committee 1 of the Japan Patent Association in 1982, the ratio of trials for correction to the total number of trials is 0.6% based on the number of demands and 0.8% based on the number processed, approximately 25% of the number of invalidation trials, and the average time required for processing is less than 2 years.

After 1982, the total number of trials increased although the number of trials for correction did not change, making the ratio of the latter to the former 0.3% based on the demands, 0.4% based on the number processed, and thus approximately 17% of the invalidation trials based on the number of demands.

Period	Trial for invalidation			Trial for correction			Total		
	Number demanded	Number processed	Number unprocessed	Number demanded	Number processed	Number unprocessed	Number demanded	Number processed	Number unprocessed
1970 - 1981 (average)	268	332	1038	66	75	181	11,518	9,240	46,038
1982 - 1986 (average)	493	438	1707	67	81	110	22,250	18,578	82,958

A breakdown of decisions in the correction trials published in the Japanese Official Gazette in 1986 for the 32 trials for patent corrections shows that 18 were found with grounds (56.3%) and 14 without grounds (43.7%). The demanders were 16 Japanese corporations, 5 Japanese individuals, and 11 foreign corporations. Decisions in the 29 utility model correction trials showed that 21 were found with grounds (72.4%), and 8 without grounds (27.6%). The demanders were 22 Japanese corporations and 7 Japanese individuals. In two cases a member corporation of PIPA filed demands for correction for active reasons. Although the reasons in the remaining cases for which the demands were filed by third parties is unknown, the high ratio of demands by foreign corporation may indicate their active interest in excluding invalidating factors.

IV: Limitations on Correction

The most critical point in the trial for correction lies in the scope for allowable correction. Many decisions strictly prohibit the expansion of the scope of rights. (See "Case concerning Phenothiazine Derivatives", "Case concerning Process of Manufacture for Rice Crackers", "Case concerning Dyestuff", and "Case concerning Trailer").

"Case concerning Phenothiazine Derivatives" sustained the Patent Office appeal decision which held that correcting the claim from "A is an alkylene group having branches" to "A is an alkylene group which may have branches" was an enlargement in substance.

"Case concerning Trailer" rejected an attempt to correct the invention by deleting a restrictive factor of "connector pin 13" from the invention constructed by coinciding three axial lines in order to include a construction where axial lines did not coincide; the three lines are the axial line which becomes the center line when the cultivator and the trailer turn to the left or right, the axial line C-C of the connector pin 13 which connects

the cultivator and the trailer, and the axial line of the vertical transmission axis passing through the point 17 at which forces are connected. Matsunaga commented as follows when this attempt was not allowed. (Decision of Tokyo High Court dated October 19, 1977, Case Gyoke 147 of 1973; Decision of Supreme Court dated May 1, 1980, Case Gyotsu 27, 28 of 1978):

"In an example of a trial for correction filed by the patentee to prevent infringement by third parties, the patentee gives clarification of ambiguities as a reason, trying to include an embodiment without a 'connector pin' which third parties are practising. This may be called 'active trial for correction'.

As a countermeasure in the invalidation trial, the applicant demanded a reduction of the scope of claim by specifically describing a construction related to a 'vertical transmission shaft' as a means of defense and a countermeasure. This correction was for reduction of the scope of claims by concretely specifying 'the vertical transmission shaft' in order to avoid a horizontal transmission of French Patent No. 965716 cited as a reason for invalidation and for distinguishing the two. This was truly a case of 'passive trial for correction'."

In the present case of the trial for correction, the active and the passive cases discussed above appeared concurrently, and resulted in non-allowance of a part for which correction was requested. The case is particularly unique in that the judgment of the conflict between the Patent Office and the decision by the Tokyo High Court was undertaken by the Supreme Court.

Concerning correction of translation or translation errors, a demand for correction based on the specification of the country of first filing was not allowed. See "Case concerning plastic material for a conductive mold" and "Case concerning organic polysiloxane composition with fluidity".

In "Case concerning plastic material for a

conductive mold", the demand for correction of volumetric ratio Rv from 0.0003 to 0.13" to "0.00003 to 0.13" in the claims was rejected as an enlargement in substance". (Decision of Tokyo High Court dated Feb. 25, 1954, Gyona 82 of 1954). In "Case concerning organic polysiloxane composition with fluidity", a demand for correction of "allyl group containing 1 to 18 carbon atoms" to "alkyl group containing 1 to 18 carbon atoms" was rejected as a modification in substance. (Decision of Tokyo High Court dated December 25, 1973: Gyoke 10 of 1979).

V: When Trial for Correction, Trial for Invalidation and Litigations are Concurrently Pending

It is the practice at the Japanese Patent Office to examine a trial for invalidation and that for invalidation for the same patent right by the same panel of judges. The Manual for Trial instructs that the trial for correction is examined first as a rule.

