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1974 PIPA Kyoto Congress

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REPORT ON 1973 Activities

Shoji Matsui
Ex-President of Japanese Group

October 29, 1974

Ladies and Gentlemen! It is real pleasure to me to report some of the activities of PIPA but mainly those of the Japanese Group for the year of 1973.

The PIPA's 4th Annual Congress held a year ago in San Francisco was, indeed, a great success, with some thirty members of the Japanese Group participating in the event.

That Congress I believe left in all attendants a lasting impression, for it was the last Congress which Mr. Bennet, then the Staff Director, arranged for us all.

Following the retirement of Mr. Bennet, we faced the problem of how to run PIPA.

The Board of Governors of the American and Japanese Groups studied the problem and came up with the basic courses of action:

That, being a reverse of the old arrangement, the office of Overall President shall be assumed by

President of the Group of the country in which the Congress is held; and

That, as to Staff Director, the President's company shall take care of the duties of Staff Director in the case of the American Group while the Japanese Group shall continue to rely on the services of Mr. Okano as before. These basic courses of action were decided to be referred to the membership of each Group for approval.

Following the last Congress, the Japanese Group had an Assembly on the 9th day of November last year for report of San Francisco Congress.

Meanwhile, thanks to the effort of Mr. Okano, we could compile in a volume not only the papers presented to the Congress but all the papers which were dropped from the agenda due to time elements. I am sure that this material, already distributed to members of both American and Japanese Groups, proved of considerable value, for even the subjects dropped from the agenda were undoubtedly of great interest to members of both Groups.

At the Report Assembly of Japanese Group the changes in the basic mode of running PIPA that had become necessary by Mr. Bennet's retirement and the

amendments to Constitution and By-Laws were also explained to the members attended for evaluation and approval. In basic points, these changes were approved by the members present. At the same time, a letter recapitulating these changes in the mode of running PIPA was sent to each of the membership in preparation for the forthcoming ratification procedure, if necessary to be followed.

As we entered this calendar year, to prepare for this Kyoto Congress, the Committees were reorganized with candidates for the chairmanships. In parallel with this procedure, the Board of Governors of Japanese Group discussed the appointment of new Governors for the year 1974. On the 18th of March, at a General Assembly of the Japanese Group, the new Committee Chairmen were appointed and, at the same time, the Amendment to Constitution and By-Laws as proposed by the American Group was explained to the members. Meanwhile, we received from the American Group a report on the results of the General Assembly of the Group held on the 12th day of March. Then, on the first day of April, I could have my duties as President of PIPA and of Japanese Group taken over by the president incumbent, Mr. Suzuki.

In the aspect of overseas activities, a few members of the Japanese Group had an opportunity to attend, as observers from PIPA, the Tokyo meeting of PCT Interim Committee of WIPO which was held from the 22nd to the 27th of October last year.

During the past couple of years, I was given a number of opportunities to add to my personal relation with members of the American and Japanese Groups, and thanks to your advice and assistance, I could manage to discharge my assignments at any rate until my duties were taken over by Mr. Suzuki last April.

Now, with much expectation that the tie of friendship between the American and Japanese members will be further strengthened on this occasion of Kyoto Congress, I should like to sit and enjoy the fruitful results that will certainly be brought forth by the discussions which are about to be started.

Thank you very much for your attention.

KEYNOTE ADDRESS

by Masaaki Suzuki

President, P.I.P.A.

October 29, 1974 Kyoto

Distinguished Guests and Fellow Members!

It is a great privilege and honor for me to address our distinguished guests and members of the American and Japanese Groups.

This is the 5th General Meeting of Pacific Industrial Property Association.

Looking back upon the last four years, the first Organization and Working Meeting was held at Tokyo in March, 1970. At that meeting, proposed modifications of the American and Japanese Patent Laws were reported and many aspects of Patent Cooperation Treaty and European Patent Convention were discussed.

In May, 1971, the 2nd General Meeting was held at Washington, D.C., and various opinions were exchanged as to prosecutions of the patent and trademark applications, legal protection of the software, licensing practices and views on the United States Anti-trust Law. Also, proposed model clause on arbitration and mediation was presented.

At the third General Meeting held in May, 1972, at Tokyo, there were valuable discussions about practices in patent applications and litigations, and export and import restrictions on technology. Especially, report on the usefulness of arbitration and mediation gave us a deep impression, and it was proposed that this problem be further studied in a designated committee.

The 4th General Meeting was held at San Francisco in October, 1973. As regards the arbitration and mediation in

patent matters, a result of a rather extensive survey taken by the Japanese Group was presented and it was agreed that diligent discussions to attempt to bring a suitable conciliation plan to fruition be continued. Also, there were lively discussions as to interpretation of claims for infringement purposes, trademark problems on parallel importation of genuine goods and licensing of know-how.

Turning now to international activities, as to the Patent Cooperation Treaty, we sent representatives to the Washington Diplomatic Conference held in 1970 and to Tokyo Interim Committee held in 1973, while as to the Trademark Registration Treaty, our representatives attended the Vienna Diplomatic Conference. In 1973, we sent written opinions to the Philippine government against a move to revise her patent law.

These activities of PIPA during the last four years have made much contribution to the fulfilment of the objects and purposes of the Association, that is,

- to provide an exchange of information regarding industrial properties, and laws, regulations and practices therein, and
- to bring to focus expert opinions regarding treaties, laws, regulations and practices, and proposals for such measures relating to industrial properties.

Also, the activities of PIPA have contributed to many other achievements such as

- the mutual understanding and friendship among the members of the American and Japanese Groups by virtue of the personal acquaintances gained at the General Meet

ings, and

- the fruitful results in their businesses.

As you know, since the end of last year, there have been caused differences in evaluation of natural resources between exporting and importing countries, and there has been a tendency of inflation in the economy of importing countries.

In Japan as in other countries, the rise in the prices of natural resources has been followed by serious rises in the commodity prices and wages, and the people in industry have made every endeavor to get through this crisis by the development of excellent technology.

On the other hand, in industry, there has been a great demand for the development of technology for minimizing the atmospheric pollution.

Under these circumstances, it is most important to effectively combine researches and developments with patents and to positively promote licensing of know-how as an industrial policy.

In this regard, I believe the businesses of the people here today are much expected by each industry and the responsibility imposed upon each of us is very great.

At this 5th General Meeting, we are going to have discussions regarding various problems such as revisions of the American and Japanese Patent Laws, licensing of patent and know-how, problems in connection with the operation of the European Patent System and so on. Also, rules and regulations for conciliations being long-pending will be proposed.

I sincerely hope that your active discussions will lead this Congress to a great success and , at the same time, I heartily

wish this Association to further grow so as to have a large voice in the field of the intellectual property rights in the world.

Thank you!

GREETING AT PIPA KYOTO CONGRESS-1974

Ken'ichiro Komai
Honorary Chairman

October 29, 1974

Mr. President, honored guests, fellow members, ladies and gentlemen, I would like to take this time to offer a few words of welcome to all of you for having attended this meeting. My name is Ken'ichiro Komai, and I am chairman of Hitachi, Ltd., and acting chairman of the Japan Patent Association. I deem it a great honor to have been appointed honorary chairman of the fifth International Congress of the Pacific Industrial Property Association. I offer my hearty hopes for the success of this meeting and want to give thanks to our fellow members for having come all the way from the United States.

Not many days have passed since this association was established with the leading corporations of Japan and the United States as its driving force. Through the hearty cooperation and effort of members at all levels, survey research and trials have been actively carried out on problems related to industrial property, especially those problems requiring international

cooperation, most outstanding among them, the Patent Cooperation Treaty. Reports on results were given to all members and if necessary the results were given to international organizations such as the World Intellectual Property Organization. These efforts were really remarkable and highly significant; and for such efforts I would like to express my appreciation to every one of you.

There has been a dramatic increase in developing nations membership in WIPO as well as the United Nations. It is also well known that the power of their voices is growing stronger and it is necessary for this association, for Japan and the United States, both industrialized countries, to pay careful attention to their ideas when dealing with these developing nations.

The Paris Convention with a history of over a century has come to be regarded as the charter for industrial property. But most underdeveloped countries feel that it should be revised due to the way in which it is thought to favor the industrialized nations. The Paris Convention's principles of mutual fairness and reciprocity are for us a convincing argument of its basic spirit. However, we think it important to keep the thinking of the developing countries in mind, and

we should give as much help to these nations in their industrial progress as possible. By doing this, we can have true co-existence and co-prosperity.

It is natural that we should give the utmost respect to international agreements and domestic laws, since these are made through the agreement of human beings. It is not always necessary to stick to history. Just as we are now going to discuss the revision of Japanese and United States' patent laws we have to consider reform that corresponds to the times. I hope that all of you will give thought to handling invention and know-how, a mutual property of the human race, and that you will also examine the various problems of what industrial property should be, from a world-wide viewpoint, to avoid unnecessary conflict. In this manner we can make a further contribution to the realization of world peace and human welfare.

I have confidence in the success of this congress and hope for further progress of the association.

Thank you very much.

TRANSFER OF TECHNOLOGY--THE U.S. AND JAPAN

(GREETING AT PIPA KYOTO CONGRESS-1974)

E.B. Erickson
Counselor for Commercial
Affairs, American Embassy,
Tokyo

The development of trade between the United States and Japan is a classical example of the theory that the larger the extent of technology transfers, the higher will be the degree of assimilation, the greater will be each country's demands for the other's products and hence the larger will be the volume of trade between them.

American public opinion in the post-war period has increasingly supported the concept of freer international trade together with the notion that the U.S. economy benefits rather than loses by greater economic growth and welfare in foreign countries. Rising protectionist sentiment in the early 1970's incorporate a new doctrine which could have serious international implications, and pressure have grown for the extension of technology restrictions. However, most recent studies by the U.S. Government indicate that international transfers of technology are a

powerful force in the dynamic process of integration between countries and the beneficial effects far outweigh the harmful effects.

While the U.S. has been concerned with the export of technology, Japan has been concerned with the importation of technology. Its export of technology is completely free and since July 1, 1974 the liberalization of import has been completely liberalized. The U.S. is by far the major exporter of technology to Japan, accounting for over 50 percent of the cases. It is not inappropriate to suggest that the transfer of technology, particularly from the U.S. has played a significant role in the growth of the economy of Japan.

Of special interest to the American members of P.I.P.A. will be Japan's goals in the development of its technology during the next several years. According to the Ministry of International Trade and Industry, creative technology development is essential and should be directed to meet the people's needs and enhance their welfare. Japan plans to develop its own technology and shift the stress toward the improvement of the people's livelihood. Spillover and multiplier effects from this new technology will be

welcomed by the U.S.

The role played by P.I.P.A. is appreciated by the U.S. Department of State--especially the P.I.P.A. has been of great assistance in supporting the U.S. ratification of industrial property conventions.

GREETING AT PIPA KYOTO CONGRESS-1974

Hideo Saito
Director General of the
Patent Office

October 29, 1974

Mr. President, honored guests, fellow members, ladies and gentlemen:

It gives me great pleasure to make an opening address for the 5th joint meeting of United States and Japanese members of the Pacific Industrial Property Association.

I find it very significant that those people concerned with industrial property in Japan and the United States have formed a strong and friendly relationship across the Pacific Ocean, can get together, have a friendly exchange of opinions and through such communication gain a better knowledge of each other's intentions.

As you are all well aware, the international situation concerning industrial property, including patents, is now at a turning point.

I believe this to be so from looking at the trends in PCT and TRT and in looking at what has occurred at

conferences related to them in recent years.

At the November, 1973 general meeting of WIPO and this year's meetings of the WIPO Coordination Committee, I had the strong feeling that the area of industrial property cannot remain outside the sphere of international politics and economy.

Today's events make me recall the revision of the Bern Treaty on copyright some number of years ago. As we are now in such period I feel it is significant that the members of this association from Japan and the United States can get together and promote mutual understanding.

At this time, I would like to take the opportunity to introduce some of the recent trends that have been occurring in industrial property in Japan.

As you all know, Japan adopted a system of early publication and request for examination on January 1, 1971. At that time there were 830,000 items, including patents and utility models in suspended application with an average disposal period of 5 years and 3 months. If the system had not been revised the number would have increased. Through the revision of the law there are now about 540,000 suspended applications and the average disposal period is less than three years.

Since the time limit for request for examinations has not yet expired, although I can't say with sufficient precision, the rate of requests for examination is lower than what was first predicted. In judging such situation we can see that the expected objectives of the revision have almost been achieved.

However, the number of publications and bulletins attendant upon early publications is extremely large and putting them in order will probably be a big problem from now on in cooperation with the PCT mini-document.

In July of this year, I visited the United States patent office for an exchange of opinion with Mr. Marshall Dann, and those who work under him. I was very interested to hear their views on a deferred examination system for possible adoption in the United States. I was also able to tell them some things about our experience.

What I want to talk about next is some of our present thinking on the revision of each of the law on industrial property rights.

First point is the problem concerning adoption of the substance patent and multi-claims system in the patent law and the utility models law.

The Japanese Patent Office, considering both domestic and foreign situations, has been undertaking an examination of this problem since August, 1971. The Industrial Property Review Council decided to adopt both of these in September of this year and they are now busily engaged in writing the articles of revision.

The bill for revision is to be introduced in an ordinary session of the Diet at the end of this year.

The second point concerns the problem of trademarks.

There were approximately 190,000 trademark applications in Japan during the 1973 fiscal year. This number is 3.3 times that of ten years ago. In the figures for fiscal 1972, the increase for the United States in ten years was only 39 percent, in Great Britain 32 percent, and in Germany there was a decrease of 4 percent.

In absolute figures, the applications for trademarks in Japan of 1971 were 4.3 times that of the United States, 9.1 times that for England and 7.5 times that of Germany.

Suspended applications in Japan at the end of August, 1974 were 510,000 and the average disposal period was 4 years and 3 months. This is exactly the same kind of situation that patents and utility models were in 4 or 5 years ago.

We began to examine how to get out of this situation in February of this year and at last reached a general proposal in September. In the Japanese trademark law, only the intent to use is necessary for registration, and it does not make any consideration whether the trademark used in fact.

Because the current system is assigned a duty to trace the actual use of trademarks after registration, it is estimated that we have the unfortunate situation where more than half of trademarks now registered are not in use.

By projected countermeasures, we intend to restrict the application and registration of trademarks which will not be used by returning to the original meaning of the trademark system, which protects the trademark, giving the ability to distinguish one product from another through its use, and by making use of trademarks obligatory.

This law will bring us much closer to the situation as provided for by the United States Trademark laws. I have heard that because of introduction of TRT, the U.S. has considered revising their law which will reverse the trend, making the situation more like the present one in Japan. As I mentioned before, I visited the U.S.

Patent Office in July, my chief purpose being to examine how the United States Trademark Laws are run and to have an exchange of opinions.

While each nation has had varied experience, it seems that those of the registration-type system are moving towards a use-type system and those of the use-type system are moving toward registration-type system. My impression is that the systems of the various nations, particularly those of the industrialized countries,are coming more and more to resemble each other.

The plan is that the intended revision of the trademark law will be presented to the December Diet session.

In addition to this there are an increasing number of problems for the Japanese Patent Office such as the classification of related documents, the computerization of office practices from application to registration, the mechanized reference of trademarks and so on.

The administration of patents in the domestic area is also coming to a turning point. However, we intend to continue to make efforts that will correspond with the demands of the times.

Finally, I would like to say that I am deeply impressed with the fact that this meeting is being held

in Kyoto. This area has played a great part in the formation of every important moment in our nation's history. As well as having been the capital for most of the nation's history and acting as an important switch point for the ages, it is the place which has fused the most refined in Japanese culture throughout the ages. I hope that this meeting will promote the mutual friendship of the members of the Japan-U.S. Industrial Property Association and that you fully enjoy the late fall of the old capital while we help in possibly writing another page in history.

GREETING AT PIPA KYOTO CONGRESS-1974

Chobei Takeda
President, Takeda Chemical
Industries, Ltd.

October 29, 1974

Mr. Komai, Honorable Chairman, the presidents of the American and the Japanese Group, the distinguished guests and all the members of Pacific Industrial Property Association:

It is a real pleasure to me that I was invited to the 5th annual Congress of the Association and to speak to you.

As the name speaks of itself, the supreme objects of PIPA, I understand, are to promote the improvement and development of industrial property systems from the viewpoint of industrialists in the countries surrounding the Pacific Ocean and to encourage the cooperation not only in economic affairs but also in the exchange of technology among these nations. I understand that, at present, the United States and Japan who have a fairly long history in the patent systems are jointly endeavoring to foster this Association.

Such a collaboration in the field of industrial properties is a matter for congratulation.

It is needless to say that to have a common field of discussion will help deepen our mutual understanding on professional matters. I think such an occasion is very important in itself and it also provides a locus of collaboration on a global scale.

It is apparent from the history of industrial development that an exchange of technology contributes to the development of economy and brings about technological improvements in different regions, thereby adding much to the welfare of mankind.

Particularly in the post-war development of Japanese industry and economy, the active technological introduction from the United States and advanced European countries was an indispensable motive power that made her industrial growth a reality. We cannot overlook the existence and application of a wholesome patent system as a contributive factor that enabled this brisk technological introduction to take place.

It seems to me that today the industrial property system everywhere is heading for more of an international harmoney. For instance, Patent Cooperation Treaty, European Patent Convention and Trademark

Treaty are recognized as the case of international cooperation.

In Japan, to make her systems up to date and more of international scale, the adoption of product patents and multiple claiming is now being realized in the near future, while the question of improving our trademark system is also under consideration. We believe that these revisions will be included in the agenda of forthcoming sessions of the National Diet.

I hear also in the United States, revision of the systems is under deliberation and I hope such revision will be directed for making the systems more international in character. Moves of this kind in any country are, of course, intended to make her domestic laws and institutions more suitable to her role as an industrial nation in the free world.

Such moves also reflect the determination of the particular nation to orient herself in the currents of international collaboration.

I think it is a very welcome trend that the industrial property systems are getting more and more unified on an international basis. In order that intangible properties such as inventions and new

devices may be afforded adequate protection everywhere in the world, it is desirable that the difference in more or less individualized systems among various countries will be minimized or that a unified system of patent law will be instituted and enforced across the political boundaries.

When such a picture is brought to life, the enterprises of various countries will be afforded chances of fair competition on equal terms. Should a rational international cooperation be sought in earnest and realized in the realms of politics, economy and society, then the dream of constructing a world nation named freedom and worthy of the name finally come true.

I hope that in the forthcoming sessions of this Congress, discussions and suggestions will be made by you experts along the line of international cooperation so that the results of the sessions will be fruitful for the benefit of all concerned.

Thank you very much.

"THE PRESENT SITUATION AND FUTURE PROSPECTS
OF PATENT ADMINISTRATION IN JAPAN"

Kotaro Otani
Engineer General
Japanese Patent Office

Ladies and Gentlemen:

It is my great pleasure and honor to have an opportunity to make a speech to you at this Kyoto International Congress of Pacific Industrial Property Association.

I would like to make a speech on the subject of "The present situation and future prospects of patent administration in Japan". As you probably know well, our patent system was revised and the present patent and utility model legislation came into force on January 1, 1971. The current legislation provides for filing of request for examination and for so called eighteen months publication of applications.

At the end of 1970, the number of pending patent and utility model applications was approximately 870,000 which meant a stockpile (backlog) of 5 years and 3 months measured by the examining capacity for patent and utility model at that time. The long delay in examination was causing much inconvenience to the applicants. But by adopting the above examination request

system, as well as instituting so called "compact prosecution" of applications filed under the old laws which I explained to you at the Tokyo Congress of PIPA 2 years ago, satisfactory results became apparent. At the end of June this year, the number of pending patent and utility model applications decreased to approximately 550,000 which is the total of pending applications under the old laws and those requested examination under the present laws. It means a stockpile of 2 years and 7 months by the present capacity for examination in our Patent Office. In other words, the processing has become accelerated. We hope that by the end of this fiscal year, which is the end of March next year, the final disposal will be given to the majority of applications filed under the old laws, though some part of such applications may be left over. In fact we have already begun examination of applications which were filed under the current laws in various technical fields and the number of fields has been increasing. Next year we expect to examine applications filed under the present laws in most of technical fields. In examination of applications filed under the present laws we will stop in principle the above mentioned "compact prosecution", such as giving priority of beginning examination of applications but deferring the final disposal if it was considered that thereafter prosecution of examination of such applications would take much time.

However, for instance, strengthening interviews with an applicant cannot substantially be said a part of "compact prosecution", so we shall keep them up.

Needless to say that we will make our every effort to increasing the number of examiners, strengthening the organization, and increasing efficiency in examination practices, etc. with the target of reduction in the near future of the pending number of applications to a stockpile of 2 years as measured by our examining capacity.

Next, I wish to mention the planning revision of our current patent legislation. You are probably aware that we are studying to grant patents to chemical and pharmaceutical products, as well as to foods and drinks, which are not patentable in Japan at present. These items are now patentable in most of developed countries, and also they are patentable by the European Patent Convention concluded last October.

Another point is the question of "multiple claims system for one invention". Providing "multiple claims system for one invention" clarifies the scope of patent right of a patentee, and gives convenience of interpretation of patent right to a third person. It is also necessary to adopt it for Japan to become a party to PCT.

We have already obtained the final report of the "Industrial Property Deliberative Council" in Japan on the revision of our current legislation, concerning the above 2 problems. We are now studying to make a draft legislation and a draft manual on practice based on the content of the above report. Further, the principle of multiple claims system for one device on utility model is included in the above report of the "Industrial Property Deliberative Council".

The above draft legislation is expected to be submitted to the next ordinary session of our National Diet. If progress is made as expected, deliberations will take place in the Diet session next spring.

Although it is outside my jurisdiction, I wish to add we are studying revision of our trademark law. The number of trademark applications in Japan is amounting to a tremendous figure, and its increase seems extraordinary. As our capacity for examining such applications did not match such an increase, we have approximately 500,000 pending applications as of the end of June this year which means a stockpile of 4 years and 3 months measured by our current examining capacity for trademark. Such delay in examination must be eliminated in view of the inconvenience to the applicants and also in view of our

future participation in TRT which was concluded in June last year. Therefore, with the aim of repressing trademark applications, particularly laying emphasis on the principle of use, we are studying the revision of our legislation. The interim report on the revision of the trademark law by the "Industrial Property Deliberative Council" was issued last month. If possible, we hope to present a draft revision to the next ordinary session of our National Diet, simultaneously with the draft legislation for patent and utility model.

Next we come to the affairs in the international fields:

We have already submitted to our National Diet for ratification of the Convention establishing WIPO, Stockholm Act of Paris Convention for the Protection of Industrial Property, and Additional Act of Stockholm of Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods, but the deliberations on them were not taken place in the last session of the Diet, and they are still pending.

As for PCT, the problem of multiple claims system for one invention required for it is being studied by us, and prior to our ratification of PCT, we are trying to revise our national legislation concerning the above point as I mentioned before.

As for IPC, we understand by the latest information that the Strasbourg Agreement concerning IPC will come into force in October next year. In Japan, we have been putting IPC on patent and utility model examined publications along with Japanese Patent Classification since October last year. And we are also planning to put IPC on our patent and utility model eighteen months publications next year, along with Japanese Patent Classification. We hope to ratify the Strasbourg Agreement concerning IPC as early as possible.

Now, I would like to tell you some international current topics. I participated in WIPO General Assembly, Coordination Committee and other meetings held in Geneva from last month to this month. And I participated also in the Symposium on "Role of Patent Information in Research and Development" held in Moscow this month. I believe that you are aware that at the WIPO meetings, the problems concerning developing countries have been gradually activated. At the above General Assembly the Draft Agreement between WIPO and the United Nations was approved. When it would be approved at the General Assembly of the United Nations, it would enter into force and WIPO would be a specialized agency of the United Nations. The question of transfer of technology to developing countries will become a major problem

to be discussed at WIPO meetings from now on. As for us, we shall continue to study the new developments as mentioned above. Further, I will mention the proposal made by India in the extra-ordinary session of WIPO Coordination Committee held last June on revision of the Paris Convention for the Protection of Industrial Property to bring benefits to developing countries. At the WIPO Coordination Committee in Geneva last month, it was decided to hold the first meeting for its discussion in February next year. The above proposal will surely become a new problem to be discussed concerning industrial property in the world.

At the Moscow Symposium, I had the chance to listen to meaningful lectures delivered by many distinguished lecturers including Mr. Dann, Commissioner of the U.S. Patent Office. I think the Symposium was a great success and I had a very good study. I spoke on the subject of "Cooperation between the Japanese Patent Office, JAPATIC (Japan Patent Information Center) and Japanese industry" and I felt honored as it seemed to have caused a great reaction. I was particularly impressed that many people seemed to be much interested in the joint study of a future plan of the Japanese Patent Office and JAPATIC to issue abstracts in English of Japanese patents, as, in spite of the fact the Japanese patents are drawing a world wide interest,

they are not utilized so much as desired due to the language barrier; and also in view of the future status of Japanese patents in the minimum documentation of PCT. To materialize the above plan we need a large amount of fund, and so, we would encounter many difficulties, but nevertheless, we wish to try to make our utmost effort on the matter.

Finally, I hope that opinions on problems concerning patent system would be frankly exchanged between the United States and Japan for the aim of contributing toward the progress of patent system in the world. I expect that through the activities of Pacific Industrial Property Association, mutual cooperation between our two countries would be promoted further.

Thank you very much.

CLOSING ADDRESS

by C. Cornell Remsen, Jr.
President, U.S. Group
October 31, 1974 Kyoto

Mr. Suzuki and fellow members of PIPA.

In reviewing and bringing to a close this 5th PIPA Congress, three significant factors or points emerge, with respect to which I believe comment is desirable and to which I shall confine my remarks..

First, while it is not a substantive point, is the hospitality, kindness and consideration which have been shown by the Japanese Group in the preparation and execution of the amenities of this Congress in Kyoto, including the excellent reception on Tuesday evening. To Mr. Suzuki and all of those who had the responsibility of organizing this meeting go the thanks of each and every attendee of the American Group. In particular, we wish to extend our appreciation to the following workers behind the scenes:

Mr. Kenji Mashio

Mr. Hiroshi Ohkawa

Mr. Hideo Doi

Mr. Masaharu Kubo

Mr. Hajime Hiramatsu

Miss Keiko Asai

as well as to the Conference interpreters. We cannot overlook, moreover, the effort made by so many of the Japanese Group to give their presentations directly in English. We may, in our own way, try to reciprocate your hospitality when you visit us in the United States but the time when we shall be able to give our presentations in Japanese is not, I am sorry to say, in the foreseeable future.

Secondly, I wish to comment upon the actual discussions which have taken place here in Kyoto. We cannot but be extremely pleased with the interest in our organization and the problems of technical interchange as expressed by the Honorary Chairman, Mr. Komai and Mr. Takeda. I shall ask Mr. Suzuki to again convey the appreciation of the American Group to both of these gentlemen for their attendance and recognition of some of the problems we are attempting to solve. We also are most appreciative of the time given to us by both Mr. Saito and Mr. Otani, time taken from what I am sure is a very full schedule.

I have taken it upon myself to convey the thanks of our meeting to Mr. Erickson for his excellent talk. I believe it to be a sign of the maturity which this organization has attained to provoke the interest of the United States Government as represented by the interest in our activities shown by Mr. Erickson. He in turn was extremely pleased to have the opportunity of presenting his views to this group.

Insofar as our own actual program is concerned, I believe I can speak for all of the American Group when I say that each and every paper was of interest. The "batting average" of intellectual content was much higher than that of most meetings which I have attended on patent and trademark matters which, rather frankly, can often be rather dull. Our particular thanks must go to the various committees and their respective chair persons for the consistently high quality of the presented papers and we know that such quality only results from hard work. Out of this meeting, moreover, we have

agreed on a representation on behalf of PIPA at the forthcoming WIPO meeting relating to the Model Law for Developing Countries, which is a recognition of PIPA in the world patent community. Another solid accomplishment is the finalizing of the mediation rules and regulations which, if ratified by both Groups, will come into effect and place PIPA in a unique position for offering the possibility of settling disputes in the industrial property field.

It is also most pleasing to note, as I first did in San Francisco, that all of us are now much freer in our open discussions than at some of our initial meetings. I believe that this results both from the quality of the papers as mentioned above, and also from the fact that many of us now know one another better. We realize that if we submit an honest opinion on a subject, that that opinion represents a point of view which should be given consideration, and is not an adverse criticism of the person who has delivered the paper. Perhaps we are maturing both as an organization and in our personal relationships.

The third and final point and perhaps most important. We have discussed the past -- but what of the future? At a preliminary meeting of the joint Board of Governors and the committee chairmen, the view was expressed that possibly the time between meetings should be lengthened to perhaps two years or eighteen months instead of one year. The amount of work necessary to prepare for an annual meeting was given as one reason, and perhaps some people thought that we might run out of topics for discussion if we continued to meet every year.

My first reaction was one of general agreement with this point of view. It does take a substantial amount of time to prepare a good paper, and we are all busy people with many duties to our own employers. It is possible that some day we could run out of topics for discussion and I completely agree that when that day arrives, there is no point in meeting merely to fill the room with hot air.

Upon reflection, however, I am not in accord with the proposal to have less frequent meetings. The program at this Congress clearly shows we are not about to run out of significant topics to discuss. It is the very nature of our profession and the changing times that as soon as one matter appears to be settled, new topics of substantial urgency will arise. In our program for this Congress, we discussed subjects which did not even exist, say, three years ago.

As for the work involved, I cannot help but think that it is a good mental discipline for all concerned. To have to review a subject and present it in concise form sharpens the edge of one's thinking process. It is unfortunate, however, that too often the tasks requested are performed by too few.

I do not know the internal experience within the Japanese Group, but I know that among the American Group we too often find the same people volunteering to do the work. I am going to do my best to obtain a broader participation among our many members and to emphasize that if a member agrees to undertake a job,

he will complete it and cooperate with his Japanese counterpart. One only gets out of any organization what one puts into it. If we can obtain contributions from many, no one person or group of persons should feel overburdened by an annual meeting.

I wish to keep PIPA a going and viable organization and not have it die of attrition toward which I believe lengthening the time between meetings could be a first step. We have matured internally and we have matured externally to the point where we are now recognized by world organizations and at least by our respective governments. On licensing matters we do have an extremely active rival in the LES group and we do not wish to give up by default.our own particular concern with this most important subject. We go beyond LES in considering all aspects of intellectual property matters of concern to our two countries. We should expand by creating more interest in a true Pacific organization for our friends in both Canada and Australia and I commend to our Board of Governors special action in this direction. No, fellow members, I suggest that we are maturing in our growth, but have not yet matured to the point of reaching our dotage.

When we were in San Francisco, the Japanese Group already were prepared with the suggestion to have the next meeting in Kyoto. We are not prepared to make a positive proposal, but I have learned that most of our Japanese friends would prefer the east coast of the United States. We have some interesting and historic spots in that part of the country, such as

Williamsburg, Virginia, among others, and depending upon the time of the year, will shortly arrive at a positive proposal.

In concluding, I wish to thank all of you for your kindnesses and support. More importantly, I am grateful and honored for the opportunity to have worked with our over-all president Mr. Suzuki and to him personally and through him to the entire Japanese Group again express our appreciation for a most successful Congress. To that end, I ask you to show this appreciation by a rising vote of thanks to Mr. Suzuki.

Domo arigato.

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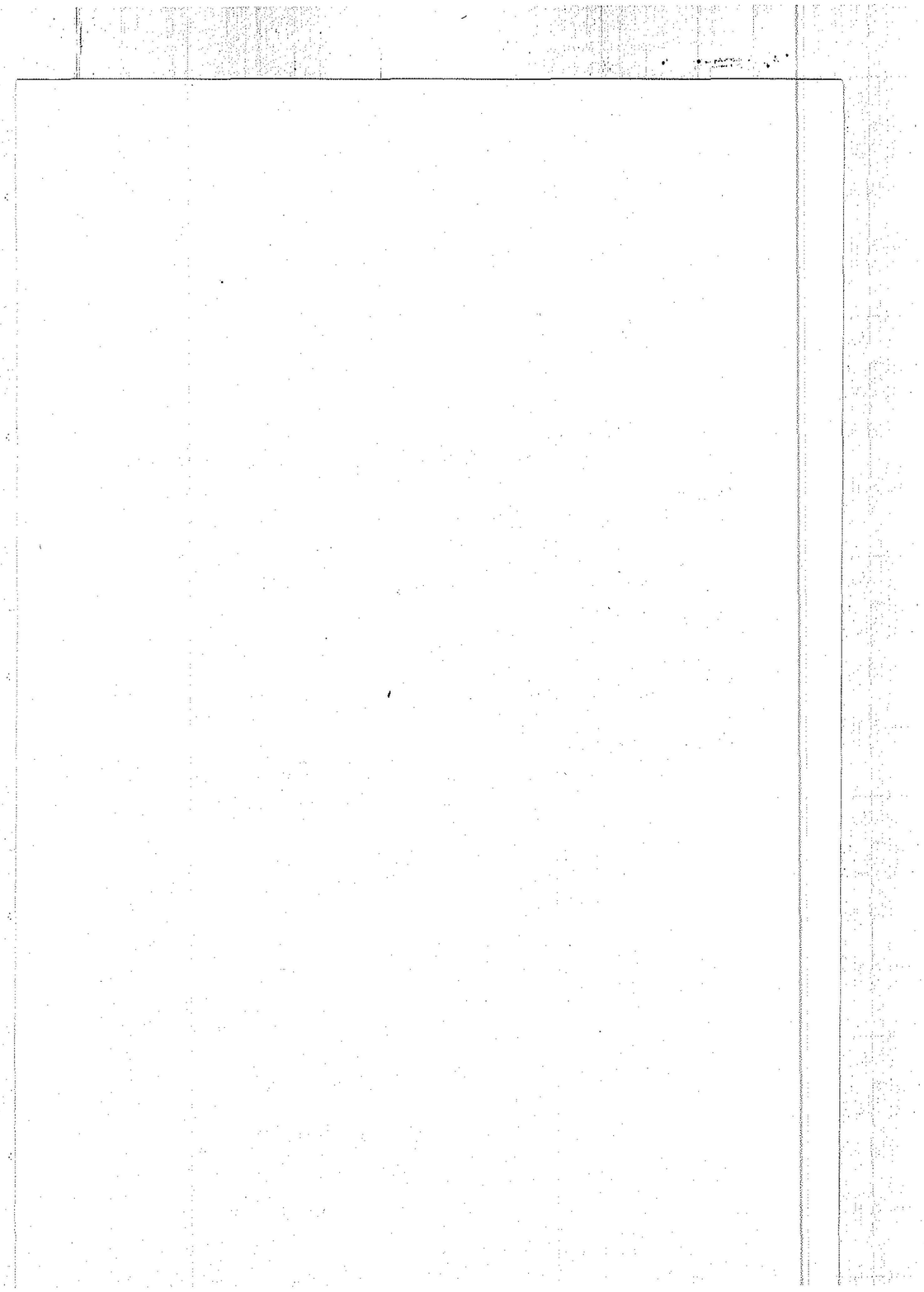
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JAPANESE GROUP
COMMITTEE No.1

October 29, 1974

THE MOVEMENT IN JAPAN FOR AMENDMENT OF PATENT LAW

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SUMMARY

The existing Patent Law of Japan as amended across the board in 1959 provides that no patents shall be granted for inventions of chemical products, pharmaceuticals, foods and luxury items and proclaims that the scope of demand for patent may be stated only in one claim for any single invention. While the argument had persisted since the amendment of 1959 that the Patent Law should be revised in these two aspects as well, a strong impetus in this direction was provided by the national determination that Japan should be a party to PCT. The Industrial Property Council to which Minister of International Trade and Industry had turned for recommendations deliberated over the matters for more than three years and, on September 17, 1974, came up with the "Recommendation" in which both a product patent system and a multiple-claim system were advocated. The recommendation was the culmination of interim reports which had been published on January 28, 1974 and it was around this time that the Patent Office started preparation for an amendment of the Law with the target date of enforcement being set at the beginning of 1976 and for the drafting of guidelines, examination standard and so on.

INTRODUCTION

In the Patent Law of Japan as radically amended in 1959, there were included by the partial amendment of 1970 the early application laying-open system and the examination request system. However, there still remained unpatentable, even after this amendment of law, inventions of chemical products, pharmaceuticals, foods and beverages, and luxury items. Further, the system in which the scope of demand for patent may be stated only in one claim for one invention survived the amendment.

These two systems were already studied and discussed in the course of deliberation for the amendment of 1959 but the Council for Revision of the Industrial Property System to which these questions had been submitted for deliberation, came up with the following recommendations. With regard to chemical products, partly in consideration of, for instance, the result of a public opinion survey conducted in the course of deliberation, the Council concluded that "(the question) should be studied anew when it was made imperative to do so by the future advance of chemical technology in this country as well as by the international trend", and, accordingly, came up with the recommendation that such products should remain unpatentable. As to the prospective legislation allowing the scope of demand for patent to be stated in a plurality of claims, while it reached the conclusion, somewhere in the course of deliberation, that the system should be adopted, the Council in the last did not go beyond approving the exception that two or more inventions could be consolidated in a single

application should certain conditions be satisfied, thus adhering to the time-honored restriction allowing only a single claim for one invention. Incidentally, this dismissal of the proposal to allow a plurality of claims for one invention seemed to have been occasioned by the negative reasoning that they should avoid the transient confusions that might arise due to the consequent necessity of interfering with the established concept of the "unity of invention" in this country.

Since 1966, however, the Patent Cooperation Treaty (PCT) has been on the agenda of meetings of BIRPI and, thereafter the globalization of patent practice has come to be deliberated by various groups concerned. Moreover, the revision of law to help the Patent Office reduce its backlogs has become an important subject of study. These developments provided a significant impetus to the position that the patentability of chemical products and the allowance of a plurality of claims as well should be made into law at the same opportunity. However, since the liquidation of backlogs was so urgent a requirement, it was decided then to study the two problems separately and, in 1970 the law was amended only to let the early laying-open system and the examination request system go ahead, the other provisions of law being left intact for future revisions. Subsequently the Patent Office decided that the minimum necessary amendment of law should be made to align the Japanese practice with the principles of PCT, and, based on this decision, Minister of International Trade and Industry ed the Industrial Property Council to formulate pertinent (request) recommendations. Thereupon, the Committee for Revision of Systems of the said Council organized a Subcommittee

on Product Patents and a Subcommittee on Multiple Claiming. The subcommittees held more than twenty meetings where the opinions of tne Patent Office, private organizations, etc. were reflected.

On December 27, 1973, the two subcommittees submitted reports to the Committee for Revision of Systems of the Industrial Property Council. These reports were accepted by the general assembly of the Council on January 28, 1974 and were published as interim reports from the Committee for Revision of Systems. Thereafter, the Industrial Property Council held a general assembly on September 17, 1974 and submitted to Minister of International Trade and Industry the Recommendation whose contents were substantially unchanged from the above-mentioned interim report.

The Recommendation recommended the legislature to delete items 1 through 3 of Article 32 of the Patent Law which provisions had made chemical products and other things unpatentable, and to amend Paragraph 5 of Article 36 of the Patent Law to allow statement of a plurality of claims for one invention. Therefore, the Recommendation may be said to have set a basic guidline for the future amendment of law in these aspects. The Government wishes to submit the amendment bill to the regular meeting of the National Diet to be convened at the end of December of 1974, have the bill passed by the Diet in the first half of 1975 and have the revised law brought into force at the beginning or at latest April of 1976.

The contemplated revisions of the law pertain only to the above two aspects and it is anticipated that the alterations in the language of law will not be so

extensive. However, since the two revisions are tantamount to modifying the patent system of Japan which has been consistently maintained even since many years before the amendment of 1921, it is certain that some major problems will arise as to how the new systems should be actually enforced.

In this connection, the Patent Office made a study on its own as to the question of how, after the coming into effect of the new systems, applications should be examined, and expedited its work on drafting guidelines for enforcement of these systems. At the end of August, 1974, while awaiting the formal Recommendation of the Council, the Patent Office completed a first draft of Guidelines of Enforcement and released it to various organizations, etc. with a solicitation of comments. This draft is now under deliberation. It has not been finally approved and there still is a fair amount of leeway for alteration but the draft appears to reflect the basic way of thinking of the Patent Office. Thus, the following is a general review of the contents of the Recommendation from the Industrial Property Council and the above-mentioned draft of the Guidelines of Enforcement and a report recapitulating the direction of movements here for revision of the Patent Law of Japan as based on the latest available information.

Incidentally, of the two aspects of amendment of the Japanese Patent Law which are dealt with in this report, the system in favor of a plurality of claims for one invention was already reported in a paper submitted to the San Francisco Congress of last year and, in the following, therefore, the results of deliberation over

this matter which was made after the period covered by the previous report will be later reviewed in this report.

PATENT PRACTICE RELATING TO CHEMICAL PRODUCTS, PHARMACEUTICALS, FOODS AND BEVERAGES, ETC.

Mainly from the standpoints of industrial policies and of ensuring a security of national life, the existing Patent Law of Japan proclaims that chemical products, pharmaceuticals, foods, etc. are unpatentable, but the Committee for Revision of Systems of the Industrial Property Council, in its meeting of January 28, 1974, arrived at the conclusion, on the basis of the report of the Subcommittee on Product Patents, one of its subcommittees, that there should be instituted a patent system for chemical products, pharmaceuticals, foods, etc. (exclusive of inventions of the substances to be produced by methods involving nuclear transformations). The draft Recommendation which was finally adopted by the general assembly of the Industrial Property Council on September 17, 1974 followed this conclusion of the interim report. The four major reasons have been cited for this conclusion.

1. To encourage original inventions and to provide more than ordinary protection to these inventions.
2. To prevent useless litigations concerning patent infringements.
3. To reduce the number of wasteful patent applications.

4. To pay a regard to the trends in overseas countries and, more important, to accept the recommendation of the Lisbon Conference.

With the introduction of new provisions of law bestowing patentability on chemical products, pharmaceuticals,foods and certain other products, the systems for technological research in Japan are expected to change gradually from the conventional systems centered around the development of new production processes to those aimed at developing new products.

(1) Description in the specification of a chemical product patent

In the scope of demand for patent (or "claim"), a chemical product patent application need not recite the uses of the product. The claim can be framed by means of nothing but a description of the chemical product. However, it is necessary to describe, in the detailed explanation of the invention, at least one of uses for the product and at least one process for its production. Since a description of uses is essential to the showing of the amenability of any particular chemical product to industrial utilization, it should be specific enough, although it may not be detailed. For example, the declaration that it is 'a medicine' is not enough but a statement as specific as 'a hypotensive drug', together with a ground of its being such and such, is required.

Furthermore, one or more production processes must be described as proof of the effect of the particular chemical product invention. There is a complete spectrum of pros and cons as to the product-by-process claims for chemical products but the dominant view is that the

'product-by-process' expression may be included in the claim only when the particular chemical product can not be specified by its chemical structure or properties alone.

Even if a plurality of chemical products are involved, insofar as the products are reasonably subsumable in a generic category, i.e. collectively definable by means of a general formula, or the products in question have some common features in chemical structure and similar properties, that is to say the products can be covered by a Markush-type claim as the term is used in the United States, the application may cover them in a single claim.

In this connection, after the coming into effect of the contemplated multiple-claim system, claims for individual chemical products or chemical products subsumable in some specific categories, for instance.

Aside from the above approach, the applicant has at his disposal the consolidated application system of the law (the proviso to Article 38 of the Patent Law) under which a chemical product, a method for its manufacture and/or its use may be claimed in a single specification by way of "consolidation".

The relation of multiple claiming to consolidated applications will be explained hereinafter.

It is the current view of the Patent Office of Japan that a high molecular substance should be specified in terms of the elements representing its structure (Note 1) and that should such elements prove inadequate to provide a discrete picture of the substance, the elements representing its properties (Note 2) should

well be additionally provided in quantitative terms.

(2) Descriptions in the specifications of pharmaceutical, food and luxury product patents

It is a rule that, in the case of pharmaceutical, food or luxury product patents, the claim is directed to a shape, structure or composition, a combination of components or a combination of such elements but the invention may be claimed in the product-by-process manner where the above means are not adequate to describe the product. It is controversial whether the scope of patent protection sought by such a product-by-process claim extends to the identical product manufactured by a different production method, but the preponderance of opinion favors the position that protection is afforded only to the product manufactured by the specified production method, not extending to the product manufactured by such a different production method.

As to the inventions of use of pharmaceuticals, foods or luxury products, no claim comprised of elements representing properties of the product is allowed as a principle.

(Note 1) The elements representing the structure of a high molecular substance: (A) recurring units, (B) molecular weight, (C) orientation (homo, block, graft, head-tail, etc.), (D) features of parts or moieties (degree of branching, substituents, double bonds, degree of cross-linking, terminal or end-groups, etc.) and (E) steric features (stereo-regularity, etc.).
(Note 2) The elements representing the properties of a high molecular substance: (A) crystallinity, viscosity, secondary transition point and density, (B) tensile strength, elongation, modulus of elasticity, hardness and impact strength, (C) clarity and refractive index.

(3) Chemical product patents on naturally-occurring substances and intermediates

Patents are not issued for chemical substances which obviously are naturally-occurring. Thus, even if the chemical product is a synthesized one, it is not amenable to patentability insofar as it can be identified with a naturally-occurring product. Furthermore, no patent is granted for a product representing nothing but an improvement in purity which has been realized by an artificial separation, purification or other procedure. If, however, in a chemical product which has been artificially isolated, purified or synthesized, there exists an unexpected physicochemical property or an unexpected sort of usefulness, a patent will occasionally be issued. Even in such an instance, the validity of the conferred patent right does not extend to the corresponding naturally-occurring substances.

An intermediate is defined as a substance which is synthesized in the course of manufacture of a chemical product and which, by itself, is devoid of usefulness except that it serves as a material for synthesis of the final product. Such an intermediate will be deemed to be fully patentable even if the substance as such finds no commercial application, provided that its utility can be established in its relation to the final product.

(4) Pharmaceutical patents, food patents and luxury product patents

Because pharmaceuticals, foods and the so-called luxury items are more or less related to the biology of man, patents in these fields of art are subject to some special requirements, examples of which are toxicity

(tolerance) tests, demonstration of effects, etc.

In addition, since these patents are sorts of patents of use related to some specific uses of medicines, foods or luxury items, they are essentially subject to the general principles of use patents.

Generally speaking, patents are granted for inventions of substances with such limitations of use only when their inventive steps are provided by such limitations, it is natural that the scopes of the patent rights so conferred be limited to the particular use or uses claimed.

In view of a special situation surrounding pharmaceutical patents, it is contemplated to insert a provision to the effect that the validity of such patents does not extend to the physicians' acts of filling their own prescriptions and similar filling work of others based on physicians' prescriptions.

(5) Inventions of use of chemical products

An invention relating to a new use for any chemical product is patentable as an invention of use irrespective of whether the product is new or known. As regards the manner of claiming an invention of use, whereas applications are in many cases rejected in the United States unless the inventions are claimed in terms of 'process or method', both of "product" and "process" claims are allowed in Japan. The following examples may be pertinent.

1. (a) An insecticide comprised predominantly of substance A
   (b) A method for eradicating insects comprising the use of substance A
2. (a) A method of plasticizing substance B compris-

ing the addition of substance A to substance B.
(b) A composition comprising substance B and substance A which is a plasticizing agent.
(c) Substance A which is a plasticizer for substance B.

It need not be stressed, however, that the validity of such a use patent does not extend to uses other than the particular use claimed.

(6) Provisions for the adjustment of patent rights

The adjustment between a patentee or patent owner and a licensee, or between a senior patentee and a subordinate patentee should by its nature be made by negotiations between the parties. However, under the patent law of Japan, the adjustment is made also by supplemental procedures, i.e. by arbitration in the case of non-working (Article 83), arbitration for the purpose of working one's own patented invention (Article 92) or arbitration for public interest (Article 93). These procedures will be applicable to product patents, pharmaceutical patents, food patents and luxury item patents as well as to other patents.

The relation of subordination or dependence arises between a senior chemical product patent and a junior process or use patent and an approval by a chemical product patentee is required for the working of the junior patented invention. Conversely, the senior chemical product patentee is not allowed to use the chemical product in applications claimed by the junior invention of use. To ensure a fair adjustment of the conflicting interests of these patentees, it is contemplated to add a new provision, such as the one mentioned below, to the existing language of Article 92 of the

Patent Law so as to facilitate the so-called cross-licensing.

> A senior patentee, when served with a demand for arbitration from a junior patentee, may condition his granting of a license upon the granting of a license under the junior patent right.

(7) The patentability of the invention of a chemical analogy process and of a selection invention

Under a legal system where chemical products are unpatentable, there has been in force, at least in practice, an expedient system under which, even if the process per se for the production of a chemical product appears to have no patentability, when the substance so produced is new and has an unexpected effect, a patent is granted on a claim to a production process, that is to say on a so-called chemical analogy process. There is a preponderance of opinion that this practice should be abolished as it will lose its reason for existence after the introduction of a chemical product patent system but there also is a school of thought advocating its continuance. Thus, the status of the practice is still fluid and the question will be further studied in the future.

The practice of treating the invention of some specific concept which is not disclosed in the specification of a senior invention which is formulated in generic terms and which has a distinct characteristic far removed from that of the senior invention, i.e. so-called selection invention,as a distinct and separate invention possessing an inventive step applies to chemical products as well as to other fields. In the field of chemical products, however, it is anticipated that

there will be comparatively few cases of this variety.

ADOPTION OF A MULTIPLE-CLAIM SYSTEM

As regards the adoption of a multiple-claim system, a first report entitled 'Study for Adoption of Multiple Claiming in Japan' was presented at the San Francisco Congress of 1973. However, as the result of subsequent deliberations, general courses of action have been set as to most of the questions which were then termed "matters on which deliberations should be continued", excepting some questions remaining yet to be decided. As to the questions which were termed "matters to which members of the committee agreed", it has been decided that some adjustments must be made. The following is a summary of these developments.

(1) <u>The concept of one invention and the unity of an invention</u>

The multiple-claim system is generally understood as "a system under which the scope of demand for patent of the specification may be recited in two or more claims", and this system is encountered without an exception in American and European countries. In Japan, however, because of the express provision of Paragraph 5, Article 36 of the Patent Law which reads "In the scope of demand for patent --- only the matter indispensable to the construction of the invention described in the detailed explanation of the invention shall be stated", the so-called claim has the character of being a definition of the invention as such and, accordingly,

it is acknowledged that, as a rule, the scope of demand for patent ought to be comprised of a single claim.

There is, however, an exception to this one-claim-per-application rule in that even two or more inventions, when they are closely related to each other(for example, when one is the invention of a product and the other is the invention of a process or apparatus for producing the product), may be claimed in a single application. That is to say, there is already a system of multiple claiming for a plurality of inventions (the proviso to Article 38 of the Patent Law) which is known as the consolidated application system. For this reason, conflicting views were expressed in the course of deliberation over the contemplated multiple-claim system. Thus, the group of practitioners, most of whom were members of the Japan Patent Association and those of the Patent Attorneys Association of Japan concurred in the view that "a multiple claiming of one invention should be allowed by enlarging the concept of an invention to the scope obtaining in American and European countries without being obssessed by the categorical way of thinking". On the other hand, the group of judges and jurists were of the opinion that "a multiple claiming of one invention could be adopted without altering the concept of one invention". The recent Recommendation of the Industrial Property Council may be regarded as a compromise of the two views. Thus, the concept of one invention was partially enlarged and, in this connection, they came up with the following conclusion.

> Should the concept of one invention be expanded to the scope of practice which is currently prevailing in American and European countries,

the existing law would have to be drastically amended and there would also be profound effects upon the current examination and other practices. Therefore, while the concept of one invention, the rule of one invention per application and, as an exception to the above rule, the concept of consolidated applications are left intact, the following measures should be taken to introduce a multiple-claim system and to satisfy the requirement of Rule 13 of PCT.

1. The plurality of claims falling within the purview of item 1 of the proviso to Article 38 of the existing law are regarded as one invention.

2. In addition to the inventions falling within the purviews of items 2 and 3 of the proviso to Article 38 of the existing law, the two or more inventions which satisfy the following requirements may be consolidated in an application.

a) An invention of a thing and an invention of a method involving the use of the thing, or

b) An invention of the thing and an invention of the thing with a specification of its use or uses.

In this connection, the Patent Office released on August 22, 1974 when the Council was yet to submit the Recommendation to the Government, the "Draft of the Guidelines of Enforcement Relating to the Multiple-Claim and Consolidated Application Systems" which describes the specific procedures. However, these procedures are not final as yet and a detailed report on this question will be made at a future opportunity.

It should be mentioned, in this connection, that, in the above draft, the Patent Office offers definitions of the multiple-claim system and the consolidated application systems.

Since it is more than likely that these definitions will be finally adopted, they will be quoted below.

The meaning of the multiple-claim system:
The multiple-claim system means a system in

which a plurality of scopes of demand for patent may be stated for one invention.
The meaning of the consolidated application system:
The consolidated application system means a system in which, as an exception to the one-invention-per-application system, a plurality of related inventions may be claimed as a group in one application.

(2) The statement in the scope of demand for patent

Since, as mentioned in the preceding section, the one-invention-per-application system now in force ought to be modified should a multiple-claim system be introduced, the Recommendation concludes as follows.

> Insofar as, under Article 6 of PCT, a claim is regarded as specifying the object for which protection is sought, there is no reason that the Patent Law of Japan alone should remain restricted to the one-claim-per-invention principle. Therefore, not only to contribute to the globalization of patent practice but also to provide protection to inventors and convenience to third parties, Paragraphs 4 and 5, Article 36 of the existing law should be amended to read substantially as follows.
>
> 1. In demanding a patent, a plurality of claims may be stated for one invention.
>
> 2. In each claim, there shall be stated, based on the construction of the invention described in the detailed explanation of the invention, the matter for which the applicant seeks a patent for the invention.
>
> 3. The statement in each claim shall be sufficiently supported by the description in the detailed explanation of the invention.

Following the release of the interim report, the Patent Office made its policies clear about this statement in the scope of demand for patent in the above-mentioned Draft of the Guidelines of Enforcement, substantially as follows.

1. The recitation of a plurality of claims for

one invention is allowed when each of the claims meets the following conditions.

A. The individual claims are expressed in terms of the same category.

B. The individual claims have the same or common object or objects.

C. With respect to the main claim, the subclaim is of a specific (subordinate) or parallel in concept with respect to the concept of the main claim or represents an addition of some condition or conditions.

2. Two or more inventions of different categories (an invention of a thing, an invention of a method for producing the thing, an invention of a machine or apparatus for producing the thing and an invention directed to uses of the thing) may be consolidated in a single application.

3. The multiple claiming under 1 above is allowed for each of the inventions in a consolidated application.

(3) Trial for invalidation of patent

As regards this trial, Article 123 of the existing Patent Law reads in part, "--- when the patent is such that the scope of demand for patent relates to two or more inventions, such (invalidation) trial may be demanded for each invention". Thus, the existing law already provides for an invalidation trial relating to a multiple claim, but the 'multiple claim' as the term is used in the context of the law refers to a consolidated application under the proviso to Article 38.

Since, however, in the Recommendation, the 'multiple claim' under item 1 of the proviso to Article 38 is regarded as being pertinent to one invention, deliberation was made over the question of how the invalidation trial for such a 'multiple claim' constituting one invention should be dealt with. As the result of said deliberation, the Recommendation recommends the follow-

ing procedures.

1. The trial for invalidation of patent shall be directed to one invention.

2. In case a trial for invalidation of patent is demanded, when the cause of invalidity is eliminated by the patentee's cancellation of some of the plurality of claims through the procedure of a trial for amendment, the patent right shall remain valid for the remaining claim or claims.

(4) Easing of the time limitation to amendment

As to amendment of a patent application pending in the Patent Office, the time limitation of Article 17^{bis} is imposed upon the applicant before a ruling to publish the application. After the said ruling, the limitations, as to both time and contents, of Article 64 are imposed. In the recent deliberation for the revision of law, the latter question was discussed and in view of the anticipated increase of instances under the multiple-claim system in which applications are rejected for reasons of an unacceptable addition, cancellation or correction upon receipt of an opposition, it was proposed and unanimously approved that, at the time of demanding a trial against a ruling to reject the application after publication, there should be allowed an amendment of the claim at least within the scope of the matters mentioned in the several items of Paragraph 1, Article 64. In this connection, as a natural outcome of the above revision, the so-called system of re-examination in trial under Article 161^{bis}, Article 161^{ter} and Article 161^{quater} should apply to an application after the ruling to publish the same as well, and, consequently, it is expected that the applicant will benefit a great deal from the above revision.

(5) Additional patent right system

In the previous report, it was mentioned that this system was still under deliberation. The Recommendation concluded that since this subject was not directly related to multiple-claiming, the existing system should remain as it was. In this connection, the terminal disclaimer system as proposed by the Japan Patent Association was also pigeonholed.

(6) Trial for amendment

In the previous report, this question also was mentioned as under deliberation. The Recommendation concluded that the current practice should remain as it was.

Incidentally, as regards this trial for amendment, deliberation was made on the basis of the proposal that "since, under a multiple-claim system, claims of varying breadth can be stated from the start, the system of trials for amendment directed to restriction of claims should be abolished". However, the system was decided to continue partly because the last interim report did not adopt the claim cancellation system on which it was previously reported that "--- members of the Committee agreed".

(7) Partial carrying-forward of the application date

The existing law, in its Article 53, Paragraphs 4, 5 and 6, provides that when amendment of the specification before the ruling to publish the application has been dismissed for the reason that it alters the gist of the specification, the filing of a new application with the specification including the amendment shall be so deemed that the original patent application has been

withdrawn but the new application be deemed to have been filed on the day on which the written amendment was submitted.

In this connection, the Japan Patent Association had for some time insisted that, under this provision, the filing of a new application should cause all the claims to be carried forward to the day on which the written amendment was filed and, accordingly, the law should be amended to include a system in which "the application date will be carried forward only for the claim or claims including the amendment" as in the United States system of continuation-in-part applications. Since it is expected that the introduction of multiple-claiming naturally results in more instances in which amendments including such an alteration of the gist of the invention will be made, the Association advocated the revision strongly at the recent opportunities of deliberation. The Recommendation, however, concluded that the partial carrying-forward of the application date should not be adopted only for the reason that the question was not merely related to multiple claiming.

(8) Application of multiple claiming to utility models

While it was a subject of serious debate how the multiple-claim system, if introduced into the Patent Law, should apply to utility models, the Recommendation report concluded as follows.

> Two or more devices corresponding to the inventions within the purview of item 1 of the proviso to Article 38 of the existing Patent Law may be recited in two or more claims in a single application for utility model registration.
>
> In this connection, the two or more devices

shall be treated as one device.

Incidentally, the question was so settled partly because of the view that it is undesirable to adopt a claiming system entirely different from that for patents in the Utility Model Law which bears a close resemb-ance to the Patent Law and partly because of the exist-ence of a strong demand in industrial circles which set a great store by the utility model system for the introduction of multiple claiming for utility models as well.

CONCLUSION

The foregoing is a review of the recent trends in Japan relating to her contemplated adoption of a product patent system and a system allowing a plurality of claims for one invention. As already stated, these new systems are expected to take effect at the beginning or at latest April of 1976. The contemplated general framework of enforcement, while still fluid here and there, has been taking a definite shape and has al-ready been on the agenda of the legislature. However, as expressly stated in the Recommendation of the In-dustrial Property Council, these two systems will be applying only to applications filed after the coming into effect of the new law and no thought whatever seems to have been given to the possibility of retroactive application to applications filed before that date.

In any event, it is expected that the introduction of these two systems into the Patent Law of Japan will contribute to the growth of Japanese industry.

(ANNEX)

Excerpt from Japanese Patent Law

ARTICLE 17 bis. An applicant for patent may, after the expiration of one year and three months from the date of filing of an application for patent but before the transmittal of a copy of the ruling to the effect that the application shall be published, make amendment to the specification on the drawings attached to the request only in the following cases:

(1) where the applicant makes a request for examination and amendment is made simultaneously with such a request for examination;

(2) where the applicant has received a notice under Article 48 quinquies (Request for examination) paragraph 2 and amendment is made within three months from the date on which such a notice was received;

(3) where the applicant has received a notice under Article 50 (Notification of reason for refusal) (including the case of its application under Article 159 paragraph 2 (including the case of its application under Article 174 paragraph 1) and Article 161 ter paragraph 2; hereinafter the same when referred to as "Article 50" in this item) and amendment is made within the time limit designated in accordance with Article 50:

(4) where the applicant demands a trial under Article 121 (Trial against examiner's decision of refusal) paragraph 1 and amendment is made within thirty days from the date of demanding the trial.

(Unpatentable inventions)

ARTICLE 32. The inventions as mentioned below shall not be patented, notwithstanding the provisions of Article 29 (Patentability of inventions):

(1) invention of food, drink or luxury provisions;

(2) invention of medioines (viz. things used for diagnosis, cure, medical treatment or prevention of diseases of human beings; (hereinafter the same when referred to as "medicines") or of the process to manufacture a medicine by mixing two or more medicines;

(3) invention of a substance to be manufactured by chemical process;
(4) invention of a substance to be manufactured by the process of atomic transformation;
(5) invention which is liable to be contrary to public order, morality or public health:

(Application for patent)
ARTICLE 36. A person who desires to obtain a patent shall submit to the Director-General of the Patent Office a request indicating the following:
(1) the name and the domicile or residence of the applicant for patent, and in the case of a legal entity, the name of an officer entitled to represent it;
(2) the date of submission;
(3) the title of the invention;
(4) the name and the domicile or residence of the inventor.

2. The request shall be accompanied by the specification stating therein the following, and the drawings if necessary:
(1) the title of the invention;
(2) the brief explanation of the drawings;
(3) the detailed explanation of the invention;
(4) the claim(s).

3. When it is desired to obtain a patent of addition, the relationship of the addition with respect to the invention for which an application for patent of addition is made shall be stated in the specification.

4. The detailed explanation of the invention under paragraph 2 item (3) shall contain a statement of the purpose, constitution and effect of the invention in such a manner that the invention may easily be carried out by a person having ordinary skill in the art to which the invention pertains.

5. The claim under paragraph 2 item (4) shall state only the features indispensable for the constitution of the invention as described in the detailed explanation of the invention.

6. When an application for patent for two or more inventions is made in one request in accordance with the proviso to Article 38, the claim under paragraph 2 item (4) shall be stated separately for each of the inventions.

(One application for one invention)

ARTICLE 38. An application for patent shall be made for each invention. Provided, however, that even with respect to two or more inventions, if such inventions have any of the following relationship to one of said inventions which is claimed (hereinafter referred to as "the specified invention"), an application for patent may be made with one and the same request as for the specified invention.

(1) inventions which have as the substantial part of the features indispensable for the constitution of the inventions the whole or the substantial part of the features indispensable for the constitution of the specified invention, and which achieve the same purpose as that of the specified invention;

(2) when the specified invention is an invention of a thing, inventions of processes for manufacturing the thing, or inventions of machines, instruments, equipment and others for manufacturing the thing;

(3) when the specified invention is an invention of a process, inventions of machines, instruments, equipment and others used directly in the working of the invention of the process.

(Dismissal of amendment)

ARTICLE 53. When amendment to the specification or drawings attached to the request is made before the transmittal of a copy of the decision to the effect that the application shall be published and such amendment is to change the gist thereof, the examiner shall dismiss the

amendment by a ruling.

2. The ruling of dismissal under the preceding paragraph shall be rendered in writing, stating the reasons therefor.

3. When the ruling of dismissal under paragraph 1 has been rendered, the examiner's decision with respect to the application for patent (or the ruling to the effect that the application shall be published or the examiner's decision to the effect that the application shall be refused when the ruling of dismissal under paragraph 1 was rendered prior to the ruling to the effect that the application shall be published) shall not be rendered before the expiration of thirty days from the date on which a copy of that ruling was transmitted.

4. When the applicant has made a new application for patent for the invention as amended within thirty days from the date on which a copy of the ruling of dismissal under paragraph 1 was transmitted, the application for patent shall be deemed to have been filed at the time of submission of that amendment. However, this provision shall not apply where the new application for patent is either "another application for patent" as referred to in Article 29 bis of this Law or "an application for patent" as referred to in Article 3 bis of the Utility Model Law, for the purposes of the provisions of said Articles.

5. When a new application for patent referred to in the preceding paragraph has been made, the original application for patent shall be deemed to have been withdrawn.

6. The two preceding paragraphs shall be applicable only when the applicant has submitted to the Director-General of the Patent Office, simultaneously with the filing of that new patent application, a written statement to the effect that the application of the provisions of paragraph 4 to the new application for patent as referred

to in said paragraph is desired.

7. The examiner shall, when an applicant has demanded a trial under Article 122 paragraph 1 against the ruling of dismissal under paragraph 1, suspend examination of the application for patent until the trial decision becomes final and conclusive.

(Amendment after ruling on publication of application)

ARTICLE 64. When an applicant for patent has received a notice under Article 50 (Notification of reason for refusal) after the transmittal of a copy of the ruling to the effect that the application shall be published or an opposition to the grant of patent has been filed, he may amend the specification or drawings attached to the request with respect to the matters as mentioned in the reasons for the refusal or in the reasons for the opposition to the grant of patent only within the time limit designated in accordance with said Article 57 (Filing of opposition to the grant of patent), provided, however, that the objects of the amendment shall be limited to the following:

(1) restriction of claim(s);
(2) rectification of errors in description;
(3) clarification of ambiguous description.

2. The provisions of Article 126 paragraph 2 and Article 126 paragraph 3 shall apply mutations mutandis, respectively, to the case under the proviso to the preceding paragraph and to the case under item (1) of the preceding paragraph.

(Arbitration decision on establishment of a non-exclusive license in the case of non-working)

ARTICLE 83. When a patented invention has not been adequately exploited continuously for three years or more in Japan, a person who intends to exploit the patented invention may request the patentee or the exclusive licensee to hold consultation on the grant of a non-

exclusive license thereon. However, this provision shall not apply when a period of four years has not elapsed from the date of filing of the application in respect of said patented invention.

2. When no agreement has been reached or it is impossible to hold consultations under the preceding paragraph, a person who intends to exploit the patented invention may make a request of the Director-General of the Patent Office for an arbitration decision.

(Arbitration decision on establishment of a non-exclusive license for exploiting one's own patented invention)

ARTICLE 92. When a patented invention falls under any of the cases as provided fo in Article 72, the patentee or exclusive licensee may request another person referred to in said Article to hold consultations on the grant of a non-exclusive licanse for exploiting the patented invention or of a non-exclusive license on the utility model right or the design right.

2. When no agreement has been reached or it is impossible to hold consultations under the preceding paragraph, the patentee or exclusive licensee may make a request of the Director-General of the Patent Office for an arbitration decision.

3. If, in the case of the preceding paragraph, the establishment of the non-exclusive license injures unduly the interest of another person referred to in Article 72 (Relationship with another person's patented invention, etc.), the Director-General of the Patent Office shall not render an arbitration decision to the effect that the non-exclusive license shall be granted.

4. The provisions of Article 84, Article 85 paragraph 1 and Articles 86 to 91 bis inclusive shall apply mutatis

mutandis to the arbitration under paragraph 2.

(Arbitration decision on establishment of non-exclusive license for public interest)

ARTICLE 93. When the exploitation of a patented invention is particularly necessary for the public interest, a person who intends to exploit the patented invention may request the patentee or the exclusive licensee to hold consultations on the grant of a non-exclusive license thereon.

2. When no agreement has been reached or it is impossible to hold consultations under the preceding paragraph, a person who intends to exploit the patented invention may make a request of the Minister of International Trade and Industry for an arbitration decision.

3. The provisions of Article 84, Article 85 paragraph 1, Articles 86 to 91 bis inclusive shall apply mutatis mutandis to the arbitration under the preceding paragraph.

(Trial for invalidation of patent)

ARTICLE 123. When a patent falls under any of the following, a trial may be demanded for invalidation of the patent. In this case, if there are two or more claims for two or more inventions, a trial may be demanded for each invention:

(1) when the patent has been granted in non-compliance with the provisions of Article 25, Article 29, Article 29 bis, Article 31, Article 32, Article 37 or Article 39 paragraphs 1 to 4 inclusive;

(2) when the patent has been granted in non-compliance with the provisions of a treaty;

(3) when the patent has been granted on an application for patent which does not comply with the requirements as provided for in Article 36 paragraph 4 or 5;

(4) when the patent has been granted on an application for patent filed by a person who is not the inventor and has not succeeded to the right to obtain a patent for the invention concerned;

(5) when, after a patent was granted, the patentee has become a person who can no longer enjoy a patent right under Article 25, or the patent has come to be no longer in compliance with a treaty.

2. Even after the extinction of the patent right, a trial under the preceding paragraph may be demanded.

3. When the trial under paragraph 1 has been demanded, the trial examiner-in-chief shall notify accordingly the exclusive licensee with respect to the patent right and other persons who have any registered right relating to the patent.

ARTICLE 161 bis. The Director-General of the Patent Office shall, where there has been a demand for a trial under Article 121 (Trial against examiner's decision of refusal) paragraph 1 and amendment has been made within thirty days from that day with respect to the specification or drawings attached to a request of the application for patent under such demand, cause the examiner to examine the demand. The same shall apply when there has been made an opposition under Article 55 (Filing of opposition to the grant of patent) paragraph 1 as applied under Article 161 ter paragraph 3.

ARTICLE 161 ter. The provisions of Article 47 (Examination by the examiner) paragraph 2, Article 48 (Exclusion of the examiner), Article 53 (Dismissal of amendment), Article 54 (Dismissal of amendment) and Article mutandis to the examination under Article 161 bis.

2. The provisions of Article 50 (Notification of reason for refusal) and Article 64 (Amendment after ruling on publication of application) shall apply mutatis mutandis to the case where, in the examination under the Article 161 bis, a reason for refusal other than that of the examiner's

decision under the demand of the trial has been found.

3. The provisions of Articles 51 (Publication of application) to 52 bis (Effect of publication of application, etc.) inclusive, Articles 55 (Filing of opposition to the grant of patent) to 60 (Filing of opposition to the grant of patent) inclusive and Articles 62 (Decision when no opposition to the grant of patent has been filed) to 64 (Amendment after ruling on publication of application) inclusive shall apply mutatis mutandis to the case where the demand for the trial is found acceptable in the examination under Article 161 bis.

ARTICLE 161 quater. The examiner shall, when he renderes his decision to the effect that a patent shall be granted in accordance with Article 60 (Filing of opposition to the grant of patent) or Article 62 (Decision when no opposition to the grant of patent has been filed) as applied under paragraph 3 of the Article 161 ter, cancel his dicision of refusal involved in the demand for the trial.

2. The examiner shall not, except for the case under the preceding paragraph, make the ruling of dismissal under Article 54 paragraph 1 as applied under Article 161 ter paragraph 1 or the ruling under Article 58 (Filing of opposition to the grant of patent) paragraph 1 as applied under Article 161 ter paragraph 3.

3. The examiner shall, except for the case under paragraph 1, make a report to the Director-General of the Patent Office on the result of the examination without making the decision with respect to the demand for the trial.

COMMITTEE #1
R. J. Anderson
PIPA Congress
Kyoto Oct. 29,1974

U. S. PATENT LAW REVISION

1. LEGISLATIVE PROCESS IN THE UNITED STATES

For an understanding of the current status of the revision of the U.S. Patent Law, it is helpful to review the legislative process in the United States.

The Legislative Branch of the United States Government is made up of two chambers of Congress, the Senate and the House of Representatives. A bill to be enacted into law must pass both chambers in identical form in the same session of any Congress, which has a duration of two years. The bill must then be assented to and signed by the President as Chief of the Executive Branch.

Historically, legislation for patent law revision has had its initial consideration by the Senate and the Senate has exhibited a greater degree of expertise on the subject compared to the House of Representatives.

Procedurally, a proposed bill is introduced to the Senate and a corresponding bill is introduced to the House of Representatives. Both chambers have rules which refer newly introduced legislation to an appropriate committee. In the case of patent law revision the Senate bill is referred to the Senate Judiciary Committee and, in turn, to its Patent Subcommittee. The Patent Subcommittee in the current Congress is composed of five senators: Senator John L. McClellan (D), Senator Hugh Scott (R), Senator Philip A. Hart (D), Senator Hiram L. Fong (R), and Senator Quenton N. Burdick (D).

Each senator is supported by a staff usually including a lawyer who has developed knowledge of the substance of particular types of legislation. Any specific change to be made in the original draft legislation must be accepted by the staff lawyers who recommend such changes to their senator. If all the lawyers do not agree to a particular change a vote of the senators of the Subcommittee will be required.

After Senate Subcommittee consideration, a draft of recommended legislation is forwarded by them to the full Judiciary Committee who, in turn, recommend enactment by the full Senate.

Similar procedural activities occur in the House of Representatives.

2. INTRODUCTION OF SCOTT BILL S.2504

A proposed patent law revision was drafted by the Executive Branch primarily through the participation of the Patent Office and the Department of Justice. The Antitrust Division of the Department of Justice had a strong voice in the drafting of the legislation, and included in the draft law a number of concepts they favored. Senator Hugh Scott, the Minority Leader of the Senate, was requested to introduce "A Bill for the General Reform and Modernization of the Patent Laws" as an accommodation to the Executive Branch.

The Scott Bill S.2504, as originally drafted, included provisions which the patent profession considered highly inappropriate and which would adversely affect the patent system.

Many proposals for change were communicated to the staff lawyers of the Senators of the Patent Subcommittee. Many changes were accepted but many others were rejected by the Senators on a vote of 3-2 with the majority composed of Senators Hart, Scott and Burdick and the minority of Senators McClellan and Fong. All changes made at that time were incorporated in the document identified as S.2504 Committee Print.

This Committee Print was considered by most of the profession as yet unsuitable for enactment as a new patent law. Two courses of conduct were possible -- either 1) try to prevent passage of any legislation by the Senate in the current Congress, or 2) continue the dialogue with the staff lawyers to obtain further essential changes. Lawyers favoring the continuation of the dialogue believed that an appropriate law could be drafted and had concern that the Senate might enact the undesirable S.2504 Committee Print.

After publication of S.2504 Committee Print the Executive Branch reviewed that document and Commissioner of Patents Marshall Dann wrote to the Senate Subcommittee suggesting further changes in that document. Thereafter a group of corporate patent counsel, including some attending the PIPA Congress, reviewed S.2504 Committee Print and the proposals for change suggested by the Executive Branch. They developed a new draft revision of S. 2504. That document was forwarded to Senator McClellan and was entitled "S.2504 Corporate Counsel Mark-Up." Based in large part on the Corporate Counsel Mark-Up

another draft dated July 23, 1974 was prepared by the staff lawyers for Senators Hart and Scott and was forwarded by the Senators to Senator McClellan for his consideration. A copy of that draft has been circulated to the Japanese members of PIPA.

3. FUTURE PROBABILITIES

We believe that no bill for patent law revision will be enacted by the Senate or House of Representatives in this year and the current Congress will end. A new patent law revision bill will be introduced early in the next Congress starting in January 1975. We expect that the new bill to be introduced will be based upon the text of the July 23rd draft.