In actual disputes, it is often pointed out that a lengthy period of time is necessary when both an invalidation trial and a trial for correction are rendered, and the patentee can seriously consider a trial for correction before the time the litigation for revocation of invalidation is filed, or the decision invalidating the patent is expected certainly during which time the trial for correction is sustained by a patentee. The procedures of examinations for these trials is at the discretion of the Patent Office and the Court.

There are several precedent decisions which revoked invalidation decisions after the decision allowing claim correction by reduction has been issued. Superficially, in the decision, the patentee has recovered his right. A few of recent cases fall under this category; the decision in a trial for correction demanded by Mitsubishi Electric Co., concerning a vacuum cleaner overruled the decision in an invalidation trial demanded by Sanyo Electric Co., (Decision by Tokyo High Court: Gyoke 93 of 1985).

The famous "Polypropyrene Case" received a decision from the Patent Office invalidating the patent 251,846 owned by Montecacini. Four demands for invalidation of this patent were filed. Petitions for provisional disposition against Tokuyama Soda and Chisso were rejected. But as the demand for correction trial by Montecacini was allowed, the decision of invalidation was rejected, and the case was finally settled by conciliation.

The use of the system for trial for correction is extremely limited in Japan compared to the re-issue and re-examination system in the US. This may be partly because of the different scope of invalidating factors in the two countries, but is chiefly because the system of opposition is more actively utilized in Japan.

It is essential to precisely determine the scope of patent claims in the examination stage. A trial for correction filed in the face of an invalidation trial is not advantageous, since the trial for correction is not necessarily examined first and the litigation may be unnecessarily protracted. It is desirable that the trial for correction be more positively used as soon as any invalidating factors are found for important patents.

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THE USE OF REISSUE AND REEXAMINATION BY U.S. COMPANIES

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THE USE OF REISSUE AND REEXAMINATION BY U.S. COMPANIES

It is clear to all of us in this conference that the concept in U.S. Law of reexamination is here to stay. In this talk today I will provide an overview of the US the procedure for reexamination and contrast it with that of reissue. I will not focus on the disadvantages of either of these proceedings, although many commentators have criticized one or the other of them and have called for changes in the US Law. I will also briefly outline examples when the procedures have been useful and have been used by Merck in the United States, both on our own account and as a third party protestor. Finally, I will comment briefly on what I see as similarities to the opposition proceeding in the Japanese patent practice.

The virtues of reexamination are perhaps obvious but, nontheless, are valuable to summarize here. Briefly the procedure helps to reduce uncertainty as to the validity of a patent over references not previously of record. The procedure can be relatively rapid, and although not cheap, is inexpensive compared to litigation. This remedy is available for persons besides the patentees. It is limited to the use of references which are patents and printed publications. Citation of prior art not in printed or in patent form cannot be used to request reexamination.

Reexamination clearly provides a relatively inexpensive route and a service for the patentee and the public.

The key points in the reexamination procedure are the following:

1. Citation of Prior Art:

   Any person can cite additional prior art pointing out the applicability to the patentability of any claim of the patent. This art is then part of the patent file record. These citations can be made any time during the period of enforceability of the patent which in the US is the length of the term of the patent, normally seventeen (17) years, plus, the six years under the statute of limitation for bringing infringement action.

This citation of prior art is not in itself a request for reexamination. If formally acceptable, it is entered into the record and the Patent office notifies the patent owner that the citation of prior art has been entered. It is useful to remember that the originator of the prior art citation need not be identified. The rules permit exlusion of identification from the patent filing and kept confidential. If the citation of prior art is not proper, meaning that it is not limited to printed publications and patents,

it will not be entered in the patent file. Both the sender and the patent owner will be notified that prior art which is improper has been cited and is not being entered.

2. Request for Reexamination [1]

With the citation of art, request for reexamination is specifically made..

It is noted at this juncture that the Patent Office has no obligation to proceed to a reexamination. Following citation of prior art and request for examination, the commissioner has about three months to decide whether or not there is a substantial new question of patentability. The burden of proof is on the requester and this decision is final and not appealable. If the answer is 'no' then the patent can proceed through whatever enforcement proceedings the parties may wish to take. However, if the answer is 'yes' then the reexamination proceeds.

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[1] Attached to this paper is a photocopy of the summary in the United States Manual of Patent Examining Procedure, of the Reexamination Proceedings code to the particular Rules of Practice which apply to the reexamination.

In the case of a third party request, once reexamination is initiated, the patent owner may argue the reexamination order. If so, then the requester has the opportunity to respond within a limited period of time. However, if the patentee chooses not to argue at this juncture then, third party participation in the reexamination proceeding ceases.

It is important to emphasize here that there are disadvantages to being a third party who request reexamination as contrasted with the patentee. For the third party, procedurally it is not possible to participate beyond the citation of the prior art and a reply to the voluntary statement by the patent owner. No input is permitted by the requester for what is essentially the ex parte dialogue which continues beyond the citation of prior art, between the Patent office and the patentee. Therefore, it is extremely important when preparing a request for examination against a third party application to make it as unequivocal as possible; to be precise in the citation of the prior art and the applicability to the claims. The request for reexamination should be approached from a standpoint of being a complete brief against the patentability or the scope of the claims in question. It would be very dangerous to assume you can expand upon or add to prior art following the initial citation of prior art and request for reexamination.