4. MAJOR CHANGES PROPOSED FOR THE UNITED STATES PATENT LAW AS INCLUDED IN THE JULY 23RD DRAFT

It is our consensus that there will be some opposition proceedings in any new U.S. Patent Law. The only question remaining is the form such oppositions will take. The controversy is between only post-grant oppositions (i.e., invalidity proceedings) or a proceeding similar to that in the July 23rd draft.

Proposals are made for deferred examination. This matter has not yet had full consideration in the United States and the general consensus today is that deferred examination is not desirable.

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Any legislation will include provisions requiring a high degree of candor with the Patent Office and placing the burden of proof of patentability on the applicant. A final item worthy of careful consideration by the PIPA membership is that relating to the naming of joint inventors as set forth in Sections 111A and 116 of the July 23rd draft.

It is fair to say that the subject of patent law revision in the United States will continue to be a matter of substantial interest and activity throughout the next Congress. Vital interests of your clients will be effected and it is recommended that you maintain your interests in happenings in our Congress.

October 29, 1974
Japanese Committee 1
Subcommittee 1

Chairman, M. Kitamura
(Shimadzu Seisakusho, Ltd.)

Vice Chairman, Y. Nakayama
(The Fujikura Cable Works, Ltd.)

Vice Chairman, H. Kataoka
(Nippon Shinyaku Co., Ltd.)

Utilization of the Early Laying-Open and Examination Request Systems

The examination request system of this country and the situation surrounding the system a year ago were reported at the San Fransisco Congress of the last year. This report which takes over where the last year's report left off, presents a brief review of how the examination request system has since been operated and, especially, how the domestic business enterprises have been utilizing the early laying-open and examination request systems.

Utilization of the Early Laying-Open and Examination Request Systems

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Utilization of the Early Laying-Open and Examination Request Systems

1. The trend of examination request

Table 1 and Figure 1 show the changes in percent examination request up to the 26th day of July, 1974 for the applications filed during the years of 1971 through 1973. (The utility model law of Japan much resembles her patent law and includes an examination request system similar to that prescribed in the patent law.)

The percentage of examination requests as lodged together with applications or shortly after the

application dates appears to have been dwindling year by year.

The examination request system of Japan applies to the applications filed at and after the beginning of 1971 and the periods during which requests for examination may be filed are seven (7) years in the case of patents and four (4) years in the case of utility models. It will be seen from Table 1 (Figure 1) that as to the applications filed in the year of 1971, the percent examination request is currently about 45% for both patent and utility model applications. Since the time limits for examination requests expire by the end of 1975 for all the utility model applications filed in 1971, it may be interesting to watch the progress of percent request in the months to come. The percent examination request is lower for applications filed in 1972 than those filed in 1971, and for applications filed in 1973, than those filed in 1972 at any comparable time after the respective filing dates, but for both 1972 and 1973, the percentages are expected to change in response to

the liquidation of backlogs in the Patent Office, that is to say as the applications filed under the new law start being examined.

2. Percent examination request, by industrial class

Compiled in Tables 2 and 3 are the percentage of examination requests as filed by eight to ten companies filing the largest numbers of applications in each industrial class and the percentage for the entire membership of each class, respectively, as based on the ticker-tape data as of January 23, 1973.

Table 2 shows that the percent examination request is high in the field of precision machinery while the iron and steel industry is far down on the scale. However, the percentage for the high-ranking companies in each industrial class appears to be generally lower than the percentage for the entire membership (Table 3)

3. Percent examination request, domestic versus alien applicants

Table 4 $(a)_1$ and $(a)_2$ show the percent examination request (by time bracket) for domestic applicants as based on the ticker-

tape data as of January 23, 1973. So far as the percent examination request by domestic applicants is concerned, the percentage for applications by government agencies is by far high and the great majority of these requests have been lodged simultaneously with applications.

Table 4(b) also shows the percent examination request for 32 major foreign corporations as chosen from the patent laying-open gazettes issued up to October, 1972 or during one year and four months after July, 1971 when the applications by aliens began to be laid open. At the moment, the chemical industry falls far behind, but percentages for other industries also are substantially below the percentages given in Tables 3, $4(a)_1$, and $4(a)_2$.

4. The fields of art where the examination of new-law applications has already started.

It will be many months before the Patent Office gets rid of all the examination backlogs of applications filed under the old law and we are not in the position to forecast the exact time of an overall clearance.

Since the temporary practice of the Patent Office that applications filed under the new law before it starts on the examination of the last application backlog under the old law in each field of art shall be examined in the order of application dates rather than the order of the filing dates of examination requests is destined to expiration, it is expected that we will see a rise in percent examination request in one field of art after another where the examination of new-law applications is (or has been) started. In this connection, the fields of art where the examination of new-law applications has already started are shown in Table 5.

5. The management and utilization of patent laying-open gazettes by business corporations.

The industry at first did not know how to deal with or utilize the early laying-open and examination request systems, both of which had been introduced by the new law. By today, three years after the new law had become effective, the industry seems to have contrived ways to turn them to its advantage. The following is a brief review of the manners in which domestic corporations are taking advantage of the patent laying-open gazettes.

5.1 The methods of management and utilization of patent laying-open gazettes

5.1.1 Uses

In both quality and quantity and, for that matter, in typography, the laying-open gazettes for the applications automatically laid open after 18 months from the respective filing dates differ from the publication gazettes for applications which have already been

examined. For some time after the amendment of law came into force, the companies used to purchase the patent (utility model) laying-open gazettes including the complete specifications (covering 174 classes; about 2,500 volums yearly or about 10 volumes a day). For reasons of expense, labor and storage space, some of these companies have by now turned to abstracts [for example, abstracts of laying-open gazettes as publ by the Japan Patent Information Center (JAPATIC)] or other printed matter giving only the claims and drawings. Probably, there is not a single corporation which can afford to completely disregard the laying-open gazettes. Thus, the corporations subscribe to them as a source of (i) information on technology, (ii) information on rights, and (iii) information useful for business purposes.

5.1.2 Methods of management and utilization

The complete gazettes or some processed materials are either placed into circulation from the patent department or maintained on file in a designated place

—— usually in the reference room of the patent department or laboratory —— for inspection and use by the engineers, researchers and patent personnel. In most companies the information gleaned from the gazettes by analysis of its contents is fed back, by means of sheets, cards or other devices, for a prognosis of the trends of technology and as a source of information on product and process developments or information on rights.

Upon laying-open of its own applications for which examination requests have not been lodged yet, the typical company evaluates the merit and demerit of lodging the requests for such applications and, also, studies whether it should warn others for purposes of demanding monetary compensations, as well as the timing of lodging examination requests or giving such warnings. On the other hand, the filing or non-filing of examination requests for applications by other companies is also a valuable source

of information. However, it is a very rare occurence at present that an examination request is lodged for a third party's application the examination of which has not been requested yet after a study of the correnspondingofficial (patent or utility model) laying-open gazette. It is also a recognized course of action for any business corporation to provide information to the Patent Office upon inspection of laying-open gazettes [Article 13 bis of the Rules of Enforcement of the Patent Law] but there have been not many of such actions actually taken yet. In many cases, it appears that the collected material has been retained for possible use in opposition procedures that may be demanded after publication of the applications.

5.2 Problems concerning the utilization of patent (utility model) laying-open gazettes.

Since a large amount of material is laid open every month, the companies are having troubles in alloting enough time and labor to monitoring and searches, storage space for the material, etc. Moreover, the laying-open

gazettes are printed in such small typefaces that they are less clearly legible than the publication gazettes. This is another problem that must be considered in the future.

However, compared with the old system under which it was usually more than a few years before an application was examined and published, the early laying open system is very beneficial to companies, for they can formulate their courses of action at early dates to such ends as the development of techniques, irrespective of which of the technical information and the rights information is to be utilized.

6. How the examination request system is being utilized

It is, indeed, many years since the word "patent war" became a journalistic favorite, and even since the amendment of the law, the number of applications has been increasing steadily and, in fact, at a good clip. However, all of these applications are not filed with definite intentions to prosecute them into rights. Rather, among them are (1) applications of which studies on the

merit of prosecuting them into rights are deferred to later dates, (ii) the applications designed to prevent others from obtaining rights, and (iii) other types of applications.

Therefore, each company has by now established its own criteria and time schedule for the filing of examination requests and are requesting the examination of such applications according to its own individualized scheme.

6.1 Criteria for examination request

6.1.1 When to file examination requests

(a) When the particular invention is being worked by the applicant, licenced someone to work, or is planned to be worked by the applicant or someone else.

(b) When it is desired to preclude working of the invention by other companies.

(c) When the particular invention is an important one, e.g. a pioneer invention or a basic invention of high technical accomplishment.

(d) When it is desirable to have the invention prosecuted into a right from business points of view.

(e) When the applicant is under contractual obligation to file an examination request.

6.1.2 Cases in which examination requests are not filed

Generally speaking, the following criteria apply.

(a) When the particular invention is found to have been known before the application date.

(b) When a senior application has been found that is dated before the application date of the particular invention.

(c) When the invention is unlikely to be worked by the applicant company or anyone else.

(d) All that is necessary is to preclude the patentability of junior applications.

6.2 Timing of examination requests

The times at which examination requests are filed appear to vary with different industrial categories such as machinery, electrical, chemical, iron and steel and other industries. However, it seems that the following schedules are generally in use.

(a) At the time of filing the application

The time is pertinent to applications which are certain to be worked, applications which are desirably prosecuted into rights at early dates, and applications for which the date of filing the examination request has been set by contract with a third party.

(b) After about a year

Requests are also filed with a view to filing applications in foreign countries or for amending the specification before it is laid open.

(c) At the time of laying-open (after one and a half years to 2 years)

The examination request is sometimes filed after completion of a search for any senior application. Comparatively many requests are filed during this period because it marks a "stock-taking" time.

(d) After three to four years

This period corresponds with the deadline of filing examination requests for utility model applications.

Patent applications, as well as utility model

applications, are re-evaluated at this time as to whether it is worthwhile to file examination requests.

(e) After six to seven years

This marks the deadline of filing examination requests for patent applications. A final reevaluation of any patent application is made during this period.

(f) As occasion demands

If an application comes to meet any of the criteria for examination request as referred to 6.1.1, the request is filed in disregard of (b) through (e).

6.3 Problems relating to examination requests for the corporation

It appears to be common practice that the patent department personnel prepare a card, chart or sheet for each of its applications, transfer it to the inventor(s) (or the department to which the inventor or inventors belong) and, based on his (their) return, decides, at a meeting of a committee or at the discretion of the patent department manager whether it is a sound policy to file an examination request.

With an increased number of pending applications in the company's file, more time and labor are required for the corporate personnel to re-evaluate each of them and it is a task of each individual corporation to develop an efficient system to accomplish this evaluation.

7. The advanced examination system

This is a system such that when, for example, a third party copies or works the subject invention of an application after it has been laid open, the applicant may have the application examined in advance of other applications in disregard of the usual order of examinations. In this regard, it might be likened to the U.S. system under which "petitions to make the applications special" may be filed for infringement reasons. However, the advanced examination system of Japan is a special procedure designed to protect the interests of the applicant after the application has been laid open and it is one of its outstanding features that the applicant is entitled to this previlege only after his application has been laid open. The advantage of advanced examination to the applicant is that his application, if published, will be published

at a date earlier than usual so that, so much earlier, he may take such procedures as demanding a cease-and-desist order or filing a suit for the recovery of damages thanks to the right to enjoy provisional protection which accrues to him on publication of the application.

The specific procedure is that if the applicant submits "an explanation of circumstances pertaining to the advancement of examination" about the working by a third party, the Patent Office, inasmuch as it finds it necessary to do so after a study of the explanation, undertakes an examination of the application in advance of others. To obtain such a ruling, it is necessary for the applicant to include in the above-mentioned explanation on a prescribed form such particulars as the imitator's mode of working, the quantity involved, the letter of warning sent by the applicant, and a resume of his negotiations with the imitator, as well as documents evidencing such facts. So far, however, there have not been many cases of advanced examination actually requested and approved,

and this is probably due to the relatively short time following the coming into effect of the new law.

According to our practice, the request for the advanced examination is not accepted for reasons of manufacture, health, age, continuation-in-part applications, defensive publication program, etc.

Environmental pollution is, however, an exception and has been treated as a cause of advanced examination from a different point of view. In this case, no request of the applicant is required.

Table 1

Trend of percent examination request with time

In Figures in parentheses denote:
upper line ____ domestic applicants;
lower line ____ alien applicants

Year of application / Time of survey	Patent				Utility Model			
	71	72	73	74	71	72	73	74
71 end of december	27.1%				31.6%			
72 2.20	27.1				31.6			
6.26	29.4	21.4			33.2	28.0		
9.19	30.8	21.8			34.3	28.4		
10.27	31.0	21.8			34.5	28.5		
11.22	31.3	22.0			34.7	28.6		
12.15	31.7	22.3			35.0	28.8		
	(34.9 / 22.5)	(24.1 / 15.9)			(35.4 / 14.5)	(29.0 / 9.2)		
73 1.25	32.3	22.5			35.6	28.8		
2.14	32.5	22.3			35.8	28.7		
	(35.8 / 23.0)	(24.1 / 16.3)			(36.1 / 14.9)	(29.0 / 9.8)		
4.5	33.6	23.1	18.9		36.6	29.1	23.8	
	37.1 / 23.5	24.8 / 17.3	20.9 / 11.0		36.9 / 15.0	29.4 / 10.3	24.0 / 9.8	
4.20	34.3	23.7	19.4		37.4	29.6	24.8	
	(37.9 / 24.0)	(25.3 / 18.2)	(21.3 / 11.5)		(37.8 / 15.3)	(29.9 / 10.8)	(25.0 / 7.8)	
5.25	35.0	24.2	19.5		38.1	30.1	25.1	
6.23	35.5	24.6	19.7		38.5	30.4	25.2	
	(39.2 / 24.6)	(26.1 / 19.2)	(21.6 / 12.4)		(38.9 / 15.6)	(30.6 / 11.5)	(25.4 / 10.5)	

7.28	36.3	25.1	20.0		31.2	30.9	25.3	
	(40.2) (25.2)	(26.7) (20.1)	(21.8) (13.3)		(39.6) (15.7)	(31.1) (11.8)	(25.5) (10.6)	
9.29	36.9	25.7	20.2		40.0	31.4	25.4	
	(40.8) (25.5)	(27.1) (20.5)	(21.8) (14.0)		(40.3) (15.8)	(31.6) (12.5)	(25.6) (10.9)	
10.11	37.4	26.1	20.4		40.5	31.7	25.5	
	(41.4) (25.9)	(27.6) (21.0)	(21.9) (14.5)		(40.9) (16.0)	(32.0) (12.6)	(25.7) (11.1)	
11.5	38.2	26.9	20.5		41.3	32.4	25.5	
12.10	39.7	28.2	20.7		42.4	33.2	25.5	
74 2.16	40.6	29.0	20.8		43.2	34.0	25.4	
4.15	41.9	30.0	21.5	17.7	44.3	34.9	25.9	22.3
5.8	43.7	31.7	22.5	19.0	46.1	36.1	26.8	22.7
6.24	44.1	32.4	22.8	19.2	46.8	36.7	27.1	22.9
7.26	45.1	33.8	23.5	20.2	48.0	37.9	27.6	23.6

Table 2

Percent examination request, by industrial class

(Based on the ticker-tape data as of January 23, 1973)

(Applications filed in January through December, 1971)

Industrial class		Percent examination request					
		Simultaneous with application	1-6 months	7-12 months	13-18 months	19-24 months	Total
Electric machinery (10 companies)	Pat.	24.75%	0.96%	1.56%	1.81%	0.11%	29.0%
	U.M.	16.34	0.68	0.26	0.97	0.08	18.32
	Total	19.93	0.80	0.81	1.33	0.08	22.96
Machinery (10 companies)	Pat.	6.00	10.09	6.49	2.12	0.49	25.19
	U.M.	6.92	5.24	5.10	5.15	0.57	22.97
	Total	6.65	6.63	5.50	4.28	0.55	23.61
Transportation equipment (10 companies)	Pat.	21.23	5.46	1.40	0.67	0.27	29.03
	U.M.	16.65	8.09	1.55	0.49	0.14	26.92
	Total	18.88	6.81	1.47	0.58	0.21	27.95
Precision machinery (10 companies)	Pat.	34.01	2.03	4.32	1.28	0.05	41.68
	U.M.	16.62	4.56	10.15	1.50	0.20	33.04
	Total	26.38	3.14	6.88	1.38	0.12	37.89
Iron & steel (8 companies)	Pat.	2.57	2.36	2.41	0.42	2.10	9.86
	U.M.	3.67	1.16	0.36	0.98	2.15	8.32
	Total	2.98	1.92	1.65	0.63	2.12	9.29
Nonferrous metals (8 companies)	Pat.	9.82	1.05	9.38	4.56	0.18	24.98
	U.M.	6.59	1.24	4.81	6.59	0.47	19.71
	Total	8.11	1.15	6.95	5.64	0.33	22.18
Textile (9 companies)	Pat.	6.25	0.65	6.93	2.76	0.39	16.98
	U.M.	6.09	0.44	6.61	4.18	0.09	17.41
	Total	6.21	0.60	6.86	3.09	0.32	17.08
Chemical (10 companies)	Pat.	17.82	1.24	6.00	1.42	0.53	27.02
	U.M.	8.26	2.17	6.09	0.43	0.22	17.17
	Total	16.20	1.40	6.01	1.25	0.48	25.35

Table 3

Percent examination request, by industrial class

(Applications filed in January through December, 1971)

Class	Part	Name	Classification	Patent	Utility model	Overall
1		Agricultural & aquatic	1-8	34.69	40.35	38.69
2	I	Metal & inorganic materials	9-15	27.33	39.78	29.36
	II	Organic compounds	16	17.82	-	17.83
	III	High polymer & production chemical industries	17-26	26.25	43.89	28.18
	IV	Drugs, foods, etc.	27-38	29.96	40.51	32.73
3		Textiles	39-48	32.18	40.56	34.39
4	I	Prime movers, machine elements, atomic power, etc.	49-54 136	30.51	34.88	32.24
	II	Electrical	55-62	34.40	32.56	33.42
	III	Machine tools & industrial machinery	63-76	36.44	39.31	38.01
5	I	Transportation	77-85	33.15	39.91	36.60
	II	Construction & sanitation	86-95	58.89	41.76	47.88
6	I	Electronics & communication	96-101	34.22	33.74	34.06
	II	Optics & measurement	102-115	31.10	36.31	33.22
7	I	Reprinting & Business equipment & supplies	116-120	31.76	45.77	41.24
	II	Clothing & Household goods	121-131	32.05	45.74	43.41
	III	Packaging & containers	132-135	34.18	50.08	45.50
Total				31.56	39.89	35.27

Table 4 $(a)_1$

Percent examination request for applications filed in January through December, 1971 by time bracket

(Japanese applicants)

		Percent examination request					
		Simultaneous with application	1-6 months after application	7-12 months after application	13-18 months after application	19-24 months after application	Total
Individuals	Pat.	32.40%	5.22%	2.26%	1.54%	0.49%	41.91%
	U.M.	34.17	4.78	1.94	1.15	0.57	42.61
Corporations	Pat.	24.82	3.06	3.08	2.09	0.49	33.53
	U.M.	26.27	3.65	2.31	1.85	0.46	34.54
Goverment agencies	Pat.	81.95	2.66	1.18	2.66	1.04	89.50
	U.M.	80.90	3.60	0	1.80	0.45	86.74

Table 4 $(a)_2$

Percent examination request for applications filed in January through December, 1972 by time bracket

(Japanese applicants)

		Percent examination request					
		Simultaneous with application	1-3 months after application	4-6 months after application	7-9 months after application	10-12 months after application	Total
Individuals	Pat.	35.64%	2.07%	1.64%	0.45%	0.11%	39.91%
	U.M.	35.91	2.20	1.18	0.30	0.04	39.63
Corporations	Pat.	18.59	0.80	0.78	0.49	0.19	20.85
	U.M.	23.49	1.14	0.78	0.31	0.09	25.81
Goverment agencies	Pat.	85.87	0.62	0.41	0.21	0.14	87.25
	U.M.	88.84	2.19	0.66	0	0	91.68

Table 4 (b)

Percent examination request for 32 major foreign Corporations

[as laid open during July, 1971 to October, 1972]

Electrical (12 companies)	21.3%
Chemical (14 companies)	3.2%
Automotive and others (6 companies)	19.7%

Table 5

The fields of art where applications under new laws have already begun to be examined

(as of May 14, 1974, the Adjustment Section of the Patent Office)

The Second Examination Department

Chief examiner	Industrial class	Classification
Agricultural & aquatic	Agricultural and horticultural	1A-D
	Shears & Saws for agricultural and horticultural uses	2D
	Capture and control of animals and fowls	5A, 5B
	Machinery for production of foods, beverages and animal products	35A, 35C
	Machinery for production of cereal and legume foods	35D, 35E
	Tobacco	38
	Animal husbandry	6B
	Irrigation & drainage	88E
	Fishing	8A
	Smokers' goods	130
	Hand cooking utensils	127
	Dining utensils	129
Civil engineering	Railways	78A
	Trenches, landslide stops, cofferdams	86(3)E
	Utility water & clarification	91AC
Building	Desks & tables	126A
Applied physics	Acoustic equipment in general	102A
	Mechanical & optical recording	102C D
	Umbrellas & parasols	124
Business machines	Toys & athletic equipment	120M, G

The Third Examination Department

Chief examiner	Industrial class	Classification
General machinery	Shafts, bearings, shaft couplings	53A
	Fixation	53E
	Valves & cocks	66A, 66B
Power machines	Supply of fuels for internal combustion engines	51E
	Suction, exhaust and scavenging of internal combustion engines	51D
	Cooling, lubrication and sound-muffling of internal combustion engines	51J
	Constant temperature (thermostatic)	70A, B, C
	Smoke stacks & chimneys	67F
	Solids and gas heating equipment	67L, N
	Cooling machines	68B
	Closed-type heat exchange	69C
	Central heating	90B
	Cooling & heating	90A
	Humidity control	90F
Production machinery	Separation	72C
Industrial machinery	Sparking & ignition devices	128A
	Cleaning in general	92(3)A
	Suction & Sweep-in type cleaning	92(3)D
	Dirt treatment in general	92(7)A
	Dirt encasement	92(7)B
Textile machinery	Clothing (exclusive of wearing materials for the lower half of the body, ties, accessories, etc.)	121 (excluding A, C, D)
	Sewing & manual art	123
	Mosquito nets, fly nets, curtains	126D
	Spinning, twisting, twining, netting	43B, 43C
	Threads, ropes, nets, cords	44
	Straw mats, carpets & rugs	86(6)B

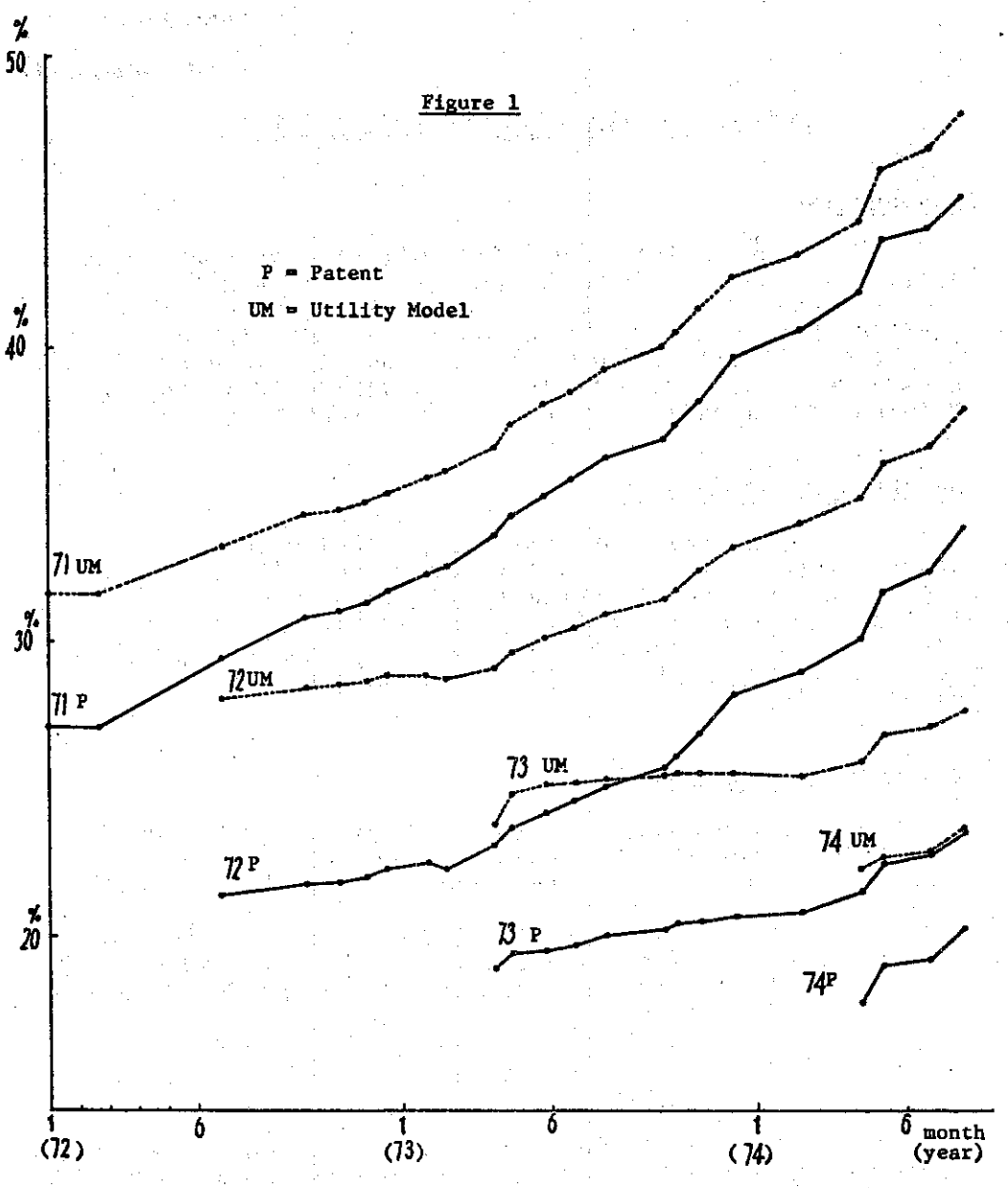
The Fourth Examination Department

Chief examiner	Industrial class	Classification
Metal	Metallurgical bonding and cutting of metals	12B
	Metallurgy, alloying and heat-treatment of metals, in general	10A
Pharmaceutical chemistry	Organic compounds (carbocyclic)	16D
	Organic compounds (heterocyclic)	16E
	Organic compounds (organic synthesis of naturally-occurring materials)	16F
	Drugs based on animals, plants or minerals	30A
	Synthetic drugs	30B
	Handling & preparation of drugs	30C
	Production of serum or bacterial products	30D
	Diagnostic & prophylactic drugs, agents for physical therapy, etc.	30E
	Cosmetics, perfumes, etc.	31
Organic high polymer materials	Polycondensate and polyadduct compositions	25(1)D
	High molecular compounds	26(1)
	Polymers of unsaturated compounds	26(3)
	Polycondensates & polyadducts	26(5)
Agricultural chemistry	Silkworm feeds	7D
	Poisons	30F
	Foods & beverages, tonics	34
	Microbiological industry	36(2) all
	Brewing	36(5)
	Sugars, starch, and other carbohydrates	32
	Production of tea	37A, B
Fiber chemistry	Dyestuffs	23(exclusing A, D, F)
	Artificial fibers in general	42A
	Inorganic artificial fibers	42E
	Dyeing	48B

The Fifth Examination Department

Chief examiner	Industrial class	Classification
Electron physics	Capacitors	59E
	Inductance	59F
	Magnetic materials	62B
Automatic control	Electron ranges	67J

Figure 1


%
50
%
40
%
30
%
20
P = Patent
UM = Utility Model
71 UM
71 P
72 UM
72 P
73 UM
73 P
74 UM
74 P
1
(72)
6
1
(73)
6
1
(74)
6
month
(year)

Committee #1

E. W. Adams, Jr.

OUTLINE - FRAUD ON THE PATENT OFFICE

Introduction

Those who before the Patent Office have engaged in activities which are found to amount to fraudulent misrepresentation or in other inequitable conduct may be found to have committed "Fraud on the Patent Office". The offense is ill-defined and the cases are in confusion in many respects. Nevertheless the results of a finding of fraud on the Patent Office can be devastating.

The Standard of Conduct

"Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue." Precision Inst. Mfg. Co. v. Automotive Maintenance Machinery Co., 324 US 806 (1945).

Development of the Law

1) For many years, patents obtained "fraudulently" were considered invalid and could be canceled - but only by action brought by the Government - not by third parties.

2) More recently, fraudulently obtained patents have been held subject to attack by defendants to infringement suits seeking to have such patents held unenforceable.

3) In addition, fraudulently obtained patents have been held subject to attack as invalid by defendants against whom they are asserted.

4) It has been held fraudulently obtained patents shown to be invalid by defendants in infringement litigation may be utilized by defendant as one element - to show, with other elements, violation of the anti-trust laws and may expose the patentee to the anti-trust penalty of treble damages as well as possible criminal penalties.

5) Cases involving clear fraud (classical fraud) in prosecution or other proceedings before the Patent Office may be held "exceptional cases" within the meaning of 35 USC 285 and subject the patent owner to the award of attorney's fees to the successful defendant.

6) Finally, attorneys found to have perpetrated fraud on the Patent Office may be suspended or disbarred from practice before the Office.

Current State of the Law

1) Expect a charge of fraud in almost every case in which a patent is asserted against an infringer; a successful charge can at least give the defendant a psychological advantage. At most it can win the case for him. An unsuccessful charge does not appear to carry any risk for the defendant.

2) Courts differ in their interpretation of the facts - See Monsanto v. Rohm & Haas Co. and Monsanto v. Dawson Chem. Co. in which on the same facts two District Courts reached opposite results as to whether fraud had occurred, one holding the patent valid, the other invalid.

3) The obligations of the applicant, the owner, and the attorney are unclear. For example,

   a) What is prior art which must be brought to the attention of the Patent Office? Is it the best art known to the applicant or is it all of the art known to him even though the additional references add nothing in the way of anticipation? Does the prior art include things other than patents and publications?

   b) Is intent to mislead important or is inadvertent conduct which in fact misleads (or might mislead) enough? What constitutes the kind of good faith which will negate an intent wilfully to deceive the Patent Office? Will inadvertent failure to cite a pertinent reference be excused?

   c) Was the misrepresentation material? Must it appear that the Patent Office (the Examiner) relied on the applicant's statements or conduct or that it would have reached a different conclusion as to the patentability had the applicant not failed in calling a particular reference to its attention?

d) Can one expect to call the Examiner in court and ask him what he would have done had applicant acted in some other way?

e) Are all instances of failure to comply with the duty of candor and honesty spelled out by the cases equally reprehensible?

Should the penalties be the same?

Legislative Reaction to the Problem

The Hart Bill S.1321; The Scott Bill S.2504, and the corresponding marked-up version S.2504CP; and The Buckley Bill S.2930, all deal with the problem by attempting to define the duty owed by applicants and to a greater or lesser extent by statutory requirements of various kinds of disclosures during prosecution which are designed - or alleged to be designed to increase the likelihood that issued patents will be more resistant to invalidation for fraud.

These include among others

1. Provisions requiring citation of art and a patentability brief arguing the patentability of the claimed invention over the art known to applicant.

2. Affidavits by various participants as to efforts made to ascertain the state of the art.

3. Arrangements for post-allowance citation of art by the public.

4. Full scale post allowance (or post issuance) opposition proceedings.

They cover a wide variety of approaches and it is difficult to predict what new statutory provisions will emerge. There is a risk that any such statutory requirements will make the present situation worse by adding more grounds for a charge of fraud on the part of the applicant.

Conclusion

The relationship between applicants and the Patent Office and the duty of applicants during prosecution has undergone substantial change and the situation is still unsettled. It may be argued that the proceedings before the Patent Office are not true adversary proceedings and that applicant can no longer pick and choose what he will tell the Patent Office of what he knows.

In any event, applicants will have to lean over backwards to insure that if they come to the court of equity they arrive with clean hands and pure hearts.

RECENT CASES

a) Kawanee Oil Co., Case

b) Textured Yarn Case

J.B. Clark
U.S. Group, Committee 1

October 29, 1974

Patent and Anti-Trust Law by

Prof. Bowman of Yale University

As you know, the anti-trust law in the U.S. is quite well developed and much of it is sound. In some areas, however, it is not. One such area concerns patents and anti-trust. For some time, the Dept. of Justice has been seeking to limit the rights of patent holders and the courts have gone a long way in this direction. Prof. Bowman of Yale Univ. has written a book on this subject which shows the fallacy of these arguments and he demonstrates how the patent and anti-trust laws are not in conflict but are in support of the same objective to increase competition. Prof. Bowman bases his argument on both law and economic theory.

Because of a tendency of some countries to follow a precedent set in the United States, I wanted you to be aware of this book should there be such an attempt in Japan. In other words, I think the logic set forth in this book will help refute attempts to establish that patents are anti-competitive and that the rights of patents owners should be restricted.

I gave a copy of Prof. Bowman's book to Saotome-san of Mitsubishi Chemical Industries Ltd. I wish I had more copies to hand out, but I do not. Copies can be ordered from the Univ. of Chicago Press, however, by writing them. I strongly suggest that you do this if you find your company facing these kinds of arguments.

Thank you.

Kawanee v. Bicron

Facts:

Kawanee developed a process for the growth and encapsulation of synthetic crystals and purification of raw materials. These processes contained trade secrets. Kawanee eventually succeeded in growing a 17-inch crystal. Several employees then left Kawanee

and formed Bicron Corp. to compete with them in growing crystals. The facts indicate that Bicron clearly used Kawanee trade secrets. Kawanee sued and the trial court granted a permanent injunction preventing Bicron from using Kawanee technology. The Court of Appeals reversed, holding that the trade secret law conflicts with the patent law and that under the supremacy doctrine technology could be protected only under the patent law. Thus, the Court of Appeals ruled, in effect, that there could be no trade secrets.

This decision created a great deal of unrest since it, in effect, granted an open license to steal technology. The case was appealed to the Supreme Court and many organizations filed briefs in support of Kawanee's attempt to reverse this decision. Many arguments were made, but to keep a long story short, the Supreme Court reversed the appellate court, holding that trade secrets could be protected and that trade secret law was not in conflict with the patent law, the proper ending.

Status of Leesona-Lextex U.S. Litigation

This fascinating saga of mammoth multi-million dollar litigation in the textile industry began in 1969 when licensees under Leesona's single heater and high speed spindle patents rebelled and stopped royalty payments (±8¢ per pound*) under the license agreements. The first suit was by a licensee Kayser-Roth Corporation, filed in New York, seeking a declaratory judgment of non-infringement of the single heater patents. Other suits were soon filed in New York seeking similar relief, and by 1970 these New York actions had been consolidated for pre-trial purposes under the label "New York Throwsters.

Meanwhile, Leesona sued all of its licensees in the state courts of Rhode Island where the cases, subsequently removed to the U.S. District Court in Rhode Island, were dismissed for lack of derivative jurisdiction.

Leesona then filed suit in the U.S. District Court for Rhode Island, requesting a declaration of validity of the single heater patents.

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* Royalty varied with filament denier.

By this time, three actions had been filed in North Carolina, another in Pennsylvania, and yet another in Florida.

LexTex (which is really a corporation created by the Leesona patent counsel and a Miami, Florida, attorney) took the initiative in obtaining a patent-sympathetic Federal District of Southern Florida as a forum for the mass of litigation by suing in that jurisdiction and then moving to bring all of the cases into a consolidated action in the Florida court. Florida defendants were the Concordia Manufacturing Company (which interposed an anti-trust counterclaim), Hialeah Knitting Mills and Leumas Knitting Mills who alleged misuse and unenforceability of the double heater patents belonging to LexTex. Another action was filed in the Florida District Court by Celanese and Fiber Industries. This action named Leesona, LexTex, and Permatwist, as well as individual partners as defendants, and sought a declaratory judgment of invalidity of both the single heater and the double heater patents.

LexTex was able to prevail in selecting the Southern District of Florida as the setting for this big trial, primarily because of doubts of all parties

as to whether LexTex could be reached in a state other than Florida.

Single Heater Validity (Public Sale)

Judge Atkins in the Miami Federal District Court, ruling on a motion for summary judgment, held that the apparatus and process of the single heater patents was on sale more than one year prior to date of application for patent in the United States.

When a U.S. judge rules on a motion for summary judgment, he is saying that there need not be a determination of facts by a jury, but rather that the issue is an issue of law and therefore the judge may summarily dispose of the question.

Judge Thornberry, of the Court of Appeals, held that Judge Atkins was wrong in rendering a summary judgment on the issues in the case. In so holding, Judge Thornberry was saying not that the patents were necessarily valid, rather than invalid, but only that Judge Atkins should not have made a summary judgment.

The case will now be returned to Judge Atkins in

the district court who will probably schedule it for another trial.

Single Heater Misuse

On a motion by the New York Throwsters for a summary judgment of misuse, Judge Atkins held that the single heater patents 105, 108, and 109, as well as spindle patents 086, 247, and 218, had indeed been misused.

Double Heater Validity (Public Sale)

The double heater 912 patent was based on an application filed April 19, 1957. Universal Textured Yarns, along with Concordia, Sauquoit, Rohm & Haas, and Allen Mebane joined in a motion before the trial court for a summary judgment of invalidity of this patent of the basis that it was "on sale" or "in public use" more than one year prior to the filing date.

On December 14, 1954, Permatwist had transferred to Leesona certain "inventions" relating to yarn processing. Universal Textured maintained that these inventions included the invention of the 912 patent.

Judge Atkins held that there was no question but that the 912 invention was included in that transfer to Leesona and that such a transfer constituted a public sale.

Double Heater Validity
(Abandonment)

On a Celanese and Fiber Industry motion, Judge Atkins also rendered a summary judgment of invalidity of the 912 patent for the same public sale as previously described, and for the additional reason that the inventors Stoddard and Seem abandoned the invention before the patent application was ever filed. Judge Atkins did not discuss the application of the facts of abandonment in this particular case, and we are lacking the details thereof, but it appears that Leesona failed to challenge Celanese's assertion, which, according to the judge, was demonstrated by

undisputed material facts.

Double Heater Validity (Product Claims)

During the course of the discovery proceedings, Warren A. Seem stated during an interrogatory that "yarns comprising fabrics subjected to any of the 'various finishing techniques' respond to the yarn definitions which are set forth in any of Claims 24, 25, 26, 27, 28, and 31 of Patent 3,091,912." Celanese moved for a summary judgment of invalidity of the product claims of the 912 patent because Mr. Seem's statement was an admission that these claims cannot be valid if they describe yarns which were present in the fabrics produced by the common practice of the prior art.

Judge Atkins held that with such material before the court, he had no alternative but to grant the motion. All of the product claims in the patent were thus held invalid.

Double Heater Misuse

Following the above, on August 29, 1974, Judge Atkins ordered dismissal of the Federated complaint stating that "the court having determined the patents on which the cause is premised are unenforceable, orders the complaint dismissed sua sponte."

Observations

With the exception of the one summary judgment ruling on the validity of the single heater patents which has been through the appeal process, all of the important rulings and summary judgments in this case were handed down during the spring and summer of 1974. This means, unless special action is taken in the Court of Appeals to take these motions out of turn, there will be no answers, even to the summary judgment questions, for another year.

When these answers do come, the chances are better than even that Judge Atkins will be reversed, almost assuredly with respect to his summary judgment of invalidity of the double heater (912 patent) for the

same reason as the first reversal, and probably with respect to all of them.

But a reversal of any or all of Judge Atkins' rulings will not mean the end of the litigation; only that the litigation is just getting started. Remember that there has been, as yet, no trial. There has been only discovery and a few motions. No consideration has yet been made of the patentability of any of the patents over the prior art; or whether, as is routine in modern-day U.S. patent litigation, there was a proper conduct of the prosecution of the U.S. patent application by the attorney for the applicant. (This would involve, of course, consideration whether there was full disclosure to the Patent Office of all prior art, and of all data.)

It may be that if the misuse rulings are upheld on appeal, the parties will not consider further litigation worthwhile. I would guess that with the expiration of the single heater patents in August of this year, this part of the litigation would hardly be worth pursuing further if the Court of Appeals sustains Judge Atkins' ruling on misuse.

These would only be remaining the double heater patents on which, although infringement exposure before

the court may be relatively light, potential infringement exposure until June 1980 when the 912 patent expires could be significant.

October 29, 1974
Japanese Group, Committee #1.
Vice-Chairman
Tsutomu Fujimoto
(Tanabe Seiyaku Co., Ltd.)

Presented by
Masafumi Tsukamoto
(Mitsubishi Heavy Ind.,Ltd.)

ON THE TRADEMARK REFORM BILL OF JAPAN

1. INTRODUCTION:

The table illustrates the numbers of trademark applications in various countries for a little over the last decade and demonstrates that the number of trademark applications in Japan is incredibly high in comparison with other countries. Take 1972, for example, the number of applications in Japan is about 5 times higher than the United States, about 9 times higher than in West Germany, about 10 times higher than in the United Kingdom, just to name a few. It looks simply amazing.

Trademark Applications in Various Countries

Country / Year	Japan	USA	France	West Germany	United Kingdom	Italy
	Applications	Applications	Applications	Applications	Applications	Applications
1960	39,089	22,781	19,477	23,161	15,328	8,331
1961	37,458	23,782	20,768	22,949	13,997	8,803
1962	34,985	25,130	21,952	23,342	14,210	9,150
1963	56,776	24,391	20,375	24,478	15,024	7,119
1964	59,950	25,574	21,043	24,694	15,388	9,108
1965	62,123	26,400	40,121	24,889	14,995	9,416
1966	75,685	27,689	21,157	23,389	14,868	10,036
1967	82,348	28,018	20,564	23,161	15,495	10,799
1968	94,243	29,378	16,800	21,962	16,820	11,955
1969	115,811	32,434	21,631	20,687	17,139	12,350
1970	139,414	33,326	21,794	19,881	16,511	11,923
1971	142,518	32,794	21,392	18,997	15,735	11,192
1972	183,495	34,970	24,038	22,482	18,703	12,846
1973	200,133					

However, being large is not necessarily a good thing. As a matter of fact it is not so much amazing as it is indeed abnormal and annoying to Japan.

Because of the difficulties in increasing the number of examiners on the part of the Japanese Patent Office to cope with this trademark explosion, a large back log has piled up in the Patent Office until it has reached as of the end of 1973 as large as about 480,000, pending applications. This supposedly will require an average of a little over 4 years for disposal. The imbalance between trademark applications and disposal capacity has created headaches to all people concerned.

The shortening of the disposal period for trademark applications, is also a 'must' for Japan, now that she has determined to affiliate with the TRT at a possibly early date which requires a disposal period of 15 months.

And yet the fact is that this trademark explosion is presently not about to stop, and so the trademark system of this country is now going to break down and collapse.

A certain high ranking official who happens to be in a responsible position in the Patent Office is quoted as saying that he is now between the devil and the deep blue sea.

So much so indeed that today Japan is being confronted with a trademark crisis in addition to an oil crisis.

In order for the Government to fight the current trademark crisis, the Industrial Property Right System Council, or the Trademark Subcommittee thereof to be more exact, was organized in the Ministry of International Trade and Industries in January of this year. Study has been underway to discover ways and means for effective management of the trademark system from every possible angle including improvements and ameliorations both on management, administration, and legislation in regard to the trademark system since that time. The Subcommittee has made intensive studies in cooperation with various trademark associations in order to identify the cause of the current trademark explosion and has now almost reached a conclusion as to what

approaches should be taken in order to overcome the current trademark crisis.

So let me take this opportunity to enlarge on the outline of the approach made by the Subcommittee on remedies for the current trademark crisis with particular reference to the key cause of the current trademark explosion and prospective counter measures thereto.

2. THE CAUSE OF THE TRADEMARK EXPLOSION:

As will be clear from the previous table, only Japan has suffered from a trademark explosion. Are there any factors peculiar and unique to Japan that have caused this crisis?

As is often the case, the cause of the current trademark explosion is not simple, since various factors are inevitably interrelated.

According to the analysis made by the Subcommittee, the following appear to be major factors.

2.1 The economic, industrial, and social change in Japanese society is the background to the current trademark explosion:

With the rise in nation's income followed by a rise in the standard of living in combination with advancements in the mass media, goods have become remarkably varied and advertising has become increasingly active.

These things combined make the roles played by trademarks so conspicuous that it has come to be generally considered that it would be better to get all potentially useful trademarks registered as early as possible. This kind of situation is considered to be the background underlying the current trademark explosion.

2.2 A narrow concept of similarity is a major factor:

The concept of similarity which might cause confusion on a trademark on the part of the examiners in Japan seems to be relatively narrow as opposed to the United States and various European countries. Also it seems to be a little narrower than business concerns here expect it should be. Thus it is rather easy to register a trademark if it bears only a comparatively slight difference from prior registered trademarks pertaining to the goods in question.

Accordingly perhaps one who is going to use a certain trademark can not help feeling some sense of apprehension and uneasiness lest some one else should register trademarks very similar and close to his trademark.

This uneasiness and apprehension prompts one to file trademark applications to cover all trademarks similar to or close to his trademark so that one will not be forstalled by anyone else. The filing of trademark applications for defense purposes inevitably leads to an increase in trademark applications.

Some trademark applications may be filed by the unscrupulous to try to get trademarks registered that are more or less close to a certain well known trademark possibly with an intention of a free ride.

In either case, the narrow concept of similarity on the part of examiners is considered to be one of the major factors leading to the trademark explosion.

2. 3 The freedom of trademarks is another factor:

Perhaps this subtitle may sound somewhat strange to most of our American friends here, I am afraid.

Unlike the United States where the socalled use principle has long been established and people are deeply engrained with this philosophy of trademarks, here in Japan one can apply and register a trademark for just about anything one wants irrespective of use or will to use.

Furthermore once one obtains a trademark registra-

tion one secure a strong position in which one can enjoy the full privilege of monopolizing and licensing at will as long as one wants whether or not one uses the trademark.

There is indeed an article provided by the Japanese Trademark Law defining the cancellation of a trademark registration due to failure to use over a period of more than 3 years. Strangely enough no precedent of a trademark registration being cancelled has ever been heard of in the past.

This is reportedly because of the difficulties on the part of the plaintiff in demonstrating the fact of non-use on the part of the trademark owner: the burden of submitting evidence being placed on the plaintiff according to the provision of the present trademark law.

It follows that Japan seems to have more freedom than the United States in this respect and that is why I have termed this section "Freedom of Trademarks" as a subtitle.

Very simply stated, the Japanese trademark system practically has been run in almost the same way as the patent system in which people are free to invent, free to apply for a patent, free to sell or license, and free from cancellation due to non-use.

It is, however, ironic that this freedom has turned out not to be beneficial but rather to be detrimental. The result is what you see.

Consequently it is quite natural for perhaps some people to apply for trademark registrations for the purpose of acquiring registrations to sell or license to some one else without any risk of the trademark registrations being cancelled.

As a matter of fact, the total number of trademark registrations at present is about 700,000, however only 30%, that is about 210,000, is estimated to be in actual use, the rest, the 70%, being either those registered for defensive purposes or for stock purposes. None the less, this 70% of the total registrations presents a heavy burden to examiners in the form of prior registrations they have to wrestle with,

which in turn contributes greatly to impeding their efforts to shorten and minimize the disposal period.

2.4 A cheap fee is another factor:

The fee required for a trademark application is ¥2,000 (about $6.00) which has remained unchanged since 1960. The fee required for registration is ¥12,000 (about $40).

People are readily able to file trademark applications foot-loóse without feeling any sense of financial burden.

So it can not be denied that the low fee, particularly the low application fee, has had a great deal to do with the current trademark explosion.

3. APPROACH TO A SOLUTION:

Although the Japanese trademark system has been based on the so-called registration principle, in view of the cause of the trademark explosion as mentioned above the Subcommittee is of the opinion, that it is absolutely necessary to revise the trademark law to work in a little or more of the so-called use principle in order to curb the increase in trademark applications as well as to curtail the number of trademark registrations, both of which more than anything else will contribute to shortening and minimizing the disposal period for trademark applications.

The prospective angles from which the trademark law will be amended and improvements will be made managerially and administratively could be crudely discribed as follows:

3.1 The applicant shall state the line of business:

Those applications for trademark registrations which are considered to have no possibility of actual use of the trademark mark in the light of the applicant's line of business will be refused. For example, an application for trademark registration filed by a bank or an air line company would be refused no matter what goods are involved for the above

reason.

3.2 Those registered trademarks that have never been put into practical use within 3 years of registration shall be cancelled:

After an lapse of 3 years from registration, the trademark owner will be requested to submit a statement in regard to the actual use of his trademark, otherwise it will be subjected to cancellation. This is more or less similar to the provision of the United State trademark law except for the difference in the lapse of years in which an affidavit or declaration is requested to be filed.

3.3 Unless the registered trademark has been put into use within 3 years prior to the renewal application, it shall not be renewed.

3.4 When a trial hearing is demanded for cancellation of a registered trademark for non-use for more than 3 consecutive years, the burden of evidence of use shall be borne by the defendent, that is, the trademark owner. Thus it would no longer be necessary for the plaintiff to prove the fact of non-use as it used to be.

In all of these three cases, if any other registered trademark which is an associated trademark with the registered trademark concerned in respect to the designated goods, or a reasonable cause for non-use of the trademark with respect to the goods concerned, can be shown, the foregoing cancellation or refusal will not be applied respectively.

3.5 Fees for application and or registration shall be increased to reasonable amounts.

It may be that the application fee would be increased from the present ¥2,000 to ¥10,000 to 20,000 that is about $30 to $60.

3.6 A study team is set up for the purpose of formulating new guide lines for broadening the concept of similarity of trademarks and goods for the examiners.

3.7 The Patent Office shall make further efforts of all kinds within its jurisdiction that could possibly contribute to speeding up the examination and shortening the disposal period in terms of enhancing work ethic and morale, securing sufficient personnel, simplification and mechanization of examination procedures, training of examiners, and in every other way.

4. CONCLUSIONS:

The Patent Office believes the most urgent thing is to shorten and minimize the disposal period by curbing the number of trademark applications, leaving up to future study such matters as the introduction of the service mark system, the international classification of goods, letters of consent, substantive examination initiated by opposition, and so forth.

By concentrating primarily on this policy, the Patent Office is now going to publicize the approach made by the Subcommittee through various channels in an effort to obtain public understanding of and support for the necessity of the prospective revisions of the current trademark law.

In the meantime the phrasing of the prospective trademark bill will be worked out by the authority concerned more or less in line with this approach, although there may be some minor differences, and the bill will be sent to the forthcoming ordinary diet for approval possibly in December of this year.

According to the Patent Office, it will be about 5 years before all the back log has been swept away and the disposal period has become as short as 15 months, short enough for Japan to participate in TRT, when she is able to cooperate with other countries in the field of international cooperation of a trademark system on a global basis, provided everything runs smoothly.

October 29, 1974
Japanese Group, Committee #1.
Vice-Chairman
Tsutomu Fujimoto
(Tanabe Seiyaku Co., Ltd.)

Presented by
Nobuhiro Ohdo
(Mitsubishi Corporation)

PROTECTION OF SERVICE-MARKS IN JAPAN

Since the amendment of Paris Convention for protection of industrial property rights has agreed upon in 1958 at the Lisbon Congress, most of member countries to the Convention have started to prepare for the enactment of laws in their own countries for protection of service-marks. Japan also agreed to the amendment at the Lisbon Congress, but not yet enacted an independent law for protection of service-marks.

It shuld be referred here that the Paris Convention specifies in the Article 1 (see the Extracts from Paris Convention in the attached sheets) service-marks as one of the objects to be protected under the Law of Industrial Property Rights, and member countries have undertaken in the Article 6-6 (see the Extracts from Paris Convention in the attached sheets) to protect service-marks in their countries even if they have no obligation to provide for registration of service-marks.

Namely, any of the member countries to the Convention are obliged to take every possible step of their own to protect service-marks in their country as far as they have accepted the amendment at Lisbon Congress.

Under the situation where no independent law has yet established for the protection of service-marks, they are principally protected under the Trade Mark Law, Unfair Competition Prevention Law and the Commercial Code as explained in the followings:

1) Protection of service-marks under the Trade Mark Law. (see the Extracts from Trade Mark Law in the attached sheets)

At present in Japan, some of trade marks registered in Japan are similar in their function to service-marks. For instance, a broadcasting station has registered as a trade mark the title of well-known radio program with respect to the goods "books, photographic and printed matter", and express company has registered as a trade mark its own mark with respect to the goods "transportation machines and their parts, but both of them are service-marks in function. Registrants of such trade marks may expect to have such marks protected from an infringement in the filed of their own business, but such protection can not be expected in reality since such mark are registered as trade marks with respect to a certain specific goods not for their own serviceing businesses themselves. Such being the situation, protection of a mark is being used for a business such as broadcasting or express by those who offer

service not goods is out of question under the current Trade Mark Law. This can be said also in view of the difinition of trade mark itself. Even in the case where service-marks seem to be protected by way of registration under the Trade Mark Law, they are exactly not so much protected as expected.

2) Protection of service-mark under Unfair Competition Prevention Law. (see the Extracts from Unfair Competition Prevention Law in the attached sheets)

Unfair Competition Prevention Law in Japan is provided in Article 1-1-2 that it may demand, as against any person using the same or similar trade name or mark of another person which is well-known and the same or similar business activities and facilities of another person which is liable to induce others to believe that it represents the business of another person, the discontinuance of its use for purpose of unfair competition, and further it provides in Article 1-2 that any person who is acting as the above has an obligation with claim for damage against any person whose interest is liable to be thereby harmed. By this provision, it is presumed that the service-mark shall be protected, but in the case where the extent of protection by this

provision demands the discontinuance of use and any claim for damage, generally, the plaintiff must prove that the facts which have sprung up because of the confusingly similar service-mark and the dangers because of the confusingly service-mark among the general public because of the conduct of the defendant, and further has suffered damage as a result of the above. In case of confusingly similar service-marks spring up, the condition for the trade name and mark of the plaintiff is that it must be well-known. Accordingly, it may not protect in an area that the trade name and mark of plaintiff is not well-known. As above, the protection by Unfair Competition Prevention Law is not sufficient as compared with the Trade Mark Law because various conditions will need to be added, and therefore Unfair Competition Prevention Law may not expect to have strong protection.

3) Protection of service-mark under the Commercial Code. (see the Extracts from the Commercial Code in the attached sheets)

In cases where the service-mark is the trade name, it may be protected under the Commercial Code. Namely, in conformity with the provision of Article 20-1 of the Commercial Code, the trade name owner may demand the discontinuance of its use and any claim for damage against any person using the same

milar trade name for purpose of unfair competition,
rther, it is provided in Article 21-1 and
at a person who is using this for a dishonest
e, or any trade name which is liable to induce
s to believe that it represents the business
nother person is a contract on demand of discontinuance
ts use and of any claim for dameges.

in any case, the plaintiff must bear the responsibility
proof that its act is done for the purpose of
air competition and or for a dishonest purpose,
l in Article 20-2, its responsibility of proof
converted to the defendant, but a scope of its
esumption power is restricting within the same
ty, town or village.

the tendency of the judicial precident is presumed
have an intention of unfair competition in case
the trade name being similar to other trade
ames owned by another person and the products
hich were manufactured by a person are similar
o other goods manufactured by another person.
n many cases there is an occasion that both persons
are existing within the same city, town or village
and in other cases, special circumstances exist
where a trade mark which was infringed by another
person is well-known and or an invader has full
knowledge of existence of the other person. Therefore,

it may be said generally speaking that the Commercial Code is not given as strong protection as the registered trade mark under the Trade Mark Law.

Besides, the device mark and the abbreviated trade name etc. may not take the protection of the service-mark under the Commercial Code except for the cases where it is a well-known fact that such device marks and abbreviated trade names are combined with some trade names. Accordingly, a scope of protection under the Commercial Code is restricted to one part of service-marks.

As mentioned above, it may be said that protection of service-mark under the above mentioned laws are not adequate since they are restricted to one part of the service-mark. Accordingly, in Japan, it is presumed that these laws for the protection of the service-mark need to be put to sufficient use.

From now on, in view of the fact that in Japan, the advertisement and propergation of enterprises that are being carried out by active business by the prosperance of a service industry and the progress of mass-media etc., together with Japan will probably be affiliated with T.R.T. in the near future, it is believed that Japan is coming to the step to discuss the institutionalization of the service-mark.

Attached sheets

I. Paris Convention

1) Article 1.

(1) The countries to which this Convention applies constitute a Union for the protection of industrial property.

(2) The protection of industrial property has as its object patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source or appellations of origin, and the repression of unfair competition.

(3) Industrial property shall be understood in the broadest sense and shall apply not only to industry and commerce proper, but likewise to agricultural and extractive industries and to all manufactured or natural products, for example: wines, grain, tobacco leaf, fruit, cattle, minerals, mineral waters, beer, flowers, and flour.

(4) Patents shall include the various kinds of industrial patents recognized by the laws of the countries of the Union, such as patents of importation, patents of improvement, patents and certificates of addition, etc.

2) Article 6. sexies

The countries of the Union undertake to protect service marks. They shall not be required to provide for the registration of such marks.

II. Trade Mark Law

1) Article 2.

"Trade mark" in this law means characters, figures or signs, or any combination of these, or any combination of these and colours (hereinafter referred to as the "mark") which a person who produces, processes, certifies or assigns goods as a business uses on such goods.

III. Unfair Competition Law

1) Article 1-1-2.

In case there is one person who commits an act falling under one of the following items, the other person whose business interest is likely to be injured therewith may demand cessation of such an act:

Act of using an indication identical with or similar to such full name, trade name, mark of the other person or any such other indication of the business and good will of the other person as widely know in the territory where this law is in force and thereby causing confusion with the business establishment or activities of the other person;

2) Article 1-2-1.

A person who has committed an act falling under respective items of paragraph 1 of the preceding Article instentionally or negligently shall be responsible for damages to a person whose business interest is injured therewith.

IV. Commercial Code

1) Article 20-1.

A person who has registered a trade name may demand, as against any person using the same or a similar trade name for purposes of unfair competition, the discontinuance of its use; this shall not, however, preclude any claim for damages.

2) Article 20-2.

Any person who uses the registered trade name of another in the same city, town or village in respect of the same class of business shall be presumed to do so for purposes of unfair competition.

3) Article 21.

1. No person shall, for a dishonest purpose, use any trade name which is liable to induce other to believe that it represents the business of another person.

2. In cases where a person has used such a misleading trade name in contravention of the provisions of the preceding paragraph, any person whose interest is liable to be thereby harmed may demand discontinuance of its use; this shall not, however, preclude any claim for damages.

October 29, 1974
Japanese Group, Committee #1
Vice-chairman:
Tsutomu FUJIMOTO
(Tanabe Seiyaku Co., Ltd)
Presented by:
Hitoshi NAKAMURA
(Takeda Chem. Ind. Ltd.)

Trademark Problem in People's Republic of China

In the first place I would like to point out that People's Republic of China has a different social system from that in capitalist countries, which creates different legislation also in the field of trademark system. Namely, the primary object of maintaining trademark system in capitalist countries is to protect enterprises who use trademarks, while in China, as provided for in Article 1 of its trademark law which is called "Measures for the Control of Trade Marks", it aims at "strengthening the control of trademarks and urging enterprises to ensure and improve the quality of their products." In other words, the protection of the consumer and the community at large is the first consideration. In order to obtain valid protection of the public, the Measures impose an obligation to enterprises to maintain and improve the quality of their products, and as referred to later, where the quality of their products deteriorates, the registration of the trademark used on such products shall be cancelled by the Administration.

While in China it is not obligatory to use a trademark, it may be recommendable to use a trademark there just as we do in capitalist countries, for there seems to be much stronger demand for trademarked products in China, too.

Secondly, I would like to explain an outline of the trademark system and the characteristic of the Trademark Measures in People's Republic of China.

[Outline of Trademark System]

The Measures for the Control of Trademarks now existing were promulgated on April 10, 1963 and the Provisional Regulation of August 28, 1950, former governing registration of trademarks was repealed on the same day. These Measures are composed of 14 articles, and based upon Article 13 of the new Measures "Enforcement Rules for the Regulation for the Control of Trade Marks" were promulgated on April 25, 1963. The Enforcement Rules are composed of 21 articles.

As you are aware, China is not the member for the Convention of Paris Union, and citizens of foreign countries are in principle not entitled to the registration of their trademarks in China. However, in accordance with Article 12 of the Measures, foreign enterprises may apply if a special reciprocal convention exists between China and an applicant country with regard to protection of trademarks, provided that the trademark has been registered in the home country. Such special conventions already exist with following 10 countries:

Canada, Czechoslovakia, Denmark, Finland, Germany(East), Hungary, Italy, Sweden, Switzerland, United Kingdom.

Since Japan and United States have not yet concluded such special conventions with China, both Japanese and American companies are not able to register their trademarks in their own names.

It is said that citizens and firms of countries which still do not have a special convention for reciprocity could eventually obtain registration

in the name of their subsidiaries, affiliates or other friendly firms domiciled in a country which has such special convention, but I do not know actual cases where trademarks have been registered in China in that way.

Foreign enterprises must entrust the Trade Marks Registration Agency of the China Council for the Promotion of International Trade with the application for the registration of trademarks.

[Characteristic of the Trademark Measures of China]

1. As expressly provided in Articles 1 and 3 of the Measures, a trademark in China serves as a guarantee of quality of a product.

It is said that in China quality of products is always under the supervision and inspection of the Administration. Therefore,

(1) under Article 3, Par. 1 of the Enforcement Rules, enterprises applying for registration of trademarks are required to submit, for

each trademark, a quality specifications form of the product together with other necessary documents, and

(2) under Article 11(1) of the Measures a registration of a trademark shall be cancelled by the Administration in the case where the quality of a product deteriorates as a result of rough and scampy work.

However, Article 3, Par. 1 of the Enforcement Rules shall not be applied to the application of foreign enterprises, and Article 11(1) does not seem to be applied to the trademarks owned by foreign enterprises, probably by the reason that the products of foreign enterprises in general are subject to the claim as to quality of products by the Administration through sales agreement with China Government.

2. Under Article 5, Par. 2 of the Measures no foreign language may be used as trademarks.

However, it may be accepted to represent a Chinese trademark with its Roman characters phonetically equivalent thereto in the trademark specimen.

3. The first applicant of a trademark is entitled to the registration thereof. Under Article 2, Par. 1 of the Measures all the trademarks to be used must be registered, though this provision is not applied to foreign enterprises. This means that domestic enterprises shall be prohibited from using an unregistered trademark and that no right could be acquired from an unregistered trademark even if it has been used.

4. Cancellation of a registration of a trademark is dealt with in Article 11 of the Measures and this Article contains the cancellation of a registration of a trademark under the following circumstances;

(1) where a registered trademark has not been

in use for one full year and no permission has been granted for its reservation, and

(2) where the quality of a product deteriorates as a result of rough and scampy work.

These provisions, however, will probably not be applied to foreign enterprises.

5. With regard to the period of a trademark right, Article 10 provides as follows:

"The period of use of a registered trademark shall be from the date of registration to the time when the enterprise applies for its cancellation."

However, the registration granted to a foreign enterprise is for a term fixed by the Administration which seems to be 10 years generally.

6. A registered trademark may be assigned whether or not the trademark is owned by a domestic or foreign enterprises, but under Article 19 of the Enforcement Rules foreign enterprises must assign their home registration at the same time.

7. Although the Measures have no specific provision with regard to the proceedings for infringement, it is said that the registrant shall be entitled to institute proceedings to prevent or to recover damages for the infringement of its registered trademarks to the Central Administrative Bureau for Industry and Commerce or to the People's Court even under the present Measures.

In conclusion, for the purpose of protection of trademarks I sincerely hope that reciprocal conventions be concluded between China, United States and Japan as early as possible.

Legal Protection for Computer Software in Japan

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Subcommittee 2,
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1. Introduction:

The increasingly extensive use of computers and the rapid development of software technology have raised the world-wide issue of legal protection for software, particularly for computer programs.

Judging from the present state of affairs, it is believed that the software will be given protection even in Japan either through the patent or copyright law or through the proposed registration system. It is still to be seen, however, what kind of protection system is going to be eventually adopted.

The following is a brief description of the history and the latest developments of this matter in Japan.

2. Patent Office and Court Decisions:

It should be noted that no clear-cut dispute has been raised in Appeal Trials at the Patent Office. Similarly, no decision has been handed down by the Tokyo High Court on the computer programs. However, we have three cases which have

some relevance to the problem of software protection.

i) In 1948, the Tokyo High Court upheld the rejection by the Patent Office of an application on a method of ciphering (Gyo Na No. 5 of 1948) on the ground that the invention lacked "the utilization of law of nature" (stipulated under Article 2, Paragraph 1 of the existing Patent Law). The same ground has so far been relied on by the Patent Office for the rejection of applications on software, although the "computer program" was not the direct issue of the above-mentioned case.

Theories favoring the protection under the Patent Law have been put forward since the above-mentioned High Court decision was handed down. However, none of them has developed into an established one.

ii) In the corresponding Japanese Application of Benson and Tabbot assigned to Western Electric Company, Inc. (Filed Oct. 7, 1964, published Oct. 27, 1967 under Patent Publication No. 21906/67, and patented April 15, 1968 under Patent No.515699), the Japanese Patent Office granted a patent to the invention.

This is in contrast to the U.S. Supreme Court decision, which denied the patentability of the invention, i.e., a method for the binary coded decimal to pure binary conversion. This case was first filed with the invention defined in the

form of "the conversion method of numerical information", but later rejected on the ground of the above-mentioned "lacking the utilization of law of nature" rule. In response to the rejection, the applicant revised the method claim into an apparatus claim, which was published and allowed without any opposition raised against it. The allowed claim sets forth in its preamble the several structual elements, i.e., hardware features (although they seem to be common to ordinary computers), with the characterizing clause clearly defining the operation of one (control circuit) of the structural elements (The operation is performed according to the program).

Although this is beside the point, some Examiners at the Patent Office say that this case should have been rejected on the grounds of insufficient disclosure.

iii) On the other hand, in the Japanese Patent Publication No. 5401/66 titled "A System for Protecting Special Working Programs for an Electronic Computer" assigned to Onoda Cement Company, Ltd. (Filed Feb. 28, 1963, published Mar. 25, 1966), the Patent Office applied the above-mentioned "lacking the utilization of law of nature" rule to reject the application.

The invention resides in a system for protecting special

working programs such as input and output control routine and test routine for a more efficient use of a computer. When published on March 25, 1966, two Oppositions were filed and the Examiner took them and finally rejected the application on the ground that the invention involves a software technique in a part of the structual elements and that it lacked as a whole the utilization of law of nature. Then, the applicant filed a Demand for an Appeal Trial with the Patent Office, which is still pending.

3. Guidelines for the Examination at the Patent Office:

What can be said clearly at the moment is that the Patent Office does not apply the "lacking the utilization of law of nature" rule to the following cases:

(a) If a program proves to markedly improve the performance of a hardware, the invention may be defined in the form of a method for controlling the hardware. Such method claim is not rejected on the above-mentioned ground; (b) If a program provides a new apparatus when combined with a hardware, an apparatus claim for such combination is not rejected on the above-mentioned ground (see item (ii) above); and (c) If a computer controlled by the program forms a part of an apparatus for

controlling other machines or for controlling the steps of a process for producing or processing goods, the invention may be defined in the form of a method or apparatus for automatic control, production or processing. Such claim is not subjected to the above-mentioned rule.

4. Studies in Progress at the Patent Office:

The Software Committee was set up at the Patent Office in 1971 for studying the feasibility of preparing any criteria for judging the patentability of software-based inventions. However, no conclusion has been reached yet.

5. Possibility of Software Protection through Laws other than Patent Law:

i) Proposal by MITI

Investigation Committee on Legal Protection for Computer Software, set up by the Ministry of International Trade and Industry (MITI) in July 1971, issued an intrim report in May 1972. This report says that a registration system should be established to give a proper protection for computer programs.

The proposed registration system is quite similar to the one proposed by Mr. Galbi of IBM. Stated more specifically,

it is based on the idea of granting the right of injunction against any unauthorized copying and using of programs by a third party.

According to an article appearing in the June 18, 1974 issue of Nikkan Kogyo Shinbun (one of the leading industry-oriented daily newspapers), MITI plans to introduce a new legislation including the following provisions:
(a) Business firms seeking protection under the planned system must be registered at MITI; (b) Programs developed by the registered firms are certified by MITI; and (c) Injunction may be requested against unauthorized use and copy of the certified programs.

Drafting of a bill is reportedly now under way at MITI. It is not known, however, when it is brought to the Diet.

ii) Report of the Second Subcommittee of the Copyright Council:

The gist of the report submitted in June 1973 by the Subcommittee to the Director of the Culture Agency is as follows:

(a) A computer program may be regarded as a piece of work as stipulated by Article 2, Paragraph 1 of the Copyright Law;

(b) The recording of programs and data onto punched or marked cards or the like used for the purpose of feeding them into a computer constitutes the copying defined by the Copyright Law; and

(c) The use of programs within the computer does not constitutes the copying.

However, there is an inherent difficulty in identifying the programs recorded onto the cards and the like. To state more definitely, it is extremely difficult to confirm whether a recorded content is a copy of a program only through the outward appearance of the cards and the like. More serious problem about this planned protection system is that the use of programs within the computer does not constitute the copying stipulated by the Copyright Law. For these reasons, the proposed protection by the Copyright Law is not believed effective.

SURVEY OF PATENT PROTECTION FOR COMPUTER PROGRAMS - REUBEN SPENCER

ON AN INTERNATIONAL BASIS, EXCEPT FOR A FEW COUNTRIES, THE MANNER IN WHICH COMPUTER PROGRAMS CAN BE LEGALLY PROTECTED IS FAR FROM CLEAR. THE SITUATION IS FLUID AND STILL DEVELOPING. THERE IS NO COMMON POLICY.

AN ADVISORY GROUP OF NON-GOVERNMENTAL EXPERTS ON THE PROTECTION OF COMPUTER PROGRAMS MET IN GENEVA, JUNE 17 TO JUNE 20, 1974, UNDER THE AUSPICES OF WIPO AND ISSUED A REPORT DATED JULY 5, 1974. THE REPORT SPECIFICALLY INDICATED THAT THERE IS UNDESIRABLE UNCERTAINTY ABOUT THE EXTENT AND THE NATURE OF PROTECTION AVAILABLE UNDER EXISTING NATIONAL LAWS. THERE WAS GREAT DOUBT ABOUT THE POSSIBLE IMPLICATIONS OF SPECIFICALLY EXCLUDING COMPUTER PROGRAMS FROM PATENT PROTECTION IN NATIONAL STATUTES, INTERNATIONAL CONVENTIONS AND COURT DECISIONS.

I PROPOSE TO PRESENT A REVIEW OF THE INTERNATIONAL SITUATION REGARDING THE AVAILABILITY OF PATENT PROTECTION FOR COMPUTER SOFTWARE. THE SITUATION IN JAPAN WILL BE DISCUSSED BY MR. KYOMOTO. MY REVIEW DOES NOT PURPORT TO SET FORTH FINAL CONCLUSIONS AS TO WHAT THE LAW IS OR MAY BE IN ANY PARTICULAR COUNTRY.

AUSTRIA

TWO DECISIONS WERE RENDERED IN 1968, ONE EACH BY THE NULLITY SENATE AND THE APPEAL SENATE OF THE AUSTRIAN PATENT OFFICE. THESE DECISIONS HELD THAT COMPUTER PROGRAMS ARE NOT PATENTABLE.

IN A THIRD DECISION, DATED OCTOBER 29, 1970, THE APPEAL DIVISION OF THE PATENT OFFICE ALSO HELD PROGRAMS TO BE UNPATENTABLE.

AUSTRALIA

THE AUSTRALIAN COURTS HAVE REJECTED THE NOTION THAT COMPUTER PROGRAMS ARE THE PROPER SUBJECT FOR PATENT PROTECTION. THEY HAVE ALSO COMMENTED ON THE GENERAL PUBLIC POLICY OF ALLOWING PATENTS TO INCLUDE THE USE OF COMPUTER PROGRAMS.

HOWEVER, THE PATENT OFFICE APPEARS TO HAVE LIMITED THE SCOPE OF THESE RULINGS. IN A DECISION OF THE COMMISSIONER OF PATENTS PRINTED IN VOL. 44, PAGES 846-851, OF THE OFFICIAL JOURNAL DATED MARCH 7, 1974 IT WAS STATED THAT: "...THE PRACTICE OF THE PATENT OFFICE IN MATTERS RELATING TO PROGRAMMING OF COMPUTERS MAY BE SUMMARIZED IN THE FOLLOWING MANNER. COMPUTER PROGRAMMES, CONSISTING OF SEQUENCES OF INSTRUCTIONS HOW A PROBLEM MAY BE SOLVED, ARE NOT A PROPER SUBJECT FOR LETTERS PATENT. METHODS OF PROGRAMMING, CONSISTING OF THE WRITING DOWN, IN ONE FORM OR ANOTHER, OF A PROGRAMME ARE ALSO NOT A PROPER SUBJECT FOR LETTERS PATENT. A TANGIBLE RECORD OF A PROGRAMME IN A PHYSICAL FORM MAY BE PROPER SUBJECT-MATTER

FOR LETTERS PATENT IF IT CAN BE DIFFERENTIATED FROM THE PRIOR ART BY FEATURES OTHER THAN THE RECORDED TEXT OF THE INSTRUCTIONS. AND FINALLY, A COMPUTER, PROGRAMMED BY A PARTICULAR PROGRAMME, MAY ALSO BE PROPER SUBJECT MATTER FOR LETTERS PATENT IF THE HARDWARE IS DIFFERENT FROM THE PRIOR ART OR HAS BEEN EFFECTIVELY MODIFIED BY THE PROGRAMME".

BELGIUM

NO SPECIFIC PROTECTION IS PROVIDED BY LAW FOR COMPUTER PROGRAMS AND THERE IS NO CASE LAW ON THE SUBJECT. THE BELGIUM PATENT LAW GOES BACK TO 1854. UNDERSTANDABLY, THERE IS NO PROVISION CONCERNING SOFTWARE OR ANYTHING SIMILAR TO IT. ARTICLE I OF THE LAW PROVIDES THAT A PATENT SHALL BE GRANTED FOR ANY DISCOVERY OR ANY IMPROVEMENT SUSCEPTIBLE OF BEING EXPLOITED AS AN OBJECT OF INDUSTRY OR COMMERCE. THEREFORE, IF THE COMPUTER PROGRAM COMPLIES WITH THE OTHER REQUIREMENTS: IF IT IS NEW, IF IT HAS AN INDUSTRIAL CHARACTER, IN THE BROAD SENSE OF THE WORD, AND IF IT IS ORIGINAL AND CONSTITUTES TECHNICAL PROGRESS, THE GENERAL OPINION IN THE PROFESSION IS THAT IN BELGIUM THE COMPUTER PROGRAM OR PART OF IT WHICH CORRESPONDS TO THESE REQUIREMENTS WILL BE PROTECTED BY THE PATENT LAW.