Once reexamination commences before the Examiner it is essentially a ex parte prosecution between the Examiner and the patent owner. During these proceedings the patentee may amend patent claims, or present additional claims without broadening their scope. At termination of these proceedings each claim of the patent is certified as patentable or unpatentable as the Examiner decides.

I wish to suggest here that there is an additional advantage to the patentee which is not readily apparent from the outlined procedure: The ability, once in reexamination prosecution, to discuss non-printed art, or to make amendments for reasons other than those originally stated in the request for reexamination. This is precisely because the case is back in active prosecution, and any relevant facts or art can and should be considered by the Examiner in the ex parte phase. Of course, a third party requester could also add such formally unacceptable art to the discussion of cited printed art in the request, and hope the issue is raised during reexamination. You may wonder why a third party requester would be so motivated. Let me illustrate with the following hypothetical example.

Suppose a patent is issued and the third party is interested in licensing it, but a license is unavailable or available on unacceptable terms. The parties honestly have reasonable differences, based on printed publications not in the record, of the value of the patent. Possibly, also, there are conference proceedings or informal discussions known to both parties which are relevant to the invention. Shouldn't the third party requester cite both types of prior art, in the reasonable expectation that the Patent Office will grant reexamination. Assuming the dialogue between the parties continue during license negotiations, the patentee may realize an amendment, and possibly a more reasonable license, may be appropriate!

This illustration is an example of a major advantage of reexamination as a tool to review patent scope relatively quickly. I am sure others will occur to you. In biotechnology, for example both process and product patents are issued which may be too broad, in the view of a potential licensee, or even to a patentee, who appreciates relevant prior art after issuance.

At this point it useful to contrast the reexamination procedure with that of reissue. Reissue, which has existed in The United States statutes for many years, lacks the provision for even limited protest or participation by third parties. It is open only to the patent owner. It does permit broadenedclaims for the

first two years after issuance, but can be used anytime during the life of the patent to narrow the scope of the claims. Reissues can consider other problems besides prior art, such as Section 112 inadequacy.

For a patentee, there is an advantage in using the reexamination provision, when uncited prior art is not believed to affect the claims, but its absence from the record would be, at best a serious inconvenience in an infringement action. Reexamination, unlike reissue, permits the patentee to cite prior art which has not previously been considered, and present the art in such a way and with such documents that perhaps you invite the Examiner to reject the request for reexamination. The patent is strengthened, and fairly quickly.Although this is a gamble there would be major advantages to the patentee having taken such a course and succeeded in a quick resolution and disposition of the relevant prior art.

There could also be advantages for the third party, despite his limited ability to participate, in an reexamination proceeding. One which springs to mind, is based upon the claim interpretation rule which has been adopted for reexamination. The Court of Appeals for the Federal Circuit (CAFC) has held that during reexamination the claims of a patent must be given the broadest, reasonable interpretation: The Patent Office

cannot read limitations into the claims from the specification in order to save the claim validity and do justice between the parties as is sometimes done in infringement (In re Yamamoto, 740F 2 nd 1569, Federal Circuit 1984). The reasoning of the court was, as in the examination of a patent application the patent owner in a reexamination has the opportunity to amend his claims to overcome the rejection, so that the rule of interpretation applied in infringement suits is inappropriate. This ruling is potentially valuable, because if a patent owner must add limitations to the claims, an infringer may gain intervening rights.

Another aspect to be considered in engaging in third party reexaminations, is the extent to which you can lose by strengthening the patent. While the presumption of validity does not apply to patent claims during the reexamination proceeding as inconsistent with the purpose,upon termination of reexamination, the usual presumption of validity is strengthened in the subsequent court proceeding if the patent has survived. Thus, the adverse requester could suffer substantially from the application of the same prior art against the claims in a reexamination proceeding versus in the subsequent infringement action.

A final brief comment regarding US and Japanese laws: it has appeared to me as an American attorney that US reexamination is more similar to and shares many of the same advantages and disadvantages of a Japanese opposition proceedings. There is one main procedural difference which I see occurring and that is in the United States one theoretically can have a reexamination and an infringement suit both pending at the same time which will both continue on an independent course. The United States judges who have the infringement action in their jurisdictions will not stop the proceeding to wait and see what is happening in reexamination. I believe this contrasts with, what I think appears to be more the practice outside the United States in both Europe and Japan, that is, when an opposition proceeding is underway, the infringement action either will not be filed or will be stayed. In light of the fact that oppositions are probably going to become more common in Japan, and U.S. reexaminations will continue to increase, this difference should be kept in mind by practitioners.

In summary, reexamination has added significantly to U.S. practice, and probably will remain as a useful tool in addition to reissue.

Thank you.

SUMMARY OF REEXAMINATION PROVISIONS