CANADA

IN CANADA THERE ARE NO DECISIONS OF THE COURTS WITH REGARD TO THE PATENTABILITY OF COMPUTER PROGRAMS, ALTHOUGH THERE WERE DIRECTIONS ISSUED BY THE COMMISSIONER OF PATENTS THAT COMPUTER PROGRAMS ARE NOT PATENTABLE AS SUCH. IN OUR WALDBAUM CASE (P.T.C.J. 5801-3) DECIDED IN 1971, THE COMMISSIONER OF PATENTS HELD THAT A COMPUTER PROGRAMMED IN A PARTICULAR WAY WAS A MACHINE WHICH WAS DIFFERENT FROM THE SAME COMPUTER PROGRAMMED IN ANOTHER WAY OR UNPROGRAMMED, AND THAT A MACHINE SO PROGRAMMED WAS PATENTABLE. ON OCTOBER 23, 1973, THE CANADIAN PATENT OFFICE GRANTED PATENT 935,922 ON A COMPUTERIZED ACCOUNTING SYSTEM TO XOMA LTD. THE PATENT INCLUDES APPARATUS CLAIMS IN MEANS PLUS FUNCTION FORM DEFINING THE MACHINE MANIPULATION OF ACCOUNTING DATA. THE PATENTEE HAS INSTITUTED A NUMBER OF INFRINGEMENT ACTIONS. AS A MAJOR USER OF COMPUTERS, THE CANADIAN GOVERNMENT HAS ALSO HEARD FROM THE PATENT OWNER. AS A RESULT, THE PATENT OFFICE HAS RECEIVED CRITICISM FOR ISSUING THE PATENT AND HAS BEEN ASKED TO REVIEW THE WHOLE SITUATION. WITH RESPECT TO OUR WALDBAUM DECISION, IT APPEARS THAT THE COMMISSIONER DID NOT FULLY APPRECIATE ITS IMPLICATIONS WHEN HE APPROVED THE DECISION OF THE PATENT APPEAL BOARD. THE EXAMINING DIVISION HAS BEEN REQUESTED TO REVIEW AND CLARIFY THE SITUATION. THE ONLY WAY THEY KNOW HOW TO PROCEED IS TO USE THE MACHINERY OF EXAMINER REJECTIONS, WHICH LEADS TO THE APPEAL BOARD AND TO THE COMMISSIONER.

FRANCE

THE NEW FRENCH PATENT LAW OF JAN. 2, 1968 STATES IN ARTICLE 7 THAT "PROGRAMS OR SERIES OF INSTRUCTIONS FOR THE OPERATION OF A COMPUTER" SHALL NOT BE CONSIDERED AS INDUSTRIAL INVENTIONS AND, THEREFORE, ARE NOT PATENTABLE. THIS PROVISION OF THE FRENCH PATENT LAW HAS BEEN INTERPRETED BY THE COURTS SO THAT NOT ONLY PROGRAMS AS SUCH BUT ALSO INVENTIONS EFFECTED BY MEANS OF A COMPUTER PROGRAM, FOR EXAMPLE, AN INVENTION CONCERNING A PAINT MIXTURE EFFECTED AFTER A SELECTION PROCESS BY A COMPUTER, HAVE BEEN CONSIDERED UNPATENTABLE. HOWEVER, IT IS ARGUABLE THAT IF COMPUTER PROGRAMS ARE EXPRESSED IN THE FORM OF PARTICULAR MACHINE CONFIGURATIONS, THEY MIGHT NOT NECESSARILY BE EXCLUDED FROM PATENTABILITY UNDER THE FRENCH LAW. HOWEVER, THERE ARE NO DECISIONS OF THE FRENCH COURTS ON THIS QUESTION.

GERMANY

THE QUESTION OF PATENTABILITY OF COMPUTER PROGRAMS IN GERMANY IS UNRESOLVED. THE OPPONENTS OF PATENTABILITY HAVE BEEN FORTIFIED BY THE DECISION OF THE U.S. SUPREME COURT IN THE BENSON-TABBOT CASE WHERE A METHOD OF CONVERSION OF BINARY CODED DECIMAL NUMBERS INTO PURE BINARY NUMBERS WAS DENIED PATENTABILITY, AND ARTICLE 52 OF THE CONVENTION ON THE GRANT OF EUROPEAN PATENTS WHICH SPECIFICALLY EXCLUDES "PROGRAMS FOR COMPUTERS". SO FAR THE GERMAN PATENT COURT HAS AVOIDED THE BASIC QUESTION IF WHETHER, OR TO WHAT EXTENT, PATENT PROTECTION SHOULD BE EXTENDED TO COMPUTER SOFTWARE.

GERMANY (Cont'd)

MY OFFICE HAD THE RESPONSIBILITY FOR HANDLING THE COUNTERPART OF THE BENSON-TABBOT APPLICATION IN GERMANY. ON AN APPEAL THAT WE TOOK TO THE GERMAN FEDERAL PATENT COURT FROM A FINAL REJECTION BY THE GERMAN PATENT OFFICE, THE COURT FOUND THAT THERE WAS AN INVENTION WHERE THE U.S. SUPREME COURT HAD PREVIOUSLY FOUND NO INVENTION. WHILE THERE WERE TECHNICAL DIFFERENCES BETWEEN THE CLAIMS BEFORE THE DIFFERENT COURTS, THE INVENTIVE CONCEPT BEING CONSIDERED BY BOTH COURTS WAS IDENTICAL. IN THE U.S. IT WAS HELD TO BE UNPATENTABLE WHILE, IN GERMANY, IT WAS HELD TO BE PATENTABLE. IN REACHING ITS DECISION, THE GERMAN COURT TOOK DUE NOTICE OF THE U.S. SUPREME COURT DECISION.

IN FACT, THE GERMAN COURT SPECIFICALLY AVOIDED THE ISSUE BY STATING "...THE SENATE BELIEVES IT IS NEITHER IN A POSITION, NOR DOES IT SEE A REASON, TO TAKE A BASIC STAND CONCERNING THE PROBLEM OF PATENTABILITY OF COMPUTER PROGRAMS, OR TO CRITICALLY TAKING ISSUE EVEN WITH THE DECISION OF THE U.S. SUPREME COURT...ON THE BASIS OF THE RELEVANT FACTS, THE PRESENT CASE IS NOT SUITED AS A STARTING POINT FOR A DISCUSSION OF THE MOST BASIC PROBLEM TOUCHING ON THE MOST COMPLEX AND THE MOST DIFFICULT ASPECTS, NAMELY, WHETHER OR TO WHAT EXTENT, ACCORDING TO

GERMANY (Cont'd)

GERMAN LAW, PATENT PROTECTION WOULD BE ACCESSIBLE TO COMPUTER PROGRAMS.... A POSITION ON THIS PROBLEM WOULD REQUIRE THE AVAILABILITY OF A DEFINITION OF THE TERM "COMPUTER PROGRAM" BINDING IN A PATENT LAW CONSIDERATION. SINCE THIS PREREQUISITE DOES NOT EXIST, ENGAGING IN BASIC CONSIDERATIONS WITH RESPECT TO THE PATENTABILITY OF COMPUTER PROGRAMS, WHICH CONSIDERATION WOULD GO BEYOND THE PRESENT CASE THAT IS TO BE DECIDED, SUCH ATTEMPT WOULD BE DOOMED TO FAILURE."

IT WOULD APPEAR THAT UP TO THE PRESENT TIME, THE ONLY DECISION THAT CONTAINS A DEFINITION OF A COMPUTER PROGRAM IS THE PREVIOUSLY MENTIONED AUSTRALIAN DECISION IN WHICH THE COMMISSIONER OF PATENTS SAID:

"THE WORD PROGRAMME HAS OFTEN BEEN USED IN THE SENSE OF A PLAN OF ACTION, A SCHEME, A LIST OF OPERATIONS, A SEQUENCE OF INSTRUCTIONS, OR A SOLUTION FOR A PROBLEM. SOMETIMES IT IS MEANT TO COVER THE MERE INTELLECTUAL CONCEPT, AT OTHER TIMES IT REFERS TO WHAT IS ACTUALLY WRITTEN DOWN IN LONGHAND OR IN FLOW CHART FORM, AND SOMETIMES IT REFERS TO AN ACTUAL COMPONENT SUCH AS A CARD, TAPE OR OTHER RECORD ON WHICH THE IDEA OF THE PROGRAMME IS EMBODIED IN A FORM INTELLIGIBLE TO THE PARTICULAR MACHINE. THERE MAY BE PROBLEM-ORIENTED PROGRAMMES OR MACHINE-ORIENTED PROGRAMMES; AND THEY MAY INCLUDE SYMBOLIC INSTRUCTIONS OR THEY MAY NEED MACHINE INSTRUCTIONS."

GERMANY (Cont'd)

THEREFORE, WITH RESPECT TO GERMANY IT WOULD APPEAR THAT AT THIS POINT IN TIME IT IS EASIER TO OBTAIN A PATENT IN COMPUTER PROGRAMMING RELATED INVENTIONS THAN IN THE UNITED STATES. IT CANNOT BE SAID WITH CERTAINTY WHETHER OR NOT COMPUTER PROGRAMS ARE PATENTABLE.

GREAT BRITAIN

UNTIL RECENTLY, THE BRITISH PATENT OFFICE FOLLOWED THE DECISION IN SLEE & HARRIS (1966) R.P.C. 194 ALLOWING CLAIMS TO COMPUTERS PROGRAMMED IN A PARTICULAR WAY AND ALSO THE DECISION IN GEVER'S APPLICATION (1970) R.P.C. 91, BY ALLOWING CLAIMS TO COMPUTER PROGRAMS EMBODIED IN PHYSICAL FORM SUCH AS PUNCHED CARD OR TAPE. CLAIMS HAVE ALSO BEEN ALLOWED FOR "METHODS OF PROGRAMMING A COMPUTER" ON THE BASIS THAT SUCH CLAIMS ARE A LOGICAL EXTENSION OF BOTH THESE DECISIONS.

IN FEBRUARY 1969, THE PATENT OFFICE LAID DOWN GUIDE LINES AS TO WHAT WAS PATENTABLE AND WHAT NOT. THIS NOTICE PROVIDES FOR THE FOLLOWING:

A. PATENTS ARE NOT GRANTED FOR COMPUTER PROGRAMS AS SUCH.

B. NO OBJECTION, HOWEVER, IS RAISED FOR THE FOLLOWING:

1. INVENTIONS FOR NOVEL METHODS OF PROGRAMMING COMPUTERS TO OPERATE IN A SPECIFIED WAY.

2. FOR COMPUTERS SO PROGRAMMED.

GREAT BRITAIN (Cont'd)

3. FOR A TAPE OR CARD HAVING RECORDED ON IT A NOVEL PROGRAM TO CONTROL A COMPUTER TO OPERATE IN A STATED WAY.
4. NEW USES OF COMPUTERS IN CONTROLLING MANUFACTURING PROCESSES.
5. A METHOD OF TESTING INVOLVING NOVEL PROGRAMS FOR COMPUTERS UNDER MANUFACTURE.

THE BANKS COMMITTEE IN ITS REPORT ON THE BRITISH PATENT SYSTEM, IN 1970, HAD RECOMMENDED AGAINST THE GRANT OF PATENT PROTECTION FOR COMPUTER PROGRAMS.

IN JULY 1973, THE UNITED KINGDOM PATENT APPEALS TRIBUNAL IN THE MATTER OF BURROUGHS CORPORATION APPLICATION (1974) RPC 147, REVIEWED THE SITUATION IN GREAT BRITAIN.

WHILE THE SPECIFIC ISSUE WAS NOT BEFORE IT, THE COURT INDICATED THAT THE CASE BEFORE IT "PROMPTS THE QUESTION WHETHER COMPUTER PROGRAMMES AS SUCH CAN BE THE SUBJECT OF....PROTECTION AND....IN WHAT FORM".

IN CONSIDERING THIS PROBLEM THE COURT STATED:

"....THE QUESTION BEFORE US DOES NOT DEPEND UPON FINE DISTINCTIONS OF WORDS. LOOKING AT THE MATTER FROM THE COMMON SENSE POINT OF VIEW, WHY SHOULD A CLAIM WHICH STARTS "A METHOD OF PROGRAMMING A COMPUTER" BE ALLOWABLE. BUT ONE WHICH STARTS "A METHOD OF CONTROLLING A COMPUTER" BE NOT ALLOWABLE, WHEN THE RESULT OF EACH METHOD IN PRACTICE IS PRECISELY THE SAME?"

GREAT BRITAIN (Cont'd)

"....IN OUR VIEW COMPUTER PROGRAMMES WHICH HAVE THE EFFECT OF CONTROLLING COMPUTERS TO OPERATE IN A PARTICULAR WAY, WHERE SUCH PROGRAMMES ARE EMBODIED IN PHYSICAL FORM, ARE PROPER SUBJECT MATTER FOR LETTERS PATENT."

THE COURT ALSO INDICATED THAT:

"....IT IS PROBABLY DESIRABLE THAT THERE SHOULD BE UNIFORMITY THROUGHOUT THE WORLD IN THIS FIELD AND THE PRESENT TIME, WHEN NEW PATENT LEGISLATION IS UNDER CONSIDERATION, IS A GOOD OPPORTUNITY FOR THE MATTER TO BE CONSIDERED AT THE APPROPRIATE LEVEL SO THAT IF AGREEMENT CAN BE REACHED SUITABLE LEGISLATION MAY BE INTRODUCED AT A CONVENIENT TIME IN THE NEAR FUTURE."

IT WILL BE NOTED THAT THE BRITISH COURT, AS DID THE U.S. SUPREME COURT IN THE BENSON-TABBOT CASE, INDICATED THAT THE LEGISLATURE IS THE MOST APPROPRIATE BODY FOR RESOLVING THE QUESTION OF WHETHER OR NOT COMPUTER PROGRAMS SHOULD BE PATENTABLE. HOWEVER, THE BRITISH COURT DIFFERS FROM THE U.S. SUPREME COURT IN THAT THE BRITISH COURT, IN GENERAL, HELD THAT COMPUTER PROGRAMS WERE PATENTABLE WHEREAS THE U.S. SUPREME COURT DECISION IN THE OPINION OF MANY COMMENTATORS TENDED TO INDICATE THAT COMPUTER PROGRAMS WERE NOT PATENTABLE SUBJECT MATTER.

THE NETHERLANDS

IN THE NETHERLANDS, PATENTS FOR COMPUTER PROGRAMS HAVE BEEN REFUSED.

THE BOARD OF APPEALS OF THE DUTCH PATENT OFFICE IN INTERLOCUTORY DECISION NO. 9299 bis/SECTION 24A (BIE NO. 2, Feb. 15, 1971) IN THE MATTER OF PATENT APPLICATION NO. 231869 HELD:

"THE PROGRAMMING OF THE DEVICE ACCORDING TO THE INVENTION, THE SO-CALLED SOFTWARE IS, INDEED, FOUNDED ON A MERITORIOUS IDEA, BUT THE IMPLEMENTATION THEREOF IS UNPATENTABLE EITHER AS A DEVICE OR AS A PROCESS.

INTRODUCING A COMPUTER PROGRAM INTO A DEVICE SUITABLE FOR PROGRAM CONTROL, OR ALTERING A COMPUTER PROGRAM IN SUCH A DEVICE, DOES NOT MAKE IT A NEW PRODUCT.

STORAGES, COMPUTERS AND PROGRAM CONTROL SYSTEMS FOR COMMUNICATION SYSTEMS CHARACTERIZED ONLY BY THEIR INFORMATION CONTENT ARE UNPATENTABLE.

A PROCESS FOR OPERATING A TELEPHONE COMMUNICATION SYSTEM OR FOR EFFECTING CONNECTIONS BETWEEN COMMUNICATION PATHS IS AN UNPATENTABLE PROCESS, THIS BEING OUTSIDE THE DOMAIN OF MATERIAL PRODUCTION, NOR EFFECTING ANY CHANGE IN NATURE."

ON THE OTHER HAND, IT HAS BEEN HELD THAT A SYSTEM FOR COMPUTERIZED CONTROL IN THE FIELD OF MATERIAL PRODUCTION, FOR EXAMPLE, THE CONTROL OF A REACTOR, COULD BE CONSIDERED AS A PATENTABLE METHOD.

SWITZERLAND

THE SWISS FEDERAL COURT CONFIRMED THE REJECTION OF A PATENT APPLICATION ON A COMPUTER PROGRAM (SEE SWISS PATENT MODEL AND TRADEMARK GAZETTE, APRIL 30, 1973). THE SWISS COURT HELD THAT PROGRAMMING DOES NOT FALL UNDER THE DEFINITIONS OF AN INVENTION IN THE SWISS PATENT LAW.

EASTERN EUROPE

IN THE SOVIET UNION, THE INVENTIONS LAW DOES NOT CONTAIN ANY REFERENCE TO THE PROTECTION OF COMPUTER PROGRAMS. MATHEMATICAL METHODS CANNOT BE THE SUBJECT OF PROTECTION BY A PATENT OR INVENTOR'S CERTIFICATE AND THE SAME APPLIES TO SYSTEMS FOR CONTROLLING MACHINES. HOWEVER, AUTHOR'S CERTIFICATES HAVE BEEN GRANTED FOR ALGORITHMS, SUCH AS AUTHOR'S CERTIFICATE NO. 226278 FOR "A PROCESS FOR CORRECTING ERRORS IN COMPUTERS IN THE ARITHMETICAL PROCESSING AND TRANSFER OF INFORMATION", AND AUTHOR'S CERTIFICATE NO. 231225 FOR "A PROCESS FOR DETECTING ERRORS IN COMPUTERS IN THE ARITHMETICAL PROCESSING AND TRANSFER OF INFORMATION".

POLAND AND EAST GERMANY

POLAND AND EAST GERMANY HAVE ENACTED SPECIFIC STATUTORY PROHIBITIONS AGAINST THE PATENTING OF COMPUTER PROGRAMS.

SWEDEN

THE CURRENT PATENT OFFICE POSITION, WHICH IS SUPPORTED BY THE SUPREME ADMINISTRATIVE COURT, IS THAT APPLICATIONS "CONCERNING ALGORITHMS, METHODS OR PROCEDURES REALIZED BY PROGRAMMING OF A COMPUTER ARE NOT PATENTABLE" AND DO NOT CONSTITUTE INVENTION ACCORDING TO SECTION 1 OF THE PATENTS ACT:

> "ANYONE WHO HAS MADE AN INVENTION WHICH IS SUSCEPTIBLE OF INDUSTRIAL EXPLOITATION ... IS ENTITLED ... TO A PATENT ... ."

PERTINENT PATENT OFFICE ARGUMENTS ARE THE FOLLOWING:

> "A CERTAIN USE OF A PROGRAMABLE MACHINE MERELY IMPLIES THE REALIZATION OF ONE OF ITS ALMOST INFINITE NUMBER OF POTENTIAL STATES AND THUS WAS ACTUALLY FORESEEN UPON ITS CONCEPTION. THE SPECIFIC USE, I.E., A PROGRAM, THUS IS NOT PATENTABLE."
>
> "A PROGRAM CONSTITUTES A DESCRIPTION OF A MENTAL PROCESS, AN ABSTRACT IDEA OR THE LIKE AND IS AS SUCH NOT PATENTABLE."

THE UNITED STATES

FOR MANY YEARS, IT WAS THE POSITION OF THE U.S. PATENT OFFICE, THAT COMPUTER PROGRAMS DID NOT CONSTITUTE PATENTABLE SUBJECT MATTER. HOWEVER, IN 1969, IN THE SECOND DECISION IN IN RE PRATER AND WEI, 415 F.2d 1393, 162 U.S.P.Q. 541, THE

COURT OF CUSTOMS AND PATENT APPEALS INCLUDED DICTA TO THE EFFECT THAT IT KNEW OF NO REASON WHY BOTH PROCESS AND APPARATUS CLAIMS ENCOMPASSING THE OPERATION OF A PROGRAMMED GENERAL-PURPOSE DIGITAL COMPUTER SHOULD NOT BE PATENTABLE. THIS CASE WAS FOLLOWED BY A SERIES OF DECISIONS BY THE C.C.P.A., WHICH ARE LISTED IN THE C.C.P.A. DECISION IN THE BENSON AND TABBOT CASE 441 F.2d 682, 169 U.S.P.Q. 548 (1971). THESE DECISIONS, IN GENERAL, HELD THAT CLAIMS DIRECTED TO THE ART OF DATA PROCESSING PLUS SOME SUBSIDIARY OR ADDITIONAL ART WERE PATENTABLE SUBJECT MATTER. THE BENSON AND TABBOT CASE DIFFERED FROM THE PRIOR CASES IN THAT THE CLAIMS WERE DIRECTED SOLELY TO THE ART OF DATA PROCESSING ITSELF AND THE C.C.P.A. HELD THAT SUCH CLAIMS WERE ERRONEOUSLY REJECTED BY THE PATENT OFFICE AS EMBRACING NON-STATUTORY SUBJECT MATTER. THE PATENT OFFICE WAS GRANTED A WRIT OF CERTIORARI TO APPEAL THE QUESTION TO THE SUPREME COURT OF THE UNITED STATES. THIS WAS THE FIRST CASE TO REACH THE SUPREME COURT IN WHICH THE PATENT APPLICATION RELATED ONLY TO A PROGRAM AND NOT TO THE HARDWARE WITH WHICH IT WAS TO BE USED.

THE U.S. SUPREME COURT DECISION WAS RENDERED IN 1972 IN THE CASE OF GOTTSCHALK V. BENSON 409 U.S. 63, 175 U.S.P.Q. 673 (1972). IN ITS DECISION, THE SUPREME COURT MADE NO REFERENCE WHATSOEVER TO ANY OF THE PRIOR LAW ESTABLISHED BY THE C.C.P.A. AND REVERSED THE DECISION OF THE C.C.P.A. THE COURT HELD AS FOLLOWS:

"WE DO NOT HOLD THAT NO PROCESS PATENT COULD EVER QUALIFY IF IT DID NOT MEET THE REQUIREMENTS OF OUR PRIOR PRECEDENTS. IT IS SAID THAT THE DECISION PRECLUDES A PATENT FOR ANY PROGRAM SERVICING A COMPUTER. WE DO NOT SO HOLD. IT IS SAID THAT WE HAVE BEFORE US A PROGRAM FOR A DIGITAL COMPUTER BUT EXTEND OUR HOLDING TO PROGRAMS FOR ANALOG COMPUTERS. WE HAVE, HOWEVER, MADE CLEAR FROM THE START THAT WE DEAL WITH A PROGRAM ONLY FOR DIGITAL COMPUTERS. IT IS SAID WE FREEZE PROCESS PATENTS TO OLD TECHNOLOGIES LEAVING NO ROOM FOR THE REVELATIONS OF THE NEW, ONRUSHING TECHNOLOGY. SUCH IS NOT OUR PURPOSE. WHAT WE COME DOWN TO IN A NUTSHELL IS THE FOLLOWING.

IT IS CONCEDED THAT WE MAY NOT PATENT AN IDEA. BUT IN PRACTICAL EFFECT THAT WOULD BE THE RESULT IF THE FORMULA FOR CONVERTING BINARY CODE TO PURE BINARY WERE PATENTED IN THIS CASE.

THE MATHEMATICAL FORMULA INVOLVED HERE HAS NO SUBSTANTIAL APPLICATION EXCEPT IN CONNECTION WITH A DIGITAL COMPUTER, WHICH MEANS THAT IF THE JUDGMENT BELOW IS AFFIRMED, THE PATENT WOULD WHOLLY PRE-EMPT THE MATHEMATICAL FORMULA AND IN PRACTICAL EFFECT WOULD BE A PATENT ON THE ALGORITHM ITSELF."

THE UNITED STATES (CONT'D)

THERE IS DISAGREEMENT WITHIN THE PATENT LAW PROFESSION AS TO THE EFFECT OF THIS DECISION. SOME LAWYERS HOLD THAT IT ENDS THE POSSIBILITY OF GETTING PATENTS FOR COMPUTER PROGRAMS. OTHER LAWYERS HOLD THAT IT IS A NARROW DECISION LIMITED TO ITS SPECIFIC FACTS AND DOES NOT FORECLOSE PATENTABILITY FOR TECHNOLOGY THAT INVOLVES THE USE OF SOFTWARE, COMPUTER PROGRAMS, PROGRAMMABLE PROCESSES, PROGRAMMABLE MACHINES AND STORE PROGRAMS AND COMPUTERS. THE EXACT SCOPE AND EFFECT OF THIS DECISION WILL BE DETERMINED ON A CASE BY CASE BASIS IN DECISIONS WHICH FOLLOW IT.

THERE HAVE BEEN TWO REPORTED CASES SINCE THE BENSON DECISION IN WHICH THE COURT ATTEMPTS TO INTERPRET IT. THE FIRST IS A DECISION BY THE C.C.P.A. IN IN RE CHRISTENSEN 478 F.2d 1392, 178 U.S.P.Q. 35 (1973). IN THIS DECISION THE COURT HELD:

> "THE ISSUE CONSIDERED BY THE SUPREME COURT IN BENSON WAS A NARROW ONE, NAMELY, IS A FORMULA FOR CONVERTING BINARY CODED DECIMAL NUMERALS INTO PURE BINARY NUMERALS BY A SERIES OF MATHEMATICAL CALCULATIONS A PATENTABLE ONE? THE ISSUE BEFORE US IN THE INSTANT CASE IS ALSO A NARROW ONE, NAMELY, IS A METHOD CLAIM IN WHICH THE POINT OF NOVELTY IS A MATHEMATICAL EQUATION TO BE SOLVED AS THE FINAL STEP OF THE METHOD, A STATUTORY METHOD? WE FOLLOW THE SUPREME COURT IN CONCLUDING THAT THE ANSWER IS IN THE NEGATIVE."

THE UNITED STATES (Cont'd)

IN A CONCURRING OPINION, JUDGE RICH WHO WROTE THE BENSON DECISION IN THE C.C.P.A., STATED AS FOLLOWS:

"...BENSON'S PROCESS WAS SAID NOT TO BE THE KIND OF PROCESS THE STATUTE CONTEMPLATES. THAT WAS THE ONLY QUESTION WE DECIDED IN BENSON. THAT WAS THE ONLY QUESTION PRESENTED TO THE SUPREME COURT...."

"UNFORTUNATELY, AFTER STATING THAT TO BE THE QUESTION, THE SUPREME COURT OPINION DOES NOT AGAIN ADVERT TO IT AND NEVER DECIDES IT, EXCEPT INFERENTIALLY BY REVERSING OUR DECISION THAT THE CLAIMS WERE DIRECTED TO STATUTORY PROCESSES."

"...THE ANSWER FOR ME IS THAT, NOTWITHSTANDING THE FACT THAT THE SUPREME COURT NEVER DISCUSSED THE ISSUE PRESENTED TO IT, ITS OPINION WENT ON AT SOME LENGTH ABOUT THE "ABSTRACT AND SWEEPING" SCOPE OF THE CLAIMS, MAKING THAT THE PIVOT ON WHICH ITS DECISION TURNED, PROCEEDING ON THE ASSUMPTION - OF DOUBTFUL VALIDITY - THAT THE PROCESSES THEY DEFINED COULD BE CARRIED OUT "THROUGH ANY EXISTING MACHINERY OF FUTURE-DEVISED MACHINERY OR WITHOUT ANY APPARATUS." HAVING SET UP THESE HYPOTHETICAL ABSTRACT AND SWEEPING CLAIMS AS THE SUBJECT OF ITS CONSIDERATION, IT TREATED THEM AS FOR A "MATHEMATICAL FORMULA" OF "THE ALGORITHM ITSELF" BECAUSE OF THEIR BREADTH, AND AS SUCH, HELD THEM UNPATENTABLE."

THE SECOND CASE IS IN RE JOHNSTON DECIDED BY THE C.C.P.A. ON SEPT. 19, 1974. THE INVENTION INVOLVED IN THIS CASE RELATED TO AN AUTOMATIC FINANCIAL RECORD-KEEPING SYSTEM WHICH EMPLOYS A DIGITAL COMPUTER. THE COURT REVERSED THE DECISION OF THE PATENT OFFICE BOARD OF APPEALS AND HELD THAT THE CLAIMS WERE ALLOWABLE ON THE GROUND THAT "SUCH MACHINE SYSTEMS, WHICH COMPRISE PROGRAMMED DIGITAL COMPUTERS, ARE STATUTORY SUBJECT MATTER....". THE COURT REFUTED THE POSITION OF THE PATENT OFFICE THAT THE SUPREME COURT'S OPINION IN THE BENSON CASE WAS APPLICABLE AND REAFFIRMED ITS POSITION STATED IN IN RE CHRISTENSEN THAT THE BENSON DECISION WAS A NARROW ONE AND IS LIMITED TO THE SPECIFIC ISSUE THEREIN, WHICH I HAVE PREVIOUSLY QUOTED. IN ADDITION, THE COURT HELD THAT THE PRESENT "CLAIMS, IN APPARATUS FORM, DO NOT CLAIM OR ENCOMPASS A LAW OF NATURE, A MATHEMATICAL FORMULA, OR AN ALGORITHUM. FOR THESE REASONS, WE DO NOT FIND THE HOLDING OF BENSON TO BE APPLICABLE TO CLAIMS OF THE TYPE NOW BEFORE US."

IN A DISSENTING OPINION, JUDGE RICH STATED THAT HE WOULD "AFFIRM THE REJECTION OF THE CLAIMS ON APPEAL" ON THE AUTHORITY OF THE BENSON CASE, POINTING OUT THAT, IN HIS OPINION THE BENSON DECISION, WHICH INVOLVES PROCESS CLAIMS, APPLIES AS WELL TO MACHINE CLAIMS.

I BELIEVE THAT THE PRESENT SITUATION IN THE UNITED STATES, RESULTING FROM THE BENSON DECISION, IS APTLY DESCRIBED BY THE FOLLOWING PORTION OF JUDGE RICH'S OPINION:

"I AM PROBABLY AS MUCH —— IF NOT MORE —— CONFUSED BY THE WORDING OF THE BENSON OPINION AS MANY OTHERS. WHAT THE COURT DID IN ITS DECISION REVERSING THE HOLDING OF THIS COURT THAT BENSON AND TABBOT'S METHOD CLAIMS WERE PATENTABLE SUBJECT MATTER UNDER §101 CONTAINS A MESSAGE THAT IS LOUD AND CLEAR. IF THOSE CLAIMS ARE NOT TO PATENTABLE SUBJECT MATTER, NEITHER, IN MY VIEW, ARE THE CLAIMS HERE, REGARDLESS OF DIFFERENCE IN FORM. BENSON ET AL. HAD A PROGRAM INVENTION TOO AND THEY COULD HAVE CAST THEIR CLAIMS IN MACHINE SYSTEM FORM JUST AS APPELLANT DID. EVERY COMPETENT PATENT DRAFTSMAN KNOWS HOW TO DO THAT."

"IT SEEMS TO ME IMPORTANT TO FOCUS ON WHAT THE SUPREME COURT DID IN BENSON, RATHER THAN ON THE SPECIFICS OF ITS EXPLANATION OF WHY IT DID IT. I HAVE NO IDEA WHAT WAS IN THE COLLECTIVE MIND OF THE SIX-JUSTICE COURT IN APPROVING THE STATEMENT:

> IT IS SAID THAT THE DECISION PRECLUDES A PATENT FOR ANY PROGRAM SERVICING A COMPUTER. WE DO NOT SO HOLD. * * * IT IS SAID WE FREEZE PROCESS PATENTS TO OLD TECHNOLOGIES, LEAVING NO ROOM FOR THE REVELATIONS OF THE NEW, ONRUSHING TECHNOLOGY. SUCH IS NOT OUR PURPOSE.

"THESE ARE THE COMFORTING WORDS TO WHICH SOME INVENTORS OF SOFTWARE AND OWNERS OF SOFTWARE INVENTIONS LOOK FOR SOLACE. I FIND IT MORE SIGNIFICANT TO CONTEMPLATE THE IDENTITIES OF THE TROOPS LINED UP FOR BATTLE IN BENSON AND OBSERVE WHICH SIDE OBTAINED THE VICTORY. ON THE ONE SIDE WAS THE GOVERNMENT, AGAINST PATENTING PROGRAMS OR SOFTWARE, SUPPORTED BY THE COLLECTIVE FORCES OF MAJOR HARDWARE (I.E., COMPUTER) MANUFACTURERS AND THEIR REPRESENTATIVE ASSOCIATIONS WHO, FOR ECONOMIC REASONS, DID NOT WANT PATENTS GRANTED ON PROGRAMS FOR THEIR MACHINES. ON THE OTHER SIDE WAS BENSON ET AL. AND THEIR ASSIGNEE AND ASSORTED LAWYERS AND LEGAL GROUPS WHO WERE IN FAVOR OF PATENT PROTECTION FOR PROGRAMS OR SOFTWARE. THE ANTI-PATENTING FORCES WON THE VICTORY -- IF NOT AN ALTOGETHER CLEAR ONE -- AND ON THE LEGAL PRINCIPLE THAT THE BENSON ET AL. WAY OF PROGRAMMING A COMPUTER TO DO A PARTICULARLY USEFUL JOB OF GENERAL APPLICABILITY IN THE DATA PROCESSING FIELD WAS THE KIND OF INVENTION THE SUPREME COURT WOULD NOT APPROVE PATENTING WITHOUT PRIOR CONSIDERATION BY AND SPECIFIC AUTHORIZATION FROM THE CONGRESS. THE MAJOR PART OF THE RATHER BRIEF AND NOW FAMOUS "NUTSHELL" CONCLUSION OF THE COURT'S OPINION DWELLS HEAVILY ON THIS POINT."

"I CAN FIND NO REALISTIC DISTINCTION IN KIND BETWEEN THE BENSON ET AL. INVENTION AND THE INVENTION HERE AND I CONCLUDE THAT THE BENSON DECISION REQUIRES US TO AFFIRM THE REJECTION OF CLAIMS 20-24 AS DIRECTED TO NON-PATENTABLE SUBJECT MATTER UNDER 35 USC 101...".

"IT HAS BEEN SUGGESTED THAT THE POSITION I AM TAKING IS INCONSISTENT WITH THE POSITION I HAVE TAKEN OR THE VIEWS I HAVE EXPRESSED IN OTHERS OF THE MANY CAREFULLY REASONED OPINIONS OF THIS COURT ON THE STATUTORY SUBJECT MATTER QUESTION UNDER 35 USC 101 WHICH LED TO BENSON, NONE OF WHICH WAS DISCUSSED OR EVEN RECOGNIZED IN THE SUPREME COURT'S BENSON OPINION. AS A RESULT, THE VALUE OF THOSE OPINIONS AS PRECEDENTS HAS BECOME UNSETTLED."

"IT MAY WELL BE THAT I SEEM TO HAVE BEEN INCONSISTENT. AS THE AUTHOR OF THE OPINION OF THIS COURT IN BENSON, WHICH WAS WHOLLY REVERSED, I HAVE NOT BEEN PERSUADED BY ANYTHING THE SUPREME COURT SAID THAT WE MADE A "WRONG" DECISION AND I THEREFORE DO NOT AGREE WITH THE SUPREME COURT'S DECISION. BUT THAT IS ENTIRELY BESIDE THE POINT. UNDER OUR JUCICIAL SYSTEM, IT IS THE DUTY OF A JUDGE OF A LOWER COURT TO TRY TO FOLLOW

IN SPIRIT DECISIONS OF THE SUPREME COURT -- THAT IS TO SAY, THEIR "THURST." I DO NOT DEEM IT TO BE MY PROVINCE AS A JUDGE TO ASSUME AN ADVOCATE'S ROLE AND ARGUE THE RIGHTNESS OR WRONGNESS OF WHAT THE COURT HAS DECIDED OR TO PARTICIPATE IN WHAT I REGARD AS THE INCONSISTENT DECISION HERE, SUPPORTED BY A BARE MAJORITY WHICH TRIES IN VAIN, AND ONLY BRIEFLY, TO DISTINGUISH BENSON BY DISCUSSING FORM RATHER THAN SUBSTANCE AND VARIOUS IRRELEVANCIES LIKE PRE-BENSON DECISIONS OF THIS COURT, THE BANKING BUSINESS, SOCIAL SCIENCE, AND THE LIBERAL ARTS. I DEEM IT TO BE THE SUPREME COURT'S PREROGATIVE TO SET THE LIMITS ON BENSON, WHICH WAS BROADLY BASED, I HOPE IT WILL DO SO. AS JOHN W. DAVIS, ERSTWHILE OUTSTANDING SOLICITOR GENERAL, ONCE SAID, "THE FIRST REQUIREMENT OF ANY JUDICIAL OPINION IS UTTER CLARITY"."

October 24, 1974

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(Committee 2)

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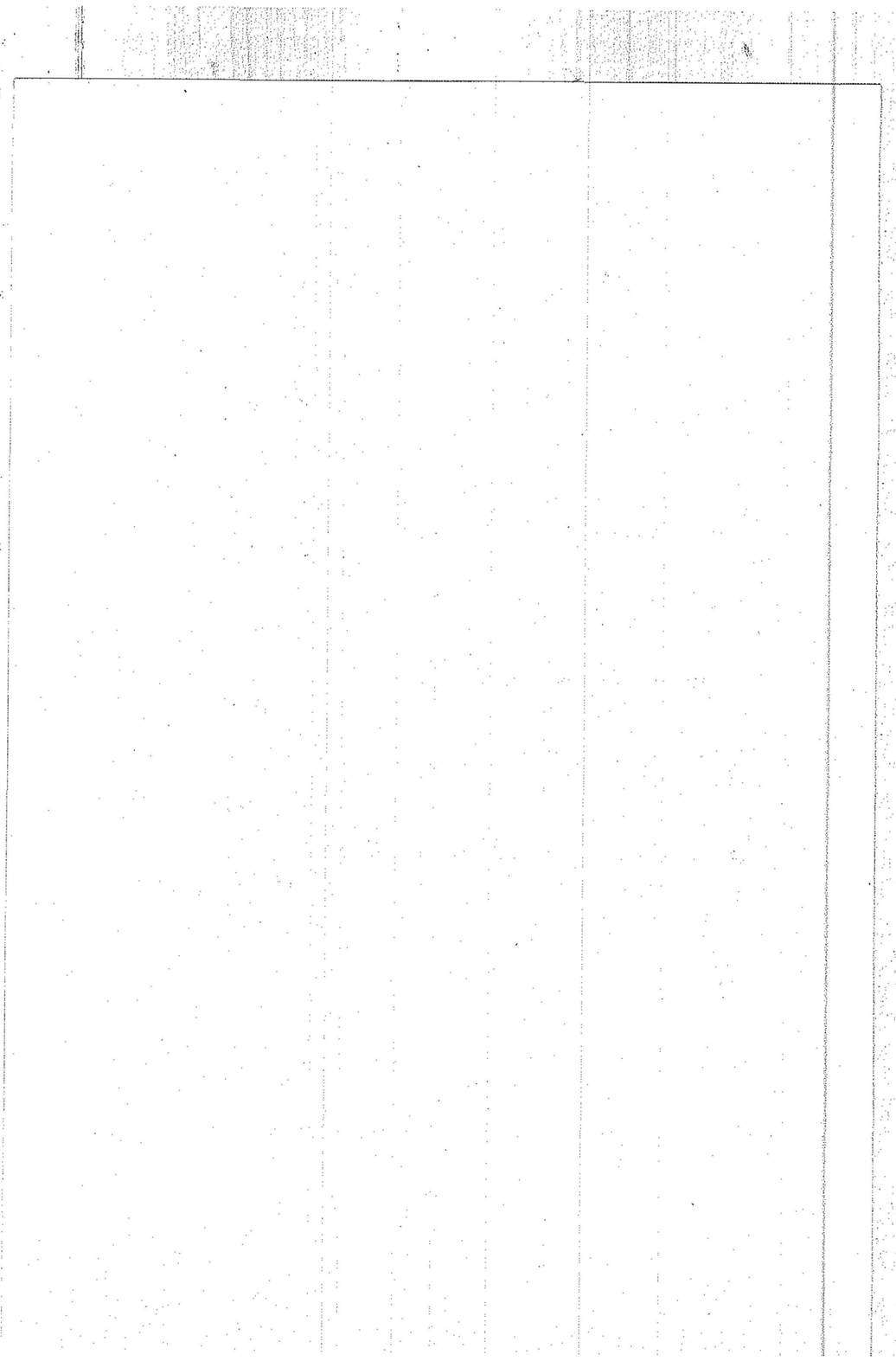
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October 30, 1974
Committee No. 2
Japanese Group of PIPA
Chairman: Hisataka ONO
Reporter: Takashi KIDOSAKI

Non-competition obligation on a quitted employee

Our group has studied the subject "whether an employer can prevent its employees, by contract, from disclosing or using trade secret which they acquired after they have left the employment" with the purpose of looking into the present aspect of trade secret protection in Japan. We would, therefore, like to report on this subject.

There has been hardly any serious case in Japan concerning the competition by a quitted employee as people normally preferred not to change occupation through the life. However, the situation gradually turned and younger people began to change their occupation seeking better condition or higher income.

Under such circumstances, Japanese companies, who so far imposed a secrecy obligation upon their employees, now began to impose further obligation not to compete after the termination of employment in order to practically ensure such secrecy obligation. However, there were arguments concerning the validity of such covenant. This led us to investigate similar problems in other countries, particularly in the United States, where

legal status of trade secret is established on the accumulation of many cases and, among them, the course of Kewanee case has been watched with keen interest.

Upon studying the validity of the non-competition obligation of an employee after the termination of employment, the reasonableness of the following two points have to be examined:

- the scope of trade secret to be protected as the sole property of an employer; and
- the scope of restriction covered by such non-competition obligation.

Here, we would like to give you an explanation about a remarkable decision made on this subject by Nara District Court on October 23, 1970 and thereafter introduce you to a newly proposed article of Japanese Criminal Code which restrains unauthorized disclosure of trade secret.

The outline of Nara case is as follows:
Defendants X and Y were employees of plaintiff company A which engaged in the manufacture and sale of metal casting agents and X and Y touched the important technical secrets of A for many years and A, in order to preserve the secrecy of various technical information, caused X and Y to sign an agreement which contained the following provisions;

(1) X and Y shall not disclose, during and after the employment, to others secret information which they acquire in the course of their employment.

(2) X and Y shall not, directly or indirectly, engage in any business in competition with A for a period of two years after the termination of employment.

However, X and Y voluntarily left A almost at the same time and became directors of company B which was newly organized and engaged in the business of manufacturing and selling the same line of products as A's and, B, thus, encroached upon A's customers. A, therefore, filed a petition for temporary injunction against X and Y not to ehgage in the business of manufacturing and selling B's products on the ground of protecting A's right covered by the above agreement.

Against this claim, X and Y argued that there were few technical secrets in the field of metal casting agents and further that the agreement should be made invalid because it was exceedingly detrimental to them and threatened their livelihood as well as freedom of choosing occupation and, therefore, against public order and good morals.

The Court began by dividing the nature of trade secret into two categories, one should belong to an employee as its

personal knowledge and the other to an employer as its objective property and thereafter made judgement on the validity ot the above agreement.

"Unless there exist reasonable circumstances, an agreement which contains the covenant of non-competition is against public order and good morals and invalid since such an agreement deprives an employee of means of living and unduly restricts the freedom of choosing occupation. An employee, therefore, is quite free to make use of its personal knowledge or skill acquired in the course of employment once it has left the employment, so far as such knowledge or skill is generally available under the same field of business. Such general knowledge or skill should be considered as subjective property of an employee. However, special knowledge which only a particular employer possesses such as a list of customers or secret manufacturing process is fundementally of different nature from the personal knowledge or skill of an employee as it has property value transferable to others and therefore constitutes objective property of the employer. Such special knowledge should be legally protected as trade secret of an employer.. The obligation of secrecy and non-competition for certain period imposed on an employee who is given access to such trade secret is, therefore, quite reasonable and valid."

The Court, then, referred to the argument of X and Y that the agreement was exceedingly detrimental to them and threatened their livelihood and therefore invalid as against public order and good morals.

"An agreement which contains the covenant of non-competition is certainly invalid when such obligation exceeds reasonable scope and unduly restricts the freedom of choosing occupation. On determining the reasonable scope of restriction, we have to examine the restricting period and place, field of business subject to restriction, existence of compensation etc. from the following three viewpoints:

1. advantage to an employer (protection of trade secret)
2. disadvantage to an employee (inconveniences in changing occupation)
3. social interests (injury to the public interests resulting from possible danger of monopoly)

Considering the agreement from the above points of view, the restricting period of two years is comparatively short. The field of business subject to restriction is comparatively narrow since A's business is in the specific area of chemical and metal industry. The restricting place is unlimited, however, this may be considered necessary in view of the technical charcter of A's trade secret. All of these facts led us to conclude

that the restrictions of the agreement is within reasonable scope and do not violate public order and good morals and therefore the agreement is not invalid."

Accordingly, temporary injunction was granted to A. This decision of the Court which justified the protection of trade secret based on a secrecy agreement admitting its property value is considered highly valuable.

In the meantime, a question may arise here whether A can request the prohibition of utilizing A's trade secret by B who is not the party of said agreement. Concerning this question, we may refer to the Tokyo High Court decision made on September 5, 1966. The owner of technical secret filed a petition for temporary injunction against a third party who acquired the secret from the licensee of the appellant and manufactured and sold the products utilizing it. The High Court said:

"Although know-how (here the Court used the term "know-how") clearly has property value, it cannot be considered, at the present moment, that the law recognizes it as such legal right as enforcedly applicable to a third party. Since there is no specific provision under the present statutes which admits know-how to have the right of injunction against a third party who is not the contracting party."

The High Court, affirmed the decision of the court of first trial which denied a petition. Against such traditional standpoint of the High Cout, there appeared influential scholarly opinion that although trade secret is still not recognized as legal right, an injunction should be granted even against a third party taking the sense of juntice into consideration where the benefit of the owner of trade secret is greatly jeopardized.

Now, we would like to move to the introduction of a new article of "Crime for unauthorized disclosure of trade secret" which is being proposed in the draft of revised Japanese Criminal Code. The article stipulates:

"An officer or employee of a business enterprise who disclosed, without justifiable ground, to a third party a secret of the enterprise concerning manufacturing method or other technology shall be condemned to not more than three years penal servitude or fined not more than ¥500,000.00 (ca. US.$1,700.00). The same penalty shall apply to a quitted officer or employee who disclosed such secret in violation of its legal obligation of maintaining secrecy."

This article is prepared to give legal protection on the technological secrecy having property value and covers the acts of both present and quitted officer or employee. For a

quitted person, an extra phrase is added which reads "in violation of its legal obligation". The meaning of this phrase is explained to include not only such obligation expressly provided for in the existing laws but also such secrecy obligation of a quitted person under the employment contract. The draft of revised Criminal Code is not yet presented to Parliament, however, there have already appeared some opinions against the creation of the new article by such reasons as the concept of a word "secret" in the article is vague or as most of the cases of unauthorized disclosure of secret are punishable under the existing Criminal Code as breach of trust, embezzlement or theft. And by further reason that such an article may suppress the consumers movement and thus would rather protect the interests of anti-public industries.

Trade secret protection in Japan may sometimes be thought to be comparatively insufficient, however, secrecy obligation has been, virtually, well observed under strict commercial ethics and consequently lawsuit against the violation of secrecy has been found quite few. And as you have seen in the introduced case or newly proposed article of Criminal Code, further steady progress in the field of legal protection of trade secret is also being actualized here in Japan.

October 30, 1974
Committee No.2
Japanese Group of PIPA
Chairman : Hisataka Ono
Reporter : Kanehisa Nomaguchi

What are required in the Patent Laws of Japan for the joint owners of a patent or right to obtain patent

We are now in the days wherein tempo of innovation is very rapid and many of invention of high level are created through collaboration among highly skilled engineers or through joint R & D between enterprises rather than by an individual who can not necessarily provide funds and facilities enough to conduct research and experiment under the current advanced technology.

In view of the said circumstances, our working group studied on the Japanese regulations governing a jointly owned patent or right to obtain patent so that we can write a better agreement to prevent misunderstandings when entering into joint R & D work with other enterprises or engineering organizations in Japan.

1. Preamble to our report below

In our report, unless otherwise indicated, Art. No. is that in the Patent Laws of Japan.

While joint ownership of a property is subject to Art.

249 and following through Art. 264 of Civil Codes of Japan, the Patent Laws are prior to the Civil Codes when there is a contradictory provision between them. This is because a patent right is intangible, can not be eventually possessed in hand as against a tangible property and, therefore, is not necessarily appropriate to be controlled only by the principle in the Civil Codes.

2. Patent application by joint owners of a right to obtain patent

Art. 37 provides that when a right to obtain patent is jointly owned, no joint owners shall file a patent application unless conjointly with the other owner(s).

As is clear from the said article, even if one of joint owners of an invention is against filing an application, the other owner(s) can not file the application and, furthermore, it is generally construed that even in the case when one of joint owners can not be found or reached after diligent effort, the application may not be made. In the said import Art. 37 may differ from 35 USC. Sec. 116.

A patent application made against Art. 37 shall finally be rejected by the examiners under Art. 49 and when a patent has been granted thereon, the patent shall be invalidated by appeal to the Board of Appeals in accordance with Art. 123 para. 1.

After an application is conjointly filed, each of the applicants shall represent other(s) under Art. 14 with respect to procedures other than the change, abandonment, withdrawal of the application and several other procedures except when a representative has been designated and the Patent Office notified thereof.

3. Share in a jointly owned patent or right to obtain patent

There are no articles in the Patent Laws to help decide percentage of the share in a jointly owned patent or right to obtain patent.

Art. 250 of the Civil Codes provides that each joint owner's share is presumed to be equal. But, it is very usual for joint owners of a patent to amicably settle the issue of each one's share according to his extent of contribution for the completion of the invention, that is to say, his inventive faculty, financial burden and use of his own facilities, etc.

The share affects each owner's burden to pay expenses for patent application and annual patent fee to the Patent Office and to distribute royalties among joint owners accrued from licenses to the third parties.

4. Exploitation of a jointly owned patent

Art. 249 of the Civil Codes stipulates that each of the joint owners of a property may have a right to use the whole of the property in accordance with his share therein.

However, in view of the characteristic as a property of a patent right, that each of the joint owners of a patent can control and use the whole of the right irrespective of his share therein and does not preclude the concurrent use by the other owners, Art. 73 para. 2 was legislated. It provides that in the absence of any agreement to the contrary, each of the joint owners of a patent may work the patented invention without the consent of the other owners. Please, call your attention that the language "in accordance with his share" is not written in the paragraph as is so with Art. 249 of the Civil Codes.

Now, we wish you to keep in your mind that the language "work" in Art. 73 para. 2 does not include assignment, license and creation of pledge but is construed to include subcontracting, in other words, to have made by suppliers. In Japan there exists to some extent practice that joint owners making gains by working the patent pay some royalties to the other owners.

The practice arises mostly when one of joint owners is a manufacturer who supplies his products to the third parties and when the other owner is merely in a position of a buyer to the said manufacturer or a paper patent owner.

It may be needless to say that an agreement therefor is in some measure influenced by the power between the joint owners.

5. License of a jointly owned patent

According to Art. 73, without the consent of all of the other joint owners of the patent, no joint owners shall grant neither non exclusive nor exclusive license with respect to such patent.

We would like to emphasize that a grant of any license without the other owners' consent shall be null and void. The said article was provided so that trust between joint owners may not be lost and that circumstances may not arise wherein either the value of the other owners' right in the patent or their business derived from the patent would be impaired contingent upon the licensee's financial power, facilities and technology, etc.

Of late, it has become usual for the joint owners of a patent to distribute royalties among them accrued from licenses to the third parties in accordance with the share of each owner's right in the licensed patent.

6. Establishment of pledge or Assignment of a jointly owned patent

Provisions are a little different between a jointly owned patent and a jointly owned right to obtain patent.

(1) With respect to a jointly owned patent

Under Art. 73 para. 1, none of joint owners shall assign his share or establish a pledge with his share as the object in the absence of the consent of the other owners.

Under Art. 98 para. 1 and 3, assignment or establishment of pledge of one's share in a patent right shall not become effective, exclusive of one based on inheritance or general succession, before it is recorded in the Patent Office. This article means that assignor's share in a patent belongs to him until a recording is completed at the Patent Office though it may cause a liability for breach of assignment agreement on the part of assignor.

We should pay our attention even an adjudication by the court shall not be enforced, in citation of Art. 625 of the Codes of Civil Procedures, as to the assignment or creation of pledge which has been made without the consent of the

other owners. However, with respect to inheritance or general succession of the share, the other owners' consent are not required.

The purpose of stringent law above is the same as we have referred to on the subject of license. In short, it is to protect the right of the other owners.

(2) <u>With respect to a jointly owned right to obtain patent</u>

This issue is subject to Art. 33 and 34 para. 1, 4 and 5. Under these articles, the following are main points different from them that we have stated with respect to a jointly owned patent.

A. Assignment of the share made prior to filing an application for patent shall not take effect as against any third parties unless the assignee joins in the application for patent.

B. Assignment of the share made after filing an application for patent shall be null and void unless it is reported to the Commissioner of the Patent Office.

C. A right to obtain patent shall not be made

the object of pledge even when it is singly owned.

7. Administration or enforcement of jointly owned patent

(1) Patent fee

In application of Art. 110, patent fee may be paid by anyone of joint owners even against the will of the other owners. But, in this case, the latters are not bound to reimburse their share in excess of actual enrichment from the jointly owned patent. This is because there may exist circumstances wherein patent fee would be, for example, 100 dollars though actual enrichment were only 10 dollars.

(2) Appeal to the Board of Appeals in the Patent Office

Although the word "trial" is generally used for "appeal" on the subject below in the English version of the Patent Laws of Japan, in our opinion the word "appeal" may be more appropriate before this conference today, because "trial" may cause delegates from the U.S. to connote a civil action before the court of justice.

With respect to a jointly owned patent or right

to obtain patent, appeal to the Board of Appeals in the Patent Office comprises five species and shall be subject to either of Art. 122 para. 2 or para. 3.

As to the following two species, appeal shall be filed against all of the joint owners of the appealed patent as appellees in accordance with Art. 132 para. 2.

1. Appeal for invalidation of a patent in Art. 123.

2. Appeal in Art. 129 for invalidation of correction of the specification or drawing in a patent.

As to No.3 and 4 below, appeal shall be conjointly filed by all of the joint owners of a right to obtain patent in accordance with Art. 132 para. 3. Notwithstanding the said paragraph, it may be possible for one of joint owners to represent others in the proceedings for appeal if he obtains the consent of the other owners.

3. Appeal in Art. 121 against final decision for rejection of a patent application.

4. Appeal in Art. 122 against decision for rejection of amendment to change the

gist of patent application.

As to the following No. 5, appeal shall be conjointly filed by all of the joint owners of the patent according to Art. 132 para. 3.

5. Appeal in Art. 126 for correction of the specification or drawing after a patent is granted.

(3) Injunction and damages

With respect to injunction for infringement of a jointly owned patent, each one of the joint owners can independently institute a civil action before court of justice according to the proviso of Art. 252 of the Civil Codes.

As to claim for a recovery of damages, all of the joint owners are not necessarily indispensable parties therefor, but, if the claim is not conjointly brought, the claimant's recovery of damages shall be proportional to his share in the patent.

The gist of our studies was as mentioned above.

- End -

October 30, 1974
Japanese Group, Committee #2
Chairman: HISATAKA ONO
Reporter: HARUYUKI KOIDE

ON WHAT CONDITIONS CAN LICENSEE HAVE A THIRD PARTY CONCERN IN HIS WORKING UNDER LICENCE AGREEMENT?

On what conditions can a licensee have a third party concern in his working in the absence of an expressed agreement between the parties under the licence agreement?
This is a summary report of our study on this subject.

I. Introduction

In present highly industrialized society, the operation of one enterprise depends not only on its own activities within its organization but also on the collaborative activities with other related enterprises. In our country, actual needs by business society gave birth to such a type of business in our industrial circle as an enterprise contracts a third party with a part of its business and which is organically built in a part of business activities in some field of the industry and generally called "subcontract".

Meanwhile, a licence agreement may have an aspect of personal contract based on mutual trust between the parties (especially in case of licence with knowhow) since a licensor will grant licence to a specified person after full assessment of the potentiality of a licensee including its capital, marketing

and technology. However, it is generally said that this does not deny a licensee's right to work through an agent.

Accordingly, it will be necessary for us to study on what conditions and to what extent a licensee can have a third party concern in his working taking into consideration the above background.

II. Concept of Subcontract

In our country, the term "subcontract" is used indefinitely in various legal facet.

We may think that the term "subcontract" is generally understood in Japan that a contractor who agreed to accomplish a certain work subcontracts a third party (a subcontractor) with the whole or part of the work contracted by the former. As far as a contract for work is concerned, its basic concept may be said to lie in the provision of agreement of contract for work in the Civil Code. Article 632 of the Civil Code provides that a contract for work becomes effective when one of the parties has agreed to accomplish a certain work and the other has agreed to pay him remuneration for the result of such work.

However, actually the term "subcontract" seems to be used ambiguously in Japan and there exist subcontracts of various types.

Viewing from the aspect of contractural relation, in case a receiver of order enteres into such an agreement with an orderer as the former manufactures the ordered product from materials procured solely or mainly by the former and supplies the latter with such product and the latter pays to the former

the purchase-price for such product, such contract is what is called "contract of supplying the manufactured product" (Werklieferungsvertrag) legally comprising factors of contract for work and sales. In this case, although the consideration paid to the receiver of order is not a cost of work but a purchase-price, such type of business is also generally called subcontract without distinguishing from a contract for work.

Seeing from the view point of relationship between contractual parties, the term "subcontract" is generally used irrespective of whether there exists any capital or financial connection between an orderer and his subcontractor.

Viewing from the technical aspect, they generally use the term "subcontract" irrespective of existence or non-existence of subordinative and technical cooperative relation between subcontractor and orderer; namely irrespective of whether an orderer has a subcontractor manufacture some product in accordance with specification designated by the orderer or not and whether an orderer controls and supervises a subcontractor by instructing the process of manufacture engaged by the subcontractor or an orderer only inspects and receives the product manufactured by a subcontractor.

Taking into consideration the above actual situation, we would like to study the criteria as may be called a general rule through the basic thought appeared in Japanese cases with regard to the question in and on what manner and conditions a licensee is legally permitted to subcontract a third party with manufacture as an act within the scope of the licence.

III. Japanese Cases

In our country, the very case corresponding to this subject does not exist. However, there are a few cases, theoretically related with the subject, concerning the judgement of whether or not a certain act which one has a third party work should be recognized as one's own working, which are worthy of reference. We should like to introduce such cases as follows:

The first case is a judgement of December 22, 1938 of the Supreme Court which may be correct to say a leading case. The issue of this case was whether the act for one co-owner of a utility model right to subcontract a third party with manufacturing goods falling within the scope of the right of the utility model should be taken as an act of such one co-owner's own working or as an independent business constituting an infringement upon the right of the other co-owner. As you know, it is a rule in the Japanese industrial property laws that when a right is co-owned, no co-owner shall, unless he obtains the consent of the other co-owner(s), grant a licence to a third party under such right. (Note: Patent Law Art. 73, Utility Model Law Art. 26, Trademark Law Art. 35, Design Law Art. 36)

Accordingly, it would leave no room for discussion if one co-owner works literally in its own plant, but if one co-owner of the right subcontracts a third party with manufacture in its working, a delicate issue of whether or not such act falls within the scope of categoly of its own working would naturally araise entangled with the interest of the other co-owner.

The summary of the case is as follows:

Plaintiff X, who co-owned with A and B a utility model

right with regard to designed knit, alleged that Defendent Y, who was a subcontractor for A, manufactured and sold "designed knit" having the same construction with the registered utility model knowing that such designed knit fell within the scope of right of the said utility model and claimed against Y for damages sustained therefrom.

Claims instituted by X were rejected in the first and second trial and X appealed to the Supreme Court from the dismissal.

The Supreme Court, in the light of the following facts lawfully established on the basis of evidence in the original instance,

a) the fact that A, one co-owner of the utility model right, had Y manufacture the designed knit with respect to the said utility model right and made a special agreement with Y to pay the cost of work for such manufacturing and Y had been manufacturing the goods on behalf of A under this agreement with A.

b) the fact that in Y's manufacturing the designed knit concerned, Y's all acts such as purchase of materials, sales of the goods, quality control and design of the goods and so forth were under the control and supervision of A.

c) the fact that Y delivered to A all the goods manufactured by Y and had never resold any of the goods to any other person than A.

rejected the appeal holding as follows;

"Since the person who manufactures the goods with respect to the registered utility model and conducts incidental acts

under the control and supervision of the owner of the utility model who works its right is recognized only as a person that engages in working within the business of working of the owner and is nothing but an organ of the owner of the utility model right working its business, such person cannot be recognized to be one who works independently the registered utility model owned by others even if he has been engaging in the work.
Accordingly it goes without saying that in case where one co-owner of the utility model right has a third party engage in his working of the utility model in such manner as stated above, he need not obtain from the other co-owner the consent thereto and such a third party cannot be construed as infringing on the utility model right of the other co-owner even if such a third party engages in such act."

Second case is a judgement of October 17, 1969 of the Supreme Court which concerns a third party's working under non-exclusive licence by prior-use with regard to the design of a globe-styled transistor radio.

Under the Japanese previous design law, there was the provision to the following effect that anyone who has been bona fides engaged in the business of working of the design at the time of filing of the application for design registration shall have the non-exclusive licence on the design right under the application for design registration within the limits of the design which is then being worked or and of the purpose of the business of working thereof. The issue of this case was

whether the act that the person asserting the existence of such statutory licence had a third party manufacture and deliver to him the radio under the design and sold it to others should be recognized as the person's own working under the licence on the strength of the prior-use.

The Supreme Court maintained the judgement of the original instance made on this point holding that it is justifiable to construe that "for one to engage in the business of working" does not mean only "for one to engage by oneself in such business as he manufactures and sells at his own hand the goods making use of the equipment and organization owned by him" but also means "for one to have a third party with its equipment manufacture the goods on behalf of one according to one's order and sells to others such goods delivered by such a third party".

The third case is a judgement of February 7, 1972 of Akita District Court.

This case is drawing the attention of the industrial circle as a judgement giving such a strict decision as to the extent of subcontract working, that the act of third party's manufacture by order of one co-owner of the utility model right concerning horseshoe does not fall within the scope of such one co-owner's working.

Incidentally, this case appealed from the dismissal is pending in Sendai High Court.

The summary of the case is as follows:

Plaintiff X, who co-owned with A a utility model right on horseshoe concerned with this case, asserting that Defendant

Y manufactured and sold to Company B operated by A the horseshoe having the same technical scope with that of the said utility model right in the character of its construction and effect, claimed against Defendant Y the injunction of manufacture and sale of the horseshoe concerned and the destruction of the finished product as well as the iron mould in accordance with Article 27 of the Utility Model Law and further claimed against Y one half of the amount of money equivalent to royalty that should have been gained ordinarily for working of the registered utility model concerned as the damages suffered therefrom in accordance with Paragraph 2 of Article 29 of the same.

The Court, while finding the following facts grounding on the defendant's assertion that Defendant Y is manufacturing the product as an organ of A under the control and supervision of A,

a) the fact that Y supplied Company B with the product owned by A in accordance with the instruction of A and had never resold the product to anyone other than B;

b) the fact that Y was manufacturing the product under the full technical assistance of A;

c) the fact that A concretely instructed Y as to the quality of materials of the product and strictly inspected the quality of the product;

d) the fact that A decided at its discretion the amount and unit price of the product; and

e) the fact that Y attached the trademark owned by A to all the products manufactured by Y;

on the other hand, finding the following fact;

Y had no capital connection with A and Company B and owned the equipment and machine such as iron mould for the manufacture of the horseshoe and procured the material at Y's cost. No financial assistance for procurement of such equipment and material had not been made by A. Accordingly, Y could make a profit by such way as rationalizing the process of manufacture within the extent of the unit price designated by A and, on the other hand, had borne risk of the loss from the rising of cost of materials and inferior goods

accepted wholly the claim of X, while admitting X's assertion on the amount of damages, holding as follows:

"Since Y owns the equipment and machines for the manufacture and makes a profit on Y's account procuring the materials as appeared in the above fact finding, it cannot be recognized that Y manufactures the product only for gaining the cost of work and the contractual relationship between Y and A should be said that of "contract of supplying the manufactured product" comprising the factor of agreement of contract for work. Accordingly, Y should be said to work the utility model as Y's independent business on behalf of Y himself under the non-exclusive licence granted to Y by A. But, since the fact that X consented to the grant of such non-exclusive licence was never asserted and established, Defendant's act to manufacture the horseshoe concerned should be construed as constituting the infringement upon the utility model right of Plaintiff".

IV. Comments

The following basis on which the first case in 1939 recognized as "subcontracting work";

(A) to have a third party manufacture the product and pay him the cost of work for manufacturing

(B) to manufacture under the control and supervision of the orderer in a third party's manufacturing

(C) to deliver to the orderer all the products manufactured by a third party

are often cited in our country as grounds in thinking on what conditions a licensee can subcontract a third party with his work of manufacture, but there is not an established theory on the point whether the satisfaction of all the above three conditions of (A) (B) and (C) only permits a licensee to have a third party concern in licensee's work or the satisfaction of any of the three conditions permits a licensee to do so.

The second case in 1969 gave a judgement that so long as a licensee has a third party manufacture the product and has the third party supply to the licensee all the manufactured products, such act of the third party is recognized to be done as an organ of the licensee. Judging from the facts appeared therein, the licensee had not influenced its control and supervision on the third party's manufacturing and the third party supplied the licensee with all the manufactured product and received the purchase-price for consideration, at least not the cost of work.

In this case, the conditions of (A) and (B) are not satisfied and only the condition of (C) is satisfied.

However, such act of the third party was recognized as the licensee's own working in this second case.

The third case in 1972, placing an emphasis on the point whether the nature of contract in having a third party manufacture is an agreement of contract for work, judged that so long as the consideration for manufacture is not the cost of work and a third party makes a profit within the extent of standard invoice price, such act of the third party is an independent business for himself.

In this case, the conditions of (B) and (C) are satisfied. They ruled, strictly construing the condition of (A), that such act of the third party was not recognized as the working by the owner of the utility model right because of lacking the condition of (A).

However, in view of the actual situation of subcontracting business in the present industrial circle where the business of subcontractors is undertaken in many cases in such a form as presented in this case satisfying the conditions of (B) and (C) and lacking the condition of (A), we cannot help but to think that the scope of working by a third party becomes fairly narrower under the very way of thinking appeared in this case. We would like to pay our attention to the decision to be given in due course by the superior court.

V. Conclusion

In the above three cases regarding the work of one co-owner and the work under statutory licence of pre-use, the conditions for judgement of subcontracting work naturally vary;

strict in one case or mild in the other case, the difference being influenced by such factors of judgement as the interest of the other co-owner and the balance of protection between the prior applicant and the prior-deviser under the prior application system.

Firstly, in our thinking the subcontracting work under a licence agreement, could we say the condition that all the finished products manufactured by a subcontractor are supplied to a licensee is a fundamental condition ?

Licence agreement is, in some cases, based on relationship of a sort of trust between a licensor and a licensee and it may be impermissible to substantially change such relationship between licensor and licensee as a result of subcontracting work.

If a licensee does not have the preparation for taking his responsibility for the work of its subcontractor as the licensee's own work, such work will betray the trust of the licensor and is feared to result in the appearance of unexpected unlawful competitors to the licensor caused by illegal diversion by the subcontractor of the finished product manufactured during the agreement of contract for work and thereafter and the damage and loss of royalty caused thereby.

In this sense, that a licensee has a third party supply to him all the products manufactured by the third party will be an indispensable condition for enabling the licensee to have a third party manufacture.

This condition is the most significant for securing royalties for the licensor.

Secondly, in a patent licence, it will be also important to maintain the quality of the manufactured product for securing the value of patent, that is, the benefit of a licensor, especially in case a trademark licence is together granted to a licensee, the maintenance of quality is important in protecting the good will of the brand and objective value of know-how.

In this sense, in case a licensee subcontracts a third party with manufacture, that the licensee has an influence of any technical control and supervision on subcontractor's manufacture for the maintenance of the quality will be the second condition. However, depending on the licensed products, the extent of the control and supervision differs. In some cases full technical assistance covering the procurement of material, the quality, specification and so forth will be required and in other cases, simple technical instruction will be only required to be given by the licensee.

In case of a licence agreement with know-how, we should suppose that the obligation of secrecy is imposed upon the licensee and he would be naturally required to obtain the consent of the licensor to its disclosure to subcontractor. So, if a licensor entertains misgivings about the divulgence and/or dilution of know-how, the licensor would probably hold himself from the consent. Under the above situation, subcontracting could not be actually considered without the consent of a licensor.

The question of whether the consideration for sub-contractor's manufacture is the cost of work or the purchase-price is that of the difference of contractual relationship

between a licensee and his subcontractor. However, since the economical effect that all the manufactured products are delivered to the licensee by the subcontractor is the same in both cases, the condition of whether agreement between the licensee and his subcontractor is an agreement of contract for work or an agreement of supplying the manufactured product will not be material if only there exists an agreement that a licensee entrusts a receiver of order with the manufacture of a product and the receiver of order manufactures the products and delivers to the licensee all the manufactured products.

It may be said that Akita District Court overlooked the commercialism of business operation sticking to the theory of law while strictly construing the condition of (A) by connecting the existence of an agreement of contract for work on which subcontract originally bases with the condition of the existence of agreement to receive the cost of work presented in judgement in 1938.

As we commented above, we would like to conclude that the above conditions of (C) and (B) will be material in our thinking on what conditions a licensee can have a third party concern in his working.

PROTECTION OF KNOW-HOW

Reported by A. G. Gilkes*

The best news of 1974, and for a long time, with regard to the protection of know-how has been the decision of the United States Supreme Court in Kewanee v. Bicron. Fortunately, in writing the major opinion, Chief Justice Burger adopted the broad definition of trade secrets set out in the restatement of the law** which includes both patentable and non-patentable subject matter and embraces know-how. This paper will consider the impact of the Kewanee decision on certain aspects of the substantive law and the practical day to day practices of industry.

1. Law of Trade Secrets in Light of Kewanee Oil v. Bicron

Trade secret law in the United States is alive, well and thriving, thanks to the Supreme Court. After ten years of doubt, trade secrets clearly now are enforceable and can be a basis for realistic and concrete reliance.

As a background, the attack on trade secrets was premised on the over-riding principle of the dual Federal-State legal systems that co-exist in the U.S., that is, where there is a conflict between these systems, the federal law is supreme. Briefly, the argument against State enforced trade secret protection was that these laws and the federal patent laws (established under Article I, Sec. 8, cl. 8 of the U.S. Constitution) inherently conflict and as a result State protection of trade secrets must be preempted. This argument was given support in a pair of Supreme

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**Restatement of Torts Se. 757, Comment b (1939), 5.

Court cases decided ten years ago in the Sears-Compco* decisions where the Court held that an unpatentable product cannot be protected by State courts under the guise of unfair competition laws. That is, states may not give a monopoly to a manufacturer for a product on the theory that the public associates the product only with one manufacturer. In other words, "secondary meaning" may not be created in a product per se.

Immediately following Sears-Compco many people thought an expansive reading of these cases would require that any piece of "intellectual property" not protected under the federal patent or copyright statutes was unprotectable under other legal theories.

The high water mark of the erosion of protection for all industrial/ intellectual property rights not protectable by patents was probably reached with Lear v. Atkins** which while further undermining the benefits of the patent law cast substantial doubt on the viability of license arrangements predicated upon confidential information or know-how. Fortunately, the Supreme Court in Kewanee resisted the possible temptation to opt for "partial-preemption" associated with the potentially patentable subject matter involved in the Kewanee case. Although the Court could have affirmed the 6th Circuit by these theories, this might have left in doubt the fate of trade secrets and know-how where no right of patentability had been lost or which was not susceptible of patent protection under the statutes. Fortunately, the Supreme Court

*Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964); Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964).

**395 U.S. 658 (1969)

tackled the broad spectrum of trade secrets as defined by the restatement on torts and held that there was no conflict between the purposes of the federal patent laws and the purposes of the state laws dealing with trade secrets, and hence that the latter were not preempted. Although Sears-Compco remain, the tide eroding away rights associated with trade secrets and know-how has receded.

The first significant break from this philosophy was taken by the Supreme Court in a 1973 decision--Goldstein v. California [412 U.S. 546] which held valid a state criminal statute against record and tape piracy in light of the federal copyright law. The Court's rationale involved an interpretation of Congressional intent wherein Sears-Compco the subject matter was within classes protectible by patents, in Goldstein the subject matter was not within appropriate classes, that at the time Congress enacted the copyright law in 1909 it did not "balance" the need for protection against record pirates against free commercial enterprise and therefore the States are free to fashion their own forms of protection over this unattended area. In distinguishing Sears-Compco, the Goldstein Court said that in record piracy, unlike "mechanical configurations," Congress had not drawn a balance. This statement led some persons to speculate that any type of State protection, including trade secrets, for "mechanical configurations" which presumably would include process know-how would be invalid per se.

The situation came to a head when the Sixth Circuit Court of Appeals in Kewanee Oil Co. v. Bicron Corp. [478 F.2d 1074 (1973)] overturned the Ohio

trade secret law (one of the strongest in the nation). The Supreme Court [-U.S.-, 94 S.Ct. 1879, 181 U.S.P.Q. 673 (1974)] heard the case and reversed the Sixth Circuit with six Justices in the majority, one concurring in the result and two dissents.

The majority opinion written by Chief Justice Burger reiterated a holding of Goldstein that the Constitution alone does not prevent the States from exercising concurrent power over patents and copyrights. According to the Court, the real issue is whether the Ohio trade secret law "clashes with the objectives of the federal patent statute." To resolve this question Burger examined the objectives of the federal patent law in comparison to the objectives of state trade secret protection.

In the Court's view, the federal law was established to "promote the progress of Science and the Useful Arts" and to this end Congress allows a limited monopoly in return for full disclosure of the "invention." Competing with this policy of promoting invention is the strong federal aversion to unwarranted monopolies that "requires that all ideas in general circulation be dedicated to the common good unless they are protected by a patent."

On the other hand, trade secret laws are based not only on the encouragement of effective research and development programs, but on the maintenance of standards of commercial ethics, good faith and honest, fair dealing which is necessary in a commercial world.

In analyzing the conflict between State trade secret law and federal objectives, the Court first looked at all categories of intellectual property not covered by the patent law. These include anything which does not fall within the patentable subject matter as defined in 35 U.S.C. §§101, namely, intellectual property which are not processes, machines, manufactures, compositions of matter and improvements thereof. To these the Court believes that Congress has drawn "no balance" and thus States are free fashion protection for them. The Court notes that abolition of trade secret law would not result in increased public disclosure of such non-patentable subject matter such as customer lists, advertising campaigns or business methods since no one would attempt to secure a patent on them. In fact, to keep these types of operations secret "encourages business to initiate new and individualized plans of operation."

Of course the more difficult analyses are in the areas where trade secret laws may protect items which fall within the Section 101 definitions. Here, the Court examines the broad objectives of the patent law in relation to a possible conflict with trade secrets and decides that the federal policy of encouraging invention is not disturbed by another form of incentive. In concluding that the federal objectives of disclosure in exchange for the right to exclude does not clash seriously with State trade secret laws, Burger analyzes three posssible situations where the inventor may choose trade secret over patent protection. These situations

were defined by Judge Friendly of the Second Circuit in Painton & Co. v. Bourns, Inc., 442 F2d (2d Cir. 1971) as:

1. A trade secret which is known to its owner not to be patentable.
2. A trade secret whose valid patentability is considered dubious; and
3. A trade secret believed to constitute a validly patentable invention.

In the first category the Court believes that the public will not be benefited by abolition of trade secret protection when the discovery is unpatentable, because mere filing of an application which is doomed to be turned down by the Patent Office will bring forth no new public knowledge or enlightenment since abandoned applications are not open to public inspection. However, trade secrets will still encourage discovery in areas where the Patent law does not reach. Further, the Court rationalizes that without trade secret protection companies would expend much effort in self help measures designed to protect a discovery. Similary, abolition of trade secrets would limit licensing and the resulting utilization and transfer of technology and thus would lead to inefficient duplicative efforts. Lastly, Burger believes that the patent law does not prohibit States from restraining industrial espionage.

In the second situation where the trade secret holder has genuine doubts about the patentability of his invention, the Court, recognizing that

many issued patents would be invalidated in a court, states that it is better that no patent be issued than permitting invalid patents to be granted. Since more invalid patents would likely issue without trade secret law, it is in the public interest to keep trade secret protection.

In the final category where a person consciously chooses to keep a discovery as a trade secret rather than accept a valid and enforceable patent, the Court assumes that this alternative is "remote indeed."* The Court rationalizes this conclusion by stating that a trade secret holder takes a substantial risk of disclosure by theft or breach of a confidential relationship and by discovery of his invention either by independent creation or by reverse engineering. In the Court's view society does not face a great risk of slow technological progress due to protection of trade secrets, since when the time is ripe for a discovery, it will be made independently by many people.

The Court concludes by reaffirming that "[t]rade secret law encourages the development and exploitation of those items of lesser or different invention than might be accorded protection under the patent laws, but which items still have an important part to play in the technological and scientific advancement of the Nation."

Thus the holding of Kewanee is clear--that States may enforce their own trade secret laws. However, in its opinion the Supreme Court stated

*Justice Marshall, in concurring, believes that this alternative is not as remote as the majority assumes. In fact, Kewanee had abandoned an allowed patent on some of the methods now claimed as a trade secret.

with approval (or at least without disapproval) several aspects of trade secret law.

Briefly some of them are:

a) The Restatement of Torts definition of a trade secret was cited:

> "[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 of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers."

b) The subject of a trade secret must be truly secret but secrecy is not lost if disclosure is made to persons, including employees and licensees, in confidence and with an implied obligation not to use or divulge the information.

c) Trade secret protection may be given both against disclosure by confidants and against improper methods of obtaining information such as theft, wiretapping and aerial reconnaissance, but reverse engineering is permissable.

d) Although not always clearly stated by the Court, broad theories and remedies available to States include actions for damages and injunctive relief granted for breaches of oral or written contract and for tortious conduct under classifications such as unjust enrichment, breach of duty and conversion. Further, criminal action may be brought under State law (e.g. N.Y., N.J. and Ohio) and even under the federal law against transporting stolen goods, wares or merchandise across State lines.

e) By leaving most remedies to the States, the Court permits trade secret protection to differ among the various jurisdictions. Thus, a trade secret holder may be subject to non-uniform or conflicting decisions.

f) Probably the most important distinction between patent and trade secret protection is the lessened standard to which a trade secret discovery must be measured as opposed to the rigorous test that a patented invention must meet. The Court recognized that "quite clearly discovery is something less than invention" and that novelty in the patent law sense is not required for a trade secret even though "secrecy ... implies at least minimal novelty."

Thus, the Supreme Court directs that in trade secret cases courts need not decide whether a discovery is patentable but only find some minimal novelty that would support an effective effort to keep the discovery confidential. It is left to future decisions to see further examples and definitions of this distinction. However, research and licensing programs may proceed on the firm assumption that courts under appropriate State law will uphold valid trade secrets.

Penal Statutes Dealing with Know-how

The Supreme Court showed its hand slightly on the day it granted certiorari in Kewanee by denying certiorari in another trade secret case called Greenwald v. United States. This case arose in the Sixth Circuit at the same time as the Kewanee litigation. In fact, as one panel of the court was overturning the Ohio trade secret law in Kewanee, another panel affirmed the conviction under federal law of Steven J. Greenwald for transporting stolen goods, wares or merchandise (i.e. trade secrets) across state lines.

By affirming, the Court of Appeals rejected Greenwald's argument that trade secrets were not goods, wares or merchandise as defined by the applicable criminal statute.

The facts of Greenwald bear some relation to those in Kewanee. Greenwald, a young chemical engineer for a small New Jersey chemical Company, became disgruntled and attempted to sell his employers formulae for flame retardant and dust-collecting additives to an Ohio competitor. He was arrested by the F.B.I. at the time of the purported sale. Although it can be argued that Greenwald's attempted sale was more dastardly than the ex-employees of Harshaw organizing a competing company with "stolen" trade secrets, the actual charge against Greenwald was transporting stolen trade secrets rather than selling them.

Greenwald's petition to the Supreme Court on the issue that trade secrets were not within the scope of the statutory term goods, wares or merchandise and further, that to extend definition of these terms would render the statute unconstitutionally vague.

In denying this petition on the exact same day that the Kewanee petition was granted, the Court seems to have demonstrated some predisposition that trade secrets are protectable. Although Greenwald was convicted under federal law, which is not subject to the preemption argument, the definition of trade secrets is tied to state law concepts. Further, a recognized separate federal law of trade secrets would be at odds with the contention that Congress designed the patent laws to cover all aspects of the field. Therefore, to those who were aware of Greenwald, the final outcome of Kewanee was not surprising.

In addition to the foregoing federal statute involved in the Greenwald case, most of the individual states have penal statutes protecting trade secrets. Interestingly, many of these were enacted or strengthened by amendment following the Sears-Compco cases. These are set out in the attachment.

Att.

Ark. Stat. Ann. §§ 41-3949 to 3951 (1967)

Cal. Penal Code § 499c (1967)

Colo. Rev. Stat. § 40-5-33 (Supp. 1969), § 40-5-34 (Supp. 1967)(1967)

Ga. Crim. Code § 26-1809 (1968)

Ill.Rev. Stat. Ch. 38 § 15-1 to -9, § 16-1 (1965)

Ind. Code §§ 35-17-3-1 to 35-17-3-5 (1969)

Me. Rev. Stat. Ann. Tit. 17, § 2113 (1967)

Mass. Ann. Laws Ch. 266 §§ 30(4), 60A (1967)

Mich. Compl. Laws §§ 752.771 to .773 (1968)

Minn. Stat. Ann. § 609.52 (1967)

Neb. Rev. Stat. Ch. 28, §§ 548.01 to .03 (1965)

N.H. Rev. Stat. Ann. Ch. 580, § 32 (1967)

N.J. Stat. Ann. §§ 2A: 119-5.1 to -5.5 (1965)

N.M. Stat. Ann. § 40 A-16-23 (1967)

N.Y. Penal Code § 155.00(6), 155.30(3), 165.07 (1967)

N.C. Gen. Stat. § 14-75.1 (1967)

Ohio Rev. Code Ann. Tit. 13, § 1333.51, 1333.99 (1967)

Okla. Stat. Tit. 21, § 1732 (1968)

Pa. Stat. Tit. 18, § 4899.2 (1965)

Tenn. Code Ann. §§ 21-4238 to 4240 (1967)

Wis. Stat. Ann. § 943.205 (1965)

Contractual Practices

In Kewanee, the rights of the proprietor of the trade secrets or know-how were upheld on the basis of misappropriation and the question of enforcement of the contracts involving the employee-defendants was not reached. Rather, validity and enforceability of confidentiality agreement seems to have been assumed in view of the Court's references to licensing and disclosure.

In practice, confidentiality agreements or undertakings protect against unauthorized disclosure and use but usually except: (1) matter generally known or available to the public (2) that which could be proved to be in the prior possession of the recipient, and (3) that which was lawfully obtained from a third party. It should be noted in connection with the second exception that no provision is made for independently developed information. This is one of the burdens that the recipient of confidential information must accept and if it were otherwise, the basis of protection would be undercut.

The Court in Kewanee left unanswered at least two problem areas which may give future trouble related to the above. One concerns the degree of novelty required for protection. The other involves the question of what is in the public domain, particularly the question as to what extent it can be argued that what is obvious should be considered within the public domain for the purposes of trade secrets.

Sophisticated recipients of know-how protect themselves by specificity if the definition of the subject matter to be kept in confidence as well as some limitation in time for the obligations of non-disclosure and non-use. In employee contracts the better practice in the United States is to limit the scope of these agreements to confidential information obtained in the course of employment and to limit to short periods any restriction on employment by competitors. The object of course is to reduce the inherent conflict between protection of confidential information and the right of the individual to use the skill and experience of his calling in gainful employment.

International Treaties

The Paris Convention* provides "Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition." The Pan American Convention of 1929, Art. 20, also provides, "Every act or deed contrary to commercial good faith or to the normal and honorable development of industrial or business activities shall be considered as unfair competition and therefore unjust and prohibited." The United States is party to both.

Parties to these treaties generally associate protection of trade secrets as a part of unfair competition law. Nonetheless, the AIPPI has been studying the question (53B) and have agreed upon a definition of trade secrets, which is very broad, and are prepared to recommend amendment

*Paris Convention, Act of Lisbon 1958, Art. 10 Bis (2)

of the Paris Convention to provide express recognition for trade secrets and know-how and their protection. This has been the object of study by the Patents, Trademark and Copyright Section of the American Bar Association, and seems to be engendering considerable support. Perhaps, in view of Kewanee, the need is critical, but enactment would be beneficial from the standpoint of harmonization of internal law.

LICENSING OF CO-OWNED PATENTS

Reported by A. G. Gilkes*

My interpretation of th[illegible]lysis of the procedural and substantive le[illegible]tent rights developed as a consequence of [illegible]erriding any joint cooperative relationsl[illegible]ust implications which of course require [illegible]n a case-by-case basis. Procedurally, the legal prol[illegible]ay be associated with joint inventorship as well as co-ownership of patents. Thus, in the case of a joint inventive effort between workers or firms in the U.S. and a foreign country (e.g. Japan), there are four areas in which patent law problems might arise:

New Paper

1) Must a U.S. license be obtained in order to file patent applications outside the United States?
2) To what date can an applicant swear as an invention date in order to avoid a reference using a Rule 131 Affidavit?
3) What invention date can be established in interference proceedings?
4) What agreements should be made between the parties?

Under U.S. law whether a foreign filing license is required is determined by establishing the country in which the invention was made, that is, where the conception and reduction to practice took place. However, an invention date in the U.S. may be established by proving the occurrence specific acts with the U.S. The various situations are listed below:

*General Patent Attorney and Manager, Patents and Licensing Department, Standard Oil Company (Indiana). I am grateful for the essential research and drafting provided by my associates W. L. Oliver and S. M. Welsh.

Licenses for Foreign Filing

Under 35 U.S.C. §§184-186 an applicant in respect of an invention made in the U.S. must obtain a license from the Commissioner of Patents if a foreign application is filed in a foreign country prior to six months after filing a U.S. application. A failure to obtain such a license will invalidate any issued U.S. patent on the invention unless a retroactive license (only available in cases of inadvertance) is granted. In addition, there are possible criminal penalties (§186) for failing to obtain a license.

With respect to these sections of the statute, it may be unclear whether a license must be obtained when the invention is the product of a joint U.S.-Japanese team research. As far as can be determined no case has been decided defining this requirement in this type of situation. In analyzing the problem it is recognized that two events are usually associated with making an invention, namely, conception followed by reduction to practice. Whether both of these must occur in the U.S. for §§184-186 to apply is not clear. It can be argued that the policy behind the licensing requirement, that is, to prevent foreign disclosure of discoveries within the national security interest, is obviated if one of the inventors is a foreign resident. However, these sections have been enforced strictly even when no national security disclosure was involved. Thus, a court in a specific case might interpret the statutory language as meaning either the location of the reduction to practice or where the invention was conceived.

In any case, the solution is simple. When a U.S. resident is involved in a patent application, obtain a U.S. license before filing non-U.S. applications.

Rule 131 Invention Dates

Under Rule 131 of the Patent Office an applicant whose claim has been rejected on a reference dated within one year of the applicant's filing date may over come that reference by showing facts that demonstrate a completion of the invention in the U.S. before the filing date. Usually, an affidavit by the inventor is filed in which he "swears behind" the cited reference. The applicant may prove an invention date as the date of reduction to practice or the date of conception coupled with due diligence to a reduction to practice.

This rule is based, in part, on 35 U.S.C. §104 which states that an applicant "may not establish a date of invention by reference to knowledge or use thereof, or other activity with respect thereto, in a foreign country." An exception is that an applicant for a foreign invention may claim a priority date as the date of the first U.S. filing as provided in the International Convention for the Protection of Industrial Property. The only other exception is that U.S. domiciliary station abroad while serving on behalf of the U.S. may claim the same rights as if his invention were made in the U.S.

The result of §104 and Rule 131 is that an invention made through a U.S.-Japanese joint effort may have problems in establishing an invention date

prior to the effective filing date. By claiming a joint inventorship, the applicants must surely concede that some part of the conception was made by each inventor. If one inventor is a non-U.S. resident, at least part of the conception occurred outside the U.S. However, this still leaves the opportunity for a reduction to practice to exist within the U.S., that is, an effective physical embodiment of the invention operable in the U.S. Any date on which it can be shown that a reduction to practice occurred within the U.S. may be used as a basis for a Rule 131 affidavit.

Thus, in order to establish an early invention date it is advisable to have an invention reduced to practice in the U.S. Although an invention may be reduced to practice outside the U.S. before such reduction exists in the U.S., the priority date with respect to Rule 131 will be the date on which such reduction occurred within the United States.

Interference

Similar to Rule 131 practice, an application may prove a priority date in an interference by either a reduction to practice or a conception followed by a diligent reduction to practice. Under §104 to prove an invention date prior to the effective filing date, the act alleged must have occurred within the U.S. Thus, an analysis similar to that considered in swearing behind a reference using a Rule 131 affidavit is made for interferences. The net result being that when U.S. and non-U.S. inventors are joined, it is advantageous to create a reduction to practice within the U.S. as soon as possible.

Contractual

Without contractual agreement among the parties, any coinventor or co-assignee may license a patent without the consent of other coinventors or coassignees. Further, since all coinventors must be joined in an infringement action and none may be joined involuntarily, any one coinventor may block suit against an alleged infringer. In view of these consequences, it is fundamental that these be treated in a contract which spells out the respective rights and obligations of all of the parties, including the obligation to obtain assignment of patent rights and assure cooperation in the filing, prosecution and maintenance of applications and patents worldwide.

Antitrust

The antitrust question is entirely too broad and involved to be discussed within the scope of this report. It should be mentioned however that the problem will vary in degree according to the size and economic power of the cooperating partners, nature and scope of the relevant markets affected, the geological areas involved, the length of the term of projected cooperation, preexisting patent and technical positions, licensing policy respecting cooperative results, whether open and non-discriminatory or restrictive, and whether degrees of exclusivity are granted or restrictions in territory, exports or use are imposed in the exchange of rights under the agreements between the parties.

Currently, the principles involved in the case of a very broad cooperation are being examined in the pending case of United States v. Westinghouse and Mitsubishi. Mr. Walt Thomas Zielinski is going to cover this subject.

EXTENT OF PRACTICE BY A SUBCONTRACTOR UNDER A LICENSE CONTRACT

Reported by A. G. Gilkes*

The question is raised as to the extent to which a licensee may authorize manufacturing under his license by a subcontractor in lieu of manufacture by himself. Although what rights may be implied under U.S. law are rather uncertain, the solution is simple and under the prevailing practice, sublicensing rights when intended are almost invariably spelled out expressly in the license agreement.

No case has been found which specifically determines whether a subcontractor is legally to be considered a sublicensee for purposes of determining what rights and duties a licensee of a patent may transfer. That it is important to determine whether a subcontractor is a sublicensee in this context arises from the generally followed rule: A patent licensee may not grant sublicenses to others unless he is authorized to do so by the terms of his license. Ellis, Patent Assignments and Licenses, suggests that the reason for limiting sublicensing is to prevent the creation of greater rights than were intended or expressly conferred by the licensee's contract.

A licensee's rights that arise from his contract with the patentee are necessarily of particular and limited scope. Sublicensing rights ordinarily would not be implied because the result might be a dilution of the licensor's position and unintended additional competition without compensation. Of

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course it is possible to visualize numerous practical situations where the need for subcontracting by a licensee, and hence the need for the right to sublicense, may arise. Common situations involve the right to procure critical equipment or to have catalyst made for operations under the patent rights and confidential technical information covered by a process or manufacturing license. Standard practice in the United States is to assume that any necessary sublicensing rights should be expressed in the license agreement and the grant of the license to practice, customarily includes the right to make or have made catalyst, equipment or other materials necessary for practice under the license.

Thus, assuming that the subcontractor does not have the right to manufacture the patented item without a transfer of such right to manufacture from the licensee, B, the license agreement should empower the necessary extent of sublicensing agreeable to the parties. In granting a sublicense, the licensee can of course transfer only such rights as it holds under a license and the terms of the license are binding on the sublicensee. /Imperial Appliance Corp. v. Hamilton Mfg., 239 F. Supp. 175./

Another approach to determining the potential right of a manufacturer to authorize submanufacture by a subcontractor is to determine the right the licensee has to assign his rights to third parties. It is reasonable to argue that if a person has the right to transfer <u>all</u> his rights, i.e. an assignment, then he is also likely to have the

right to transfer some portion of those rights, i.e. a sublicense. The issue raised by this alternate approach is whether a particular license agreement is assignable.

There is a division in the case law as to whether assignability of a license agreement is controlled by federal or state law when there appears to be no interference with the Constitutional objectives of the Patent Statutes. In Farmland Irrigation Company v. Dopplmaier, 308 P. 2cl 732 (1957), the California Supreme Court held that a state court was free to make its own determination whether the assignability of a license contract to manufacture and sell required express consent in the contract, in the absence of Congressional intent to oust state law on the subject, and held the license agreement, in question, assignable. In Unarco Industries, Inc. v. Kelly Company, 465 F. 2d 1303 (7th Circuit, 1972), the United States Court of Appeals held federal law applies to the question of assignability of the patent license in question and held that under federal law, a non-exclusive patent license agreement which was, in fact, here a forebearance of suit against patent infringement, was personal and was not assignable without patentee's consent.

The distinction between the federal cases and state law cases involves the presumption against assignment of license agreements in the absence of words of assignability.

In Unarco, a federal court held the presumption against assignability was irrebuttable. In Farmland, the California state court held that the intention of the parties as to assignability was controlling without regard to any presumptions for or against assignability.

By analogy to the question of whether a license agreement is assignable, the further question may be raised as to whether the subcontractor may be authorized merely as an "agent" of the licensee. Interestingly, those fact situations which would cause a contract to be non-assignable because they are personal to the licensee would seem to have the same effect in prohibiting the use of subagents, i.e. agents of the licensee, in carrying out the duties of said contract.

Hence, if the parties intend to permit sublicensing or assignments under a license, then such intention should be expressly spelled out in the license agreement.

Address to PIPA Conference
10/29-31/74 - WTZ/pdb

WESTINGHOUSE-MITSUBISHI TODAY AND TOMORROW

The purpose of this report is to give you a few practical insights into this litigation and what it may portend for the future. It is not to discuss the issues as a legal scholar might or to review the individual positions of the U. S. Department of Justice (DJ), Westinghouse (W), Mitsubishi Electric (Melco) or Mitsubishi Heavy Industries (MHI). None of the parties has told me what to say or has any idea what thoughts I am about to express.

You will recall that the DJ sued Melco and MHI in 1970 with respect to certain reciprocal technical assistance agreements. Features of these arrangements that the DJ alleged violated U. S. anti-trust law include:

(1) payment of royalties by Melco and/or MHI under their respective agreements on all products within particular fields even if some of such products did not embody any W technology;

(2) agreement by Melco and/or MHI that they or it could make products utilizing the W technology in Japan and could sell such products anywhere except the U. S. and Canada;

(3) a forcing of Melco and/or MHI by W to take more know-how under the agreements than they or it really wanted on pain of having to pay more royalties if the know-how package was reduced in content; and,

(4) an allocation of international markets by W charging lower royalties with respect to goods sold by Melco and/or MHI in Japan and higher

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royalties with respect to goods Melco and/or MHI sold elsewhere.

Something else which has come to light since the complaint was filed in 1970, and which may represent a thorny U. S. anti-trust problem for the defendants, is the possibility that, on occasion, a potential U. S. customer of Melco or MHI asked it to bid on a contract to supply an installation or equipment and it declined to do so, saying only that the arrangement it already had with W did not permit such bidding. It has to be recognized that, where such a decision to decline to compete is not arrived at unilaterally by a potential supplier such as Melco or MHI and, perhaps, because it foresees a U. S. patent infringement problem if it proceeds, the way is left open for an unfortunate interpretation of the facts. Such interpretation would be that Melco or MHI joined together with W to prevent U. S. competition by either of the Japanese concerns in the absence of a U. S. patent or other legitimate reason and, thereby, have nakedly combined in an illegal restraint of trade in the U. S.

At this moment, it is my impression that Melco and MHI are in this law suit to win. They affirmatively desire to continue the licensing arrangements they have had with W or something much like them, because such licenses permit concentration on manufacturing and distribution and relieve Melco and MHI of a good deal of the cost of the research and development work they would have to undertake in the absence of the technical assistance the licenses make available to them from W. And they do not appear to be overly dissatisfied with the fact that these technical assistance contracts do not extend in some instances to the U. S. and Canada. Perhaps, particularly in these inflationary times, they feel that more opportunities to compete in the U. S. and Canada than they are now undoubtedly pursuing would, on balance, assure them of greater costs without assuring them of greater profits.

Again, W is not viewed as an enemy or even as unfriendly by Melco and MHI. Rather, because W chose to grant licenses to them, so that they could serve their home markets, instead of moving into a war-spent Japan seeking to grab up equity positions or otherwise to hinder the rebirth of domestic industry in Japan, it has been regarded as their benefactor.

The DJ, on the other hand, has evidenced no willingness to accept the foregoing, just as it has shown no willingness to accept the reality that Melco and MHI are separate entities, each responsible to its own management, though, of course, represented abroad by a single group of salesmen -- the Mitsubishi trading people.

Turning to the litigation itself, it now appears that the discovery phase of the case, wherein the search is conducted for the evidence to be used when the case goes to trial before a court, and which has already consumed 4 years, will consume at least 2 more years. So far, the DJ has deposed, i.e., examined under oath, only Melco and MHI people. It has not yet reached anyone from W. Perhaps the reason for this is that the DJ seeks to question Japanese or other witnesses responsive to Japanese management, in an effort to spin a web of testimony that will ultimately ensnare W.

It appears to me that the usual degree of conflict in U. S. anti-trust cases between apparently over-zealous and overreaching DJ investigators and prosecutors and seemingly over-secretive defendants is heightened by the otherwise interesting, but not especially remarkable, differences in the Japanese and U. S. ways of doing things, whether in business or outside of it. It is, to me, undeniable that the typical DJ curiosity and the typical Japanese sense of reserve, reticense, and privacy are fundamentally incompatible. And the ways that the Japanese keep their accounts and provide for

information retrieval are surely maddening to the DJ. These differences are certain to have contributed, and to continue to contribute, to the extended length of the discovery phase of this law suit. It has to be understood too that this discovery situation is as it is because the DJ is not willing to rely solely upon the alleged illegality of the W-Melco and W-MHI agreements to have them overthrown. It wishes also to develop a position from which it can assert that, even if a court upholds the validity and correctness of the agreements as written, the defendants are guilty of anti-trust violations in that they together engaged in, and still engage in, a course of conduct, ostensibly under the umbrella of legal agreements, which conduct is forbidden by the anti-trust laws. Were this not so, were the DJ willing to rely only on the written contracts as the basis for this legal action, there would have been no great chase after factual evidence, the parties could have agreed upon, or stipulated to, what the surrounding circumstances were or are, and the case would long since have been brought to trial before a court.

To date, the DJ's efforts to prove an illegal course of conduct by the parties have turned up numerous instances in which an agent of Melco or MHI has stated, in response to a request for bids or the like, that his principal, whether Melco or MHI, had to refuse the offer, had to refuse to deal, because of a prior arrangement with W. Whether refusals to deal of this sort were ever made on the ground that Melco or MHI could not make what was required or felt that the business was not economically sound for it to pursue, I do not know. However, with respect to the excuse given (i.e., that an earlier commitment to W would not permit dealing), it can safely be assumed that the DJ will pursue background information in each instance. It will do so on the theory that, if, in one or more of such instances, it can prove that the excuse was

given in the absence of any substantial analysis by Melco or MHI of the relevant W patent coverage in the U. S. (i.e., to see if it truly subjected either Melco or MHI to the risk of a patent infringement suit by W should the equipment or the like in question be imported into the U. S.), it will have proven an illegal course of conduct.

One question that comes to mind is, does the DJ now have any evidence that either Melco or MHI issued a refusal to deal in any instance where it had first investigated and then concluded that no W patent in the U. S. was involved? I have no answer for this question. Another question that comes to mind is, if the DJ lacks such evidence, can it persuade the court (1) that Melco or MHI has no right to rely on any presumption that it made a decision not to deal in any instance on appropriate patent grounds and (2) that Melco or MHI must show (a) that it had, at all relevant times, the capacity to have the necessary U. S. patent studies made and (b) that it exercised such capacity with reasonable diligence and consistency in each such instance? Again, I have no answer for this question.

As this litigation is developing, we can see that, in such license situations, decisions to refuse to deal must be made at the highest level and must be expressed carefully. These are not matters for clerks to resolve or implement. We can also see, perhaps, that a Japanese or other foreign licensee may in future find it desirable to have U. S. patent counsel available to police the changing U. S. patent position of the U. S. licensor, so that each decision made by the licensee on whether or not to deal in the U. S. market will be duly informed by knowledge of the current status of such position.

Thank you --- any questions?

Committee Presentations

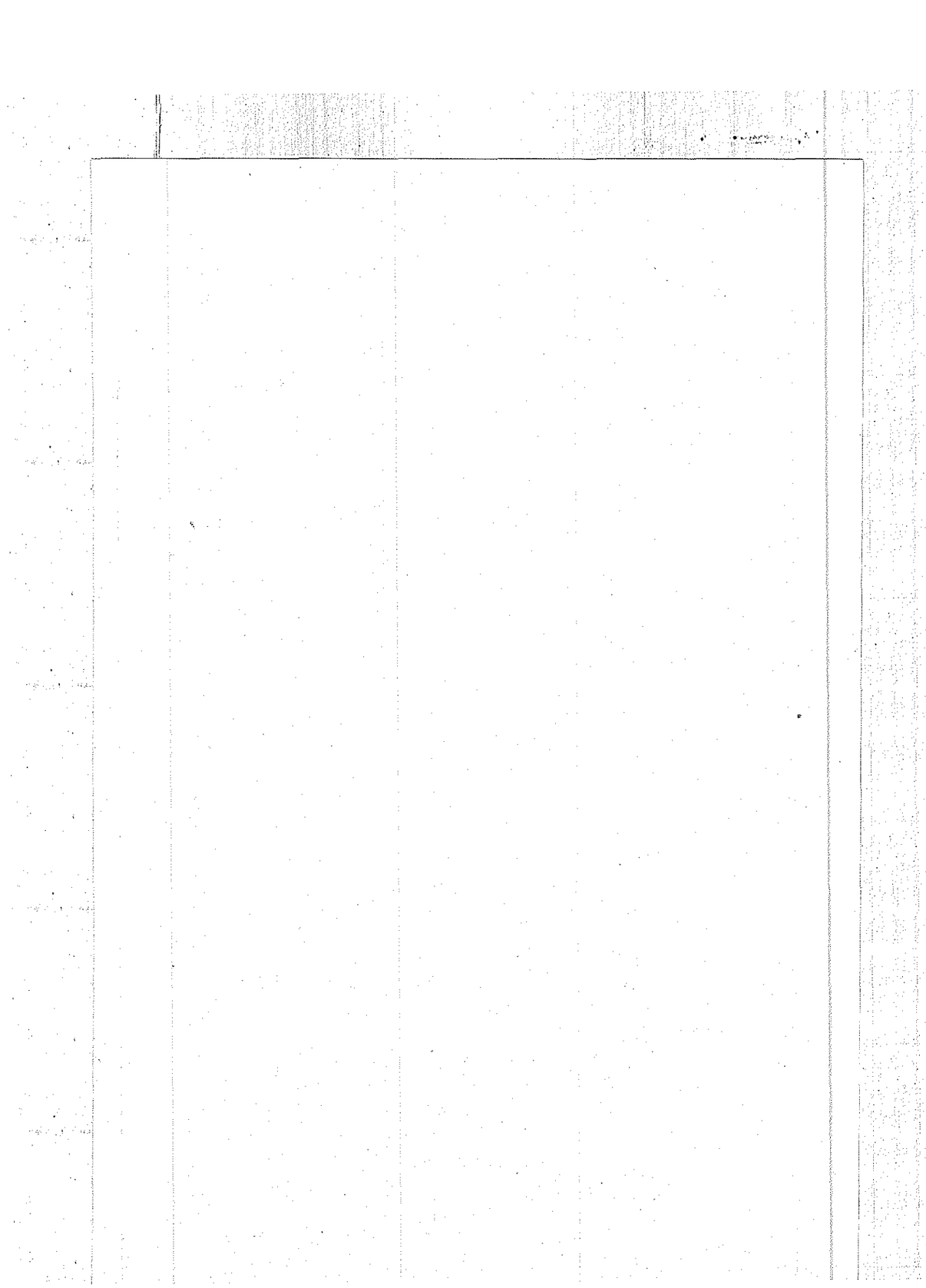
(Committee 3)

° WIPO Model Law Proposal for Technology Transfer Patent and Industrial Development Patent

---R.Spencer---243

° European Patent Convention as viewed by Industry

----K.Ishii ---276



Paper to be Presented at

5th International Conference

Pacific Industrial Property Association

- -

Kyoto, Japan

October 29-31, 1974

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Patent and Trademark Treaties and Conventions
Proposed Provisions for the Model Law For Developing Countries
of the World Intellectual Property Organization and Related Problems

- -

Report of Committee No. 3

- -

For a number of years various international organizations have been concerned with the subject of the transfer of technology, particularly to the less developed countries. In recent years, this interest has intensified and a variety of statements and proposals have emanated from such organizations. Actually, the subject of the transfer of technology on an international scale is not a particularly new one. For many years patents and know-how have been licensed by organizations of one country to those of other countries. In years past, those concerned with these problems were primarily patent people and attorneys, as well as those technically oriented individuals who develop inventions.

I would like, at this time, to refer to the recent efforts of the World Intellectual Property Organization (WIPO) and later return to some of the other efforts that have occurred in this area. I believe that all members of our Association should be aware of the serious problems that are developing in this field and of the dangers that much more severe controls may be enforced on an international scale upon efforts that we may make to obtain compensation for the substantial expenditures made on research and development work through licensing of patents and know-how. Future developments in the area should be followed much more closely and an effort should be made, through PIPA and through other associations to which our members belong, to point out the serious disadvantages that would ensue from certain of these proposals.

As you may recall, BIRPI, the International Union for the Protection of Industrial Property Secretariat, developed some years ago a proposed Model Law for Developing Countries on Inventions. This was published in 1965. Although the proposal contained many features common to the patent laws of various countries, there were some departures from traditional systems. In keeping with the general interest that has developed in the area of transfer of technology to less developed countries, a Committee of Experts on a Patent Licensing Convention met in Geneva in late 1972. The Provisional Committee for the Preparation of the WIPO Permanent Legal-Technical Program for the Acquisition by Developing Countries of Technology Related to Industrial Property met in Geneva in June 1973. Both of these groups considered the question of whether, in addition to the traditional kind of patents, special kinds of patents should be developed which would provide an incentive for the conclusion of license agreements under which inventions would be utilized in developing countries.

Three types of patent rights were considered. One of these, which already exists in the law of some countries was patents of importation or confirmation. The second type was so-called Technology Transfer Patents. The third type was Industrial Development Patents. The second of these types of patent rights was considered on the basis of a draft provision prepared by the International Bureau. The third was based on a proposal made by the delegation from Brazil to the Committee of Experts.

A WIPO Permanent Committee for the Acquisition by Developing Countries of Technology Related to Industrial Property was organized and met in March 1974. At this meeting, a questionnaire was formulated to solicit comments on the general subject and on the two specific new types of industrial property rights that had been proposed. Committee No. 3 of PIPA reviewed this questionnaire, drafted answers, and these answers were forwarded to WIPO. Some of the serious problems that might ensue from these proposed types of rights were pointed out. Lack of time prevented general circulation of the answers to the full membership of PIPA.

On September 10, 1974, before WIPO could have received all of the answers to the questionnaires and given the matter adequate consideration, there was circulated to interested parties a notice of a first meeting in Geneva in November of 1974 of a working group on the Model Law for Developing Countries on Inventions and Know-How. The notice also contained draft model provisions for these special types of patents.

It is proposed to revise the BIRPI Model Law published in 1965 by adding either one or both of these proposed types of protection. Apparently, it is also planned to issue a document summarizing the replies received to the questionnaire referred to previously.

It is stated that the aim of both special types of patents is to facilitate the acquisition of technology by developing countries and to promote in such countries industrial production based on the technology acquired. These rights are stated to be

intended to encourage and protect the working by manufacturers in the country of inventions which can no longer be protected by ordinary patents, due to a loss of novelty. It is noted that, for various reasons, a patent for an invention may not be applied for in a country within the twelve months priority period provided under the Paris Convention and other agreements. At a later date a company in the country in question may become interested in utilizing the invention but may not be in a position to obtain at least a limited exclusive right, and thus may hesitate to enter into production fearing the risk involved due to lack of some type of patent protection. The new type of patent rights are said to be designed to remedy this situation. The twelve month priority period would not operate. Novelty would be required only as of the filing date in the first country where the application was filed, not with respect to the time at which the new type of patent right was requested.

The Transfer of Technology Patent (TTP) requires a transfer of technology contract between the party in the country in question and the foreign party originating the technology. Actual working must be provided for in the country. In the case of the Industrial Development Patent (IDP), the industrial sector in which the technology is to be applied and the qualifications of the applicant must be judged suitable by the government of the country in question. Additionally, the technology must be such as to be considered economically viable in the country.

The TTP must be based on cooperation between the enterprise in the country concerned and the foreign owner of the technology and must be embodied in a contract approved by the government as being in the economic interest of the country. Such agreements may include not only a license under the technology rights but training of personnel, supply of know-how, capital investment, and so forth. It should be noted that the Transfer of Technology Patent would be granted jointly to the two parties in question, a substantial departure from previous proposals of this type.

An IDP would not contemplate an agreement between the two parties but only a right granted to the enterprise in the country in question under the foreign-based technology.

Common to the two types of rights would be the following requirements:

(a) That a patent already be granted in a foreign country for the invention and such patent not having been annulled.

(b) That the application for the rights be made only after the usual twelve month priority period has expired.

(c) That no working in the country by any party other than the applicant before the application is filed.

(d) That the invention must not, as of the filing date, be the subject of a patent in force in the same country or the subject of a regular patent application pending in the country.

It is planned to have both the TTP and IDP last for five years with the period to be prolonged on condition that they are adequately worked in the country for two further periods of five years each. The patent will lapse if the owners permit importation or import the product themselves.

The principal controversial point about these rights is the fact that the TTP would be granted only partly to the inventor, in accordance with an agreement with a party in the country in question. The IDP would be granted to someone other than the inventor. Accordingly, it is questionable that either right should be referred to as a "patent." Neither of these rights carries with it the classical patent right to exclude all others from the use of the claimed invention.

Many practical difficulties can be foreseen with respect to these rights. In order to obtain the TTP type of protection, the foreign party must agree to a transfer of technology contract. This contract must provide that he will communicate to the domestic party all the know-how related to the invention which is necessary to permit working of the invention in the best possible way. The two parties must then jointly file an application for the Transfer of Technology Patent. Obviously there are risks involved in disclosing to a foreign party technology, including know-how, which may not be disclosed in any patent even before the TTP has been applied for. The TTP can be enforced by the domestic party against importation of the patented product or the product of the patented process, even though it is imported by the foreign party.

As noted above, the IDP may be obtained by a party who has no rights from the inventor thereof as long as the party has an

effective industrial establishment equipped to carry out the process and as long as the invention pertains to technology useful for the development of industry in the country. The draft provisions concerning the IDP do not make it clear exactly what rights the owner of the IDP will possess. However, it would appear that he can exclude the product of the invention from the country during the effective life of his right, even though such importation may be by the owner of foreign rights to the invention. Any other party who has started serious preparation to utilize the invention before the filing date of an application for an IDP may continue to use the invention.

The meeting at Geneva in late November discussed these draft provisions and the information obtained in answer to the questionnaire circulated by WIPO. On the basis of the results of these discussions, the International Bureau will prepare a new version of the draft Model Law provisions. Consideration should be given at this meeting to developing a position of the Association to be presented at the Geneva meeting.

As noted previously, the effort by WIPO to develop new forms of industrial property rights is not the only effort in the direction of exerting further control on the transfer of technology. For some years the United Nations Conference on Trade and Development (UNCTAD) has been engaged in the study of the advisability of adopting legislation concerning

the transfer of industrial technology to developing countries, including the possibility of concluding appropriate international agreements in this field.

These efforts began in Geneva in 1964. At an UNCTAD session in Santiago in May 1972 there was a request for a study of possible bases for new international legislation regulating the transfer from developed to developing countries of patented and nonpatented technology, including related commercial and legal aspects of such transfer. The matter was considered further at a meeting of the Intergovernmental Group on Transfer of Technology in 1973. The concept of formulating an international code of conduct in the field of transfer of technology was developed. A resolution requesting UNCTAD to prepare a study of this proposal resulted in the production by the Intergovernmental Group on Transfer of Technology at a meeting in Geneva in 1974 of a study entitled "The Possibility and Feasibility of an International Code of Conduct on Transfer of Technology."

This detailed study considered a number of different aspects of the matter, including bases for regulation of transfer of technology, national regulation of transfer of technology, and international regulation of the transfer. A framework for international regulation of transfer of technology was proposed. However, no specific code of conduct has yet been prepared. It is to be expected that this will be done at forthcoming meetings.

At this time it is not possible to review in detail this study by UNCTAD. However, it is a document well worth study. It contains, among other things, a tabulation of the various types of regulatory practices that have been applied by

specified countries to the importation and use of technology, notably in the form of patent licenses. I am sure that you would all agree that there have been abuses in the licensing of patents and that certain legal regulations concerning these practices are essential. However, we may rapidly be approaching the stage where overregulation of patent licensing activities may deprive us of legitimate income to be obtained in this manner through this form of technology transfer.

A further interesting section of the UNCTAD report is a summary of the activities of many other groups in this field. In addition to activities of various groups within the United Nations, reference is made to the economic declaration by the Fourth Conference of Heads of States or Governments of Non-Aligned Countries at Algeria in 1973, the endorsement by the Interparliamentary Council at its 113th session in Geneva in 1973 of an international legal instrument to regulate transfer of technology, a seminar by the Economic Commission for Europe, an Organization of the American States Specialized Conference on the Application of Science and Technology in American Development (CACTAL), a seminar at Santiago on the Application and Adaptation of Foreign Technology and seminars on transfer of technology held in New Delhi and Karachi. Reference is also made to the International Chamber of Commerce's activity in this field.

Finally, of substantial interest, is the meeting in April 1974 of a Working Group of the Pugwash Conferences on Science and World Affairs which unanimously adopted a draft Code of Conduct on Transfer of Technology.

This code produced for a group having substantial prestige, also is too lengthy and complex to consider in detail at this time. However, it does warrant very careful individual study by the members of an organization such as this, which is vitally concerned with the protection of industrial property and with its orderly transfer under reasonable terms. The Working Group has requested that the Pugwash Conferences transmit the document for consideration by governments and international organizations, in particular, UNCTAD, so that the next steps towards adopting an international code on transfer of technology can be taken. The Working Group included one individual from Japan, Toshio Shishido, but no individual from the United States. It is understood that UNCTAD supports the Pugwash Code and that this matter will be considered by the United Nations General Assembly during the fall of 1975. Member governments are understood to have been requested to present position papers to the General Assembly at that time.

The United States Government has been working with other American governments in a study on science and the transfer of technology. This stemmed from a meeting of Secretary of State Kissinger with representatives of the Latin American countries. A very recent report indicates that the United States Government may now be prepared to support the adoption of some sort of a binding code of conduct on the transfer of technology.

Brief reference also should be made to a proposed International Treaty which has been under study by WIPO. It is concerned with the manner in which microorganisms essential for the operation of fermentation processes are deposited, maintained and distributed. Such organisms are, of course, of substantial importance to the fermentation industry, particularly in connection with antibiotic inventions. A meeting to consider these matters in April 1974 in Geneva was attended by Dr. Murphy, as representative of PIPA.

The proposed treaty would provide, among other things, that the deposit of an organism in a single country will be sufficient to satisfy the requirements of all countries that adopt the treaty. Unfortunately, due to substantial controversy that has developed, the treaty proposal leaves to national law the control of distribution of the organism. There is substantial danger in such a system, since some countries may provide for free, unlimited distribution of an organism, even at the date of early publication of the application, that is, before it has been examined and any patent rights have been established. There will be a further meeting in 1975 to attempt to finalize the treaty draft. It is hoped that a modification of the system for distribution of organisms can be obtained which is more favorable to industry.

Thank you for your attention.

October 21, 1974

WIPO

WG/ML/INV/I/3
ORIGINAL: English
DATE: September 10, 1974

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

WORKING GROUP ON THE
MODEL LAW FOR DEVELOPING COUNTRIES
ON INVENTIONS AND KNOW-HOW

First Session
Geneva, November 25 to 29, 1974

DRAFT MODEL PROVISIONS ON SPECIAL TYPES OF PATENTS

prepared by the International Bureau

Introduction

1. The WIPO Permanent Committee for the Acquisition by Developing Countries of Technology Related to Industrial Property (hereinafter referred to as "the Permanent Committee") recommended, in its first session held in March 1974, that the BIRPI Model Law for developing countries on inventions and know-how published in 1965 should be revised; that the revision should be carried out in the framework of the activities of the Permanent Committee; that, as a first step, the International Bureau should convene a working group and that, at its first meeting, that working group should give the highest priority to the provisions on special types of patents, licensing contracts and know-how (see document AT/PC/I/8, paragraphs 68 and 69). The Permanent Committee also recommended that the working group should consist of experts having great experience in the field. Finally, it recommended how the working group should be composed and stated that each expert would act in his personal capacity (ibidem).

2. In compliance with this recommendation, the present Working Group has been convened and the International Bureau has prepared draft provisions on the mentioned items. Those on special types of patents are contained in the present document; those on licensing contracts and know-how are contained in document WG/ML/INV/I/2.

3. The special types of patents with which this document is concerned are called "transfer of technology patents" and "industrial development patents." They were first discussed at the meeting, held in 1972, of the Committee of Experts on a Patent Licensing Convention--as far as transfer of technology patents are concerned--on the basis of draft model provisions prepared by the International Bureau[1] and--as far as industrial development patents are concerned--on the basis of a proposal made by the Delegation of Brazil.[2] A second discussion on these special types of patents took place, on the basis of a draft questionnaire[3], at the meeting, held in 1973, of the Provisional Committee on the WIPO Legal-Technical Program for the

1) Annex B to document LC/II/3
2) Document LC/II/8
3) Annex to document LC/III/4

Acquisition by Developing Countries of Technology Related to Industrial Property. A revised draft questionnaire[1] on the same subject was submitted to the first session, held in March 1974, of the Permanent Committee.

4. In April 1974, a "Questionnaire Concerning Special Types of Industrial Property Facilitating the Acquisition of Technology"[2] was circulated to the member countries of the Permanent Committee and to interested international non-governmental organizations. Replies were requested by September 15, 1974, and will be the subject of a separate document.

5. The draft model provisions contained in this document are presented, as Annexes A-bis and A-ter, in the form of two possible addenda to the revised model law on inventions and know-how, in addition to the two possible addenda (on patents of introduction and inventor's certificates) contained in Annexes A and B to the BIRPI "Model Law for Developing Countries on Inventions" (hereinafter referred to as "the BIRPI Model Law"). Draft Annex A-bis contains the provisions concerning transfer of technology patents; draft Annex A-ter contains those concerning industrial development patents.

6. The aim of both special types of patents is to facilitate the acquisition of technology by developing countries and to promote in such countries industrial production based on the technology acquired. They are intended to encourage and protect the working by manufacture in the country of inventions which can no longer be protected by ordinary patents, that is, patents of the sort provided for in Part I of the BIRPI Model Law, by reason of the loss of novelty as defined in that Part. It frequently happens that, for one reason or another, a patent for an invention is not applied for in a country within the twelve months' priority period from the first application in another country; for example, the foreign inventor may have no intention of entering into production in that country. Later, however, an enterprise in the country may well become interested in exploiting the invention, but, it being impossible to obtain a limited exclusive right by means of a patent, may hesitate to embark upon production, fearing that its investment could be at risk as a result of direct competition by another enterprise, or importation by a foreign enterprise, as soon as the first enterprise demonstrates that a sufficient market exists. Transfer of technology patents and industrial development patents are designed to remedy this situation; in the case of both of these special types of patents, the novelty requirement defined in Part I of the BIRPI Model Law would apply not at the date of filing the application for such a special type of patent in the country concerned but at the (earlier) date on which a patent for the same invention was first applied for abroad, and the twelve months' priority period would not operate as a time limit.

7. In the draft model provisions for both special types of patents, the economic interests of the country concerned constitute an essential criterion on which the granting procedure would be based. In the case of the transfer of technology patent, the requirement that the transfer of technology contract between the domestic party and the foreign party must provide for the transfer of know-how and working in the country secures those interests. In the case of the industrial development patent, the securing of the said interests is provided for by the requirements that the industrial sector in which the technology is to be applied and the qualifications of the applicant must both be judged to be suitable by the government, and the technology itself must be judged to be capable of economically viable exploitation.

8. A transfer of technology patent would be based upon effective cooperation between a domestic enterprise in the country concerned and the foreign technology owner, for it would be granted only when these two parties had concluded a transfer of technology contract, and this contract had been approved by the government after having weighed its desirability from the viewpoint of the economic interests of the country. Such cooperation may be of great importance when the domestic party needs the contribution of the foreign party in order to ensure an economically viable exploitation of the technology concerned; this contribution could relate to, for example, the training of the labor force, the supply of general or specialized technical know-how, the investment of part of the initial capital, or access to established marketing channels. A transfer of technology patent would be granted to the two parties of the contract jointly.

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1) Annex to document AT/PC/I/3
2) Annex to WIPO Circular 1905

9. An industrial development patent, on the other hand, would normally not be based upon cooperation between the enterprise in the country and the foreign technology owner; it could be suitable when the former is able to exploit the technology effectively by means of its own resources or of any resources existing elsewhere in the country, that is, without any contribution by the owner of the foreign technology. An industrial development patent would be granted to the enterprise in the country alone.

10. The two special types of patents have a number of practical features in common, in addition to the broad similarities referred to in the preceding paragraphs; such features include the following:

(i) Both require that a patent should have been granted in a foreign country for the same invention and that this foreign patent (or any earlier patent in the country) should not have been annulled (for example, for lack of novelty or inventive activity). Furthermore, both of these special types of patents require that applications for them may be made only after the twelve months' priority period has expired; the question arises whether it would be desirable also to set a time limit, after the expiry of which applications could not be made: a provision to this effect is included between square brackets in Sections 204(1) and 304(1); if the principle of such a time-limit is accepted, this could be set at, for example, twelve years after the date of application for the foreign patent or its priority date, taking into account normal delays in examination of applications and the particular delays before grant, sometimes exceeding ten years, in countries having a system of deferred examination.

(ii) Before the date of the application for either of the two special types of patents, the invention must not be or have been worked in the country by a person other than the applicant or applicants, and must not, on that date, be the subject of a patent in force in the country or an application pending in the country.

(iii) The Patent Office examines applications for both special types of patents not only for formal requirements and in respect of the necessary government approvals, but also to ensure that the subject matter is not excluded from patentability under the national law; however, examination as to novelty or inventive activity is not required.

(iv) Both special types of patents have a duration of five years, and may be prolonged, on condition that they are adequately worked, for two further periods of five years (a possible total of fifteen years); both lapse if their owners permit importation or themselves import.

11. These two special types of patents are not mutually exclusive and if a country decides to incorporate both in its patent law, the domestic enterprise may, under certain circumstances, choose between them. If such enterprise desires to export, it is probably well advised to choose the transfer of technology patent since the owner of the foreign technology, in the absence of a cooperative agreement with the domestic party (which would be the case if an industrial development patent is chosen), is likely to do his utmost to prevent the importation into foreign countries of products manufactured under an industrial development patent. Another danger, in the case of the choice of an industrial development patent, that the domestic enterprise will have to weigh, is that the owner of the foreign technology will probably miss no occasion to demonstrate that the domestic enterprise has no right to such a patent because he (the foreigner) or a third party has already worked in the country an invention (whether patented or not) which is closely related to the invention for which an industrial development patent is granted or that the domestic enterprise must accept competition on his (the foreigner's) part because, having made serious preparations in the country to exploit the invention, he has the right to effect such exploitation notwithstanding any industrial development patent granted to the domestic enterprise.

12. It has been said that the word "patent" in the titles to be given to the proposed new forms of protection was inappropriate in view of the fact that a patent must, par excellence, be granted to an inventor (or his successor in title), and that a transfer of technology patent would be granted only partly to the inventor,[1] and an industrial development patent would be granted to someone other than the inventor.[2] It seems, however, that the principal idea evoked by the word "patent" in industrial property terminology is the grant of exclusive rights; both of the new types of patents share with the "ordinary type" of patent the feature of conferring exclusive rights on their owners--exclusive rights, moreover, which to a large extent, are the same as those conferred by the "ordinary type" of patent on its owner. (This is why it is logical that the word "patent" is not used in the title given to inventors' certificates, as such certificates do not confer exclusive rights.) It has also been said, in opposition to the use of the word "patent," that two of the characteristic elements of patents--the requirements of novelty and of inventive activity at the time of application--are modified in both of the new systems: what is required at the time of applying for a transfer of technology patent or an industrial development patent is not novelty (either world-wide or local) or inventive activity, but the absence of local working of the invention; however, novelty and inventive activity are required at the date of the application for the foreign patent (or its priority date), so that this argument--which by the way would apply also to importation patents, confirmation patents or patents of introduction (without having prevented their being called "patents")--is not decisive.

13. The draft model provisions contained in this document are numbered from 201 for transfer of technology patents and from 301 for industrial development patents; this system of numbering is intended to avoid confusion between the numbering of the sections of the Model Law itself and the numbering of the sections contained in the different annexes.

14. At a later stage, and taking into account the discussions in the Working Group, a more detailed commentary on the new provisions will be prepared and published together with the revised model law.

15. On the basis of the results of the consideration of this document by the Working Group, the International Bureau will prepare a new version of the draft model provisions contained in this document.

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1) The other party has, of course, the agreement of the inventor, since they apply jointly.

2) Namely, to a person who will introduce the technology into the country and work it there. The same was the basis of patent grants in earlier times in many countries.

ANNEX A-BIS: POSSIBLE ADDENDUM ON TRANSFER OF TECHNOLOGY PATENTS

Contents

Section 201: Right to the Grant of Transfer of Technology Patents
Section 202: Special Grounds Excluding the Grant of Transfer of Technology Patents
Section 203: Applicability of Certain Provisions of this Law to Transfer of Technology Patents
Section 204: Applications for Transfer of Technology Patents
Section 205: Examination; Grant of Transfer of Technology Patents; Refusal
Section 206: Change in the Parties or in the Names of the Parties to the Transfer of Technology Contract
Section 207: Duration of Transfer of Technology Patents
Section 208: Nullity of Transfer of Technology Patents
Section 209: Lapse of Transfer of Technology Patents
Section 210: Importation by the Foreign Party

Section 201: Right to the Grant of Transfer of Technology Patents

(1) Subject to paragraph (2) and Sections 202 to 205, an invention for which a patent [or an inventor's certificate][a certificate of utility or a utility model] has been granted in a foreign country (hereinafter referred to as "the foreign title") may be the subject of a transfer of technology patent.

(2) The right to apply for and be granted a transfer of technology patent for the invention shall belong jointly

(i) to the owner of the foreign title (hereinafter referred to as "the foreign party") and

(ii) to a person having an effective and serious industrial establishment in the country (hereinafter referred to as "the domestic party"),

provided that the said persons have concluded a transfer of technology contract relating to the said invention as provided for by paragraph (3) (hereinafter referred to as "the transfer of technology contract").

(3) The transfer of technology contract must identify the foreign title by indicating the name of its owner and the country in which and the number under which it was issued, and must contain provisions to the following effects:

(i) that the invention will be worked in the country within the meaning of Section 34(3) either by the parties jointly or by the domestic party alone;

(ii) that the foreign party will communicate to the domestic party all the know-how related to the invention which is necessary or useful to enable the invention to be worked in the best technical manner, and with the most advantageous economic results, known to the foreign party;

(iii) that the said contract will bind the parties at least until the expiration of the period provided for by Section 207(1), and

(iv) that the parties will jointly file an application for a transfer of technology patent for the invention.

Section 202: Special Grounds Excluding the Grant of Transfer of Technology Patents

(1) An invention may not be the subject of a transfer of technology patent if, before the date of the filing of the application for such patent,

(i) the foreign title has been declared null and void,

(ii) a patent [an inventor's certificate][1] or a transfer of technology patent granted in the country for the same invention has been declared null and void, or

(iii) the invention is worked in the country within the meaning of Section 34(3) by a person other than any of the applicants.

(2) Furthermore, an invention may not be the subject of a transfer of technology patent if, on the date of the filing of the application for such patent,

(i) a patent [an inventor's certificate][1] or a transfer of technology patent granted for the same invention is in force in the country, or

(ii) an application for a patent [an inventor's certificate][1] or another application for a transfer of technology patent for the same invention is pending in the country.

Section 203: Applicability of Certain Provisions of This Law to Transfer of Technology Patents

(1) Sections 1 to 7, 11 to 14, 16, 17, 19 to 23, 27 to 32, 34 to 46, 49 to 52, and 58 to 66, shall, subject to paragraphs (2) and (3) and Sections 201, 202 and 204 to 210, apply to transfer of technology patents.

(2) The conditions referred to in Sections 2 and 3 shall, in respect of transfer of technology patents, be required to be fulfilled at the date of the filing of the application for the foreign title or at the date of the priority validly claimed for that title.

(3) If, and to the extent to which, the transfer of technology contract allows the domestic party to exploit alone the invention, such party may, alone, exercise the right of preclusion provided for in Article 21 and referred to in Section 27.

Section 204: Applications for Transfer of Technology Patents

(1) An application for a transfer of technology patent may be made at any time after the expiration of a period of 12 months [, and before the expiration of a period of 12 years,] from the priority date validly claimed in the application for the foreign title or, if no priority was claimed in the application for the foreign title, from the date of the filing of that application.

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1) These words apply if Annex B applies.

(2) The application for a transfer of technology patent shall be accompanied by

(i) a copy of the foreign title,

(ii) a certified translation of the foreign title into the language in which the said application is filed,

(iii) a declaration, made by the foreign party and dated not more than three months before the date of the filing of the said application, to the effect that the foreign title has not been declared null and void,

(iv) a copy of the transfer of technology contract, and

(v) where the copy of the foreign title shows, as owner, a person other than the foreign party, evidence of the ownership of the said title.

Section 205: Examination; Grant of Transfer of Technology Patents; Refusal

(1) When the examination referred to in Section 17 shows that the application for a transfer of technology patent satisfies the requirements of Sections 12, 14 and 16, the Patent Office shall examine whether

(i) a foreign title has been granted for the invention which is the subject of the said application,

(ii) the requirements of Sections 201(2) and (3) and 204 are satisfied, and

(iii) there exists any ground for exclusion under Sections 5 or 202.[1)]

(2) When, or to the extent that, the Patent Office finds that the requirements referred to in paragraph 1(i) and (ii) are satisfied and that no ground for exclusion referred to in paragraph (1)(iii) exists, but not before the transfer of technology contract is registered or is deemed to be registered under Section 63(1) or (2), the transfer of technology patent shall be granted. Otherwise, the Patent Office shall refuse the grant of a transfer of technology patent.

(3) Section 18B(7) to (9) shall apply to transfer of technology patents.

Section 206: Change in the Parties or in the Names of the Parties to the Transfer of Technology Contract

Where any party to the transfer of technology contract is substituted by another person, or where there is a change in the name of any such party, and the contract thus changed is registered or is deemed to be registered under Section 63(1) or (2), the Patent Office shall rectify the names of the applicants for or owners of the transfer of technology patent so that they correspond to the names of the parties to the transfer of technology contract thus registered or deemed to be registered.

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1) Examination as to the ground for exclusion referred to in Section 202(1)(iii) (working in the country) may in most cases be possible only when, under Section 18B(8), an opposition procedure is provided for.

Section 207: Duration of Transfer of Technology Patents

(1) Any transfer of technology patent shall expire at the end of the fifth year from the date of filing of the application for that patent.

(2)(a) On the joint request of the owners of the transfer of technology patent made not more than six months, and not less than one month, before its expiry under paragraph (1), and on payment of a fee whose amount is fixed by the Rules, the Patent Office shall prolong the duration of that patent for a period of five years, provided that the said owners prove, to the satisfaction of that Office, either that the invention which is the subject of the said patent is worked within the meaning of Section 34(3) in the country at the date of the request or that there are legitimate reasons for failure so to work the invention.

(b) On the joint request of the owners of the transfer of technology patent made not more than six months, and not less than one month, before its expiry under subparagraph (a), and on payment of a fee whose amount is fixed by the Rules, the Patent Office shall, subject to the proviso of that subparagraph, prolong the duration of the said patent for a further period of five years.

(3) Section 25(2) and (3) shall apply to transfer of technology patents.

Section 208: Nullity of Transfer of Technology Patents

(1) On the request of any person, including any competent authority, the Court shall declare a transfer of technology patent null and void

(i) if a foreign title had not been granted for the invention which is the subject of the said patent,

(ii) if the requirements of Section 1, Sections 2 or 3 as modified by Section 203(2), or Sections 4, 13, 201(2) or (3) or 204 were not satisfied,

(iii) if there existed any ground for exclusion under Sections 5 or 202, or

(iv) if the grant took place before the transfer of technology contract was registered or was deemed to be registered under Section 63(1) or (2).

(2) Sections 47(2) and 48 shall apply to transfer of technology patents.

Section 209: Lapse of Transfer of Technology Patents

(1) Any transfer of technology patent shall lapse

(i) if and from the date on which the transfer of technology contract ceases to have effect or ceases to be registered or to be deemed to be registered under Section 63(1) or (2), or

(ii) subject to paragraph (2), if and from the date on which products which are made with the help of the same [invention as the invention which is claimed in][technology as the technology which is the subject of] the transfer of technology patent are imported from abroad by or with the consent of both parties to the transfer of technology contract or by or with the consent of the domestic party alone, unless the products so imported are merely models or prototypes.

(2) The Minister of Industry[1] may grant temporary and limited exemption from the effect of paragraph (1)(ii) for the period and to the extent that manufacture under the transfer of technology patent cannot satisfy the needs of the country.

(3) Any person interested or any competent authority may, on furnishing the necessary evidence, request the Patent Office to declare that the transfer of technology patent has lapsed for any of the reasons indicated in paragraph (1). Before making a declaration, the Patent Office shall give to the interested parties an opportunity to be heard. The details of the procedure are provided in the Rules.

(4) Any declaration under paragraph (3) shall be published in the Gazette of the Patent Office as soon as possible and with reference to the applicable provisions of paragraph (1).

Section 210: Importation by the Foreign Party

(1) If products which are made with the help of the same [invention as the invention which is claimed in][technology as the technology which is the subject of] the transfer of technology patent are imported from abroad by or with the consent of the foreign party alone, the domestic party may, unless the products so imported are merely models or prototypes, institute legal proceedings to prevent the continuation of the importation and for damages and any other sanctions provided for in the Civil Law.

(2) If importation within the meaning of paragraph (1) is imminent, the domestic party may institute legal proceedings to prevent such importation.

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1) The authority responsible for granting such exemption may be a Government authority other than the Minister of Industry.

ANNEX A-TER: POSSIBLE ADDENDUM ON INDUSTRIAL DEVELOPMENT PATENTS

Contents

Section 301: Right to the Grant of Industrial Development Patents
Section 302: Special Grounds Excluding the Grant of Industrial Development Patents
Section 303: Applicability of Certain Provisions of This Law to Industrial Development Patents
Section 304: Applications for Industrial Development Patents
Section 305: Examination; Grant of Industrial Development Patents; Refusal
Section 306: Assignment and Transfer of Industrial Development Patents
Section 307: Duration of Industrial Development Patents
Section 308: Nullity of Industrial Development Patents
Section 309: Lapse of Industrial Development Patents
Section 310: Rights Derived from Serious Preparations With a View to Working the Invention

Section 301: Right to the Grant of Industrial Development Patents

(1) Where the development of any industrial sector is particularly in the interest of the economic development of the country, the Governmeny may, by decree, designate such sector for the purpose of permitting, subject to paragraph (2) and Sections 302 to 305, the grant of industrial development patents for inventions pertaining to technology useful for the development of such sector.

(2) Where a patent [or an inventor's certificate][a certificate of utility or a utility model] has been granted in a foreign country (hereinafter referred to as "the foreign title") for an invention pertaining to technology useful for the development of any industrial sector designated under paragraph (1), any person having in the country an effectiva and serious industrial establishment equipped to work in such sector may apply for and be granted an industrial development patent for the said invention in respect of such sector.

Section 302: Special Grounds Excluding the Grant of Industrial Development Patents

(1) An invention may not be the subject of an industrial development patent if, before the date of the filing of the application for such patent,

(i) the foreign title has been declared null and void,

(ii) a patent [an inventor's certificate][1)] or an industrial development patent granted in the country for the same invention has been declared null and void, or

(iii) the invention is worked in the country within the meaning of Section 34(3) by a person other than the applicant.

(2) Furthermore, an invention may not be the subject of an industrial development patent if, on the date of the filing of the application for such patent,

1) These words apply if Annex B applies.

(i) a patent [an inventor's certificate][1] or an industrial development patent granted for the same invention is in force in the country, or

(ii) an application for a patent [an inventor's certificate][1] or another application for an industrial development patent for the same invention is pending in the country.

Section 303: Applicability of Certain Provisions of This Law to Industrial Development Patents

(1) Sections 1 to 7, 11 to 14, 16, 17, 19 to 23, 27 to 32, 34 to 46, 49 to 52, and 58 to 66, shall, subject to paragraphs (2) and (3) and Sections 301, 302 and 304 to 310, apply to industrial development patents.

(2) The conditions referred to in Sections 2 and 3 shall, in respect of industrial development patents, be required to be fulfilled at the date of the filing of the application for the foreign title or at the date of the priority validly claimed for that title.

(3) The right of preclusion provided for in Section 21 may be exercised only in respect of acts done in an industrial sector designated under Section 301(1) for the development of which the technology to which the invention pertains is useful and in respect of which the industrial development patent is granted.

Section 304: Applications for Industrial Development Patents

(1) An application for an industrial development patent may be made at any time after the expiration of a period of 12 months [, and before the expiration of a period of 12 years,] from the priority date validly claimed in the application for the foreign title or, if no priority was claimed in the application for the foreign title, from the date of the filing of that application.

(2) The application for an industrial development patent for an invention shall be accompanied by

(i) a copy of the foreign title,

(ii) a certified translation of the foreign title into the language in which the said application is filed,

(iii) a declaration, made by the applicant and dated not more than three months before the date of the filing of the said application, to the effect that the foreign title has not been declared null and void, and

(iv) a certificate of the Minister of Industry[2] stating that the technology to which the invention pertains is useful for the development of one or more industrial sector or sectors designated under Section 301(1) and specified in the certificate, that the applicant has in the country an effective and serious industrial

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1) Those words apply if Annex B applies.

2) The authority responsible for issuing the certificate may be a Government authority other than the Minister of Industry.

establishment equipped to work in such sector and that the exploitation of the invention in the country by the applicant is economically viable.

Section 305: Examination; Grant of Industrial Development Patents; Refusal

(1) When the examination referred to in Section 17 shows that the application for an industrial development patent satisfies the requirements of Sections 12, 14 and 16, the Patent Office shall examine whether

(i) the requirements of Sections 301(2) and 304 are satisfied, and

(ii) there exists any ground for exclusion under Sections 5 or 302. [1)]

(2) When, or to the extent that, the Patent Office finds that the requirements referred to in paragraph (1)(i) are satisfied and that no ground for exclusion referred to in paragraph (1)(ii) exists, the industrial development patent shall be granted in respect of the industrial sector or sectors specified in the certificate referred to in Section 304(2)(iv). Otherwise, the Patent Office shall refuse the grant of an industrial development patent.

(3) Section 18B(7) to (9) shall apply to industrial development patents.

Section 306: Assignment and Transfer of Industrial Development Patents

(1) An application for an industrial development patent and an industrial development patent may not be assigned or transferred by succession, and a license under such application or such patent may not be granted, except to a person qualifying under Section 301(2) and having received in his own name a certificate referred to in Section 304(2)(iv).

(2) Section 26(2) and (3) shall apply to industrial development patents.

Section 307: Duration of Industrial Development Patents

(1) Any industrial development patent shall expire at the end of the fifth year from the date of filing of the application for that patent.

(2)(a) On the request of the owner of the industrial development patent made not more than six months, and not less than one month, before its expiry under paragraph (1), and on payment of a fee whose amount is fixed by the Rules, the Patent Office shall prolong the duration of that patent for a period of five years, provided that the said owner proves, to the satisfaction of that Office,

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1) Examination as to the ground for exclusion referred to in Section 32(1)(iii) (working in the country) may in most cases be possible only when, under Section 18B(8), an opposition procedure is provided for.

either that the invention which is the subject of the said patent is worked within the meaning of Section 34(3) in the country at the date of the request or that there are legitimate reasons for failure so to work the invention.

(b) On the request of the owner of the industrial development patent made not more than six months, and not less than one month, before its expiry under subparagraph (a), and on payment of a fee whose amount is fixed by the Rules, the Patent Office shall, subject to the proviso of that subparagraph, prolong the duration of the said patent for a further period of five years.

(3) Section 25(2) and (3) shall apply to industrial development patents.

Section 308: Nullity of Industrial Development Patents

(1) On the request of any person, including any competent authority, the Court shall declare an industrial development patent null and void

(i) if the requirements of Section 1, Sections 2 or 3 as modified by Section 303(2), or Sections 4, 13, 301(2) or 304 were not satisfied, or

(ii) if there existed any ground for exclusion under Sections 5 or 302.

(2) Sections 47(2) and 48 shall apply to industrial development patents.

Section 309: Lapse of Industrial Development Patents

(1) Subject to paragraph (2), any industrial development patent shall lapse if and from the date on which products which are made with the help of the same [invention as the invention which is claimed in] [technology as the technology which is the subject of] the industrial development patent are imported from abroad by or with the consent of the owner of that patent, unless the products so imported are merely models or prototypes.

(2) The Minister of Industry[1] may grant temporary and limited exemption from the effect of paragraph (1) for the period and to the extent that manufacture under the industrial development patent cannot satisfy the needs of the country.

(3) Any person interested or any competent authority may, on furnishing the necessary evidence, request the Patent Office to declare that the industrial development patent has lapsed for the reason indicated in paragraph (1). Before making a declaration, the Patent Office shall give to the interested parties an opportunity to be heard. The details of the procedure are provided in the Rules.

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1) The authority responsible for granting such exemption may be a Government authority other than the Minister of Industry.

(4) Any declaration under paragraph (3) shall be published in the Gazette of the Patent Office as soon as possible.

Section 310: Rights Derived from Serious Preparations With a View to Working the Invention

(1) Any person who at the date of the filing of an application for an industrial development patent had in good faith made serious preparations in his establishment with a view to working, within the meaning of Section 34(3), an invention which is the same as the invention claimed in that application, shall, despite the grant of the industrial development patent, have the right to do, in respect of the said invention, the acts mentioned in Section 21, provided that the said acts relate to products made in the country by the said person.

(2) The right referred to in paragraph (1) may not be transferred except as part of the said establishment.

[End of Document]

September 10, 1974

Answer of Pacific Industrial Property Association to Questionnaire Concerning Special Types of Industrial Property Facilitating the Acquisition of Technology (Annexed to WIPO Circulars 1905, 1906, 1907, 1908)

The questionnaire on the above subject has been reviewed and answers are given below. However, before providing these answers, it seems advisable to comment on the general subject of the "special types" of industrial property which are outlined in the introduction to the questionnaire, namely the "Technology Transfer Patents" and the "Industrial Development Patents."

There appears to be a serious question as to the need for these new types of industrial property rights and as to the advisability of further complicating the already complex nature of industrial property rights. It is submitted that serious consideration should be given to attempting to revise present patent systems in such a manner as to remove inequities and to make these systems more fully responsive to the needs of the developing countries, rather than attempting to enact new types of industrial property rights at this time.

The Technology Transfer Patent (TTP) would be granted jointly to the owner of a patent right in another country and to a national of the country, if a five-year agreement for exclusive working of the subject matter had been reached by the two parties. There appears to be some advantage in a provision which would grant an inventor limited rights in a country where he had not originally sought protection at an

appropriate time. With proper safeguards this type of law could be of value but consideration should be given to achieving this objective by appropriate revision of present laws.

The proposed Industrial Development Patent (IDP) is stated to be an alternative to patents of importation. It is contemplated that the IDP would be granted only when the economic and financial viability of production had been verified. It is not clear how this would be done as a practical matter, unless there was advance assurance of some type of protection. In any case, the IDP appears to contemplate granting at least partial rights to a party which has made no contribution to the invention. This type of confiscation would not seem to encourage research either by those already doing it or by others not yet supporting a research program.

With these comments in mind, and with the understanding that neither the TTP or IDP appears to offer any distinct advantages that could not be achieved without relatively limited modifications of present laws, the following answers are provided:

I Questions Common to TTP and IDP

1. If the TTP or IDP is to replace the patent of importation, then it is only logical to base it on some foreign right either in the form of an issued patent or a pending application on the same subject matter.

2. Not applicable.

3. (a) At least a foreign application should have been filed at the time IDP or TTP protection is requested.

(b) (i) The grant of the domestic right should require at least the existence of a foreign application on the same subject.

(ii) The renewal of the domestic right might be conditioned on the existence of granted corresponding foreign patent rights.

(c) There is no reason to block the grant of the domestic right because the foreign right has been refused. This could be due to some peculiarity in the foreign patent law.

(d) It seems inadvisable to base the domestic patent right on the grant of the foreign right which follows examination for novelty, utility and inventive step.

(e) (i) If the rights in question are to replace those given by a patent of importation, it would seem reasonable to apply the same criteria as for the patent of importation.

(ii) same as (i).

(f) The duration of the domestic right should be the same as that of a patent of importation.

4. A reasonable period such as six to ten years should be applied.

5. The period of six or ten years should probably run from the date of the foreign application on the subject matter.

6. Previous importation of products which would be covered by the domestic right should not be an obstacle to the grant of such a right, if importation is by the holder of the first foreign rights or by some agent of his.

7. Not if application filed by holder of first foreign rights.

8. Not unless made under conditions where the person in question could not have known of the existence of the corresponding foreign rights.

9. Maximum duration of the domestic right should be 15 to 20 years.

10. The domestic right should not lapse or be revoked but subject to compulsory license if not exploited by manufacture in the country after a reasonable time.

11. Not applicable.

12. The domestic right should be less than that obtainable through issuance of a regular or classical patent.

13. The right should permit exclusion of manufacture and importation subject to the grant of a compulsory license for failure to work within a specified period.

II 14. (a) Yes

(b) Yes (but the licensee should be the recipient of the right from the owner of the foreign right to apply for such domestic right).

(c) If a company is to obtain rights, it should preferably be one having some capability in the field of the invention.

15. (a) Certainly, if rights are to be granted under such a procedure, it should include the applicant for or the owner of the foreign rights as applied for.

(b) It should not be the first to apply for domestic rights.

16. No logical way suggests itself to limit the field of technology for such a right.

17. (a) It seems impractical to attempt to spell out in the law all of the conditions governing the agreement between the joint applicants.

(b) It would seem advisable to have some procedure for supervision of the agreements between joint applicants by a government authority with the right to appeal any disputed questions to the courts.

18. (a) The agreement should be for at least five years and preferably longer.

(b) It is questionable that the national joint applicant should have access to the know-how of the foreign joint applicant. This may include information that is of general value apart from the particular invention in question.

19. Granting of licenses under the domestic right should be dependent on the written consent of the owner of the foreign rights.

20. (a) The duration of the domestic rights should not depend on the continuation in force of a working agreement between the original joint applicants, since it is possible that interest will be lost by the domestic party or arbitrary steps may be taken that injure the rights.

(b) The same consideration applies to new joint owners.

21. It seems questionable to provide that one of the joint applicants should obtain a provisional right in the invention pending the conclusion of a working agreement.

22. Not applicable.

23. (a) No comment.

(b) The name of the right seems unimportant.

24. (a) Some provisions might be included to require a party applying for the domestic right to show some legitimate interest.

(b) See (a).

(c) No comment.

25. There seems to be no logical manner in which to limit the fields of technology in which domestic rights will be available.

26. It would seem inadvisable to apply arbitrary limitations on which domestic rights may be granted based on some economic or financial considerations.

27. If the domestic right is based on a foreign right, it is questionable that the owner of the domestic right should be able to exclude the owner of the foreign right.

28. Some reasonable compensation for the invention should be arranged for the owner of the foreign right.

29. (a) It is questionable that the owner of the "domestic right" should be permitted to grant any licenses.

(b) See (a).

(c) No comment.

30. (a) The name is unimportant.

(b) No comment.

31. (a) No such Japanese or U.S. rights.

(b) None.

32. No information available.

FXM:DJR

EUROPEAN PATENT CONVENTION AS VIEWED BY INDUSTRY

K. ISHII

1. Foreword

The Convention on the Grant of European Patents (European Patent Convention - Euro I) which was concluded in Munich in October 1973 and signed by 21 countries including the EC countries appears to give some decisive pointer to the trends of the patent systems of the world which PCT has been changing for the past several years.

The conclusion of the European Patent Convention (Euro I) in a sense makes us feel the possibility of changing the territorial principles of patents which is the basic principle under the Paris Convention. In the Eruopean Patent Convention - Euro II (Common Market Patent Convention - not yet signed), we cannot help feeling a further ultra-national coloring. It is surprising to note that the European Patent Convention was concluded at such an exceptionally high speed prior to the coming into force of PCT and by neighbouring countries having completely different patent systems such as West Germany, France and Great Britain. At the same time, there seems to have been consideration to other countries such as Japan and U.S.A. behind what forced them to do so. Their unity raises questions that we must consider as those of our own.

2. Relation between European Patents and National Patents under Existing Law

The European Patent Convention is a system in which patents are granted under single procedure and examination to be effective in plural contracting states. PCT provides for single procedure. According to the European Patent Convention this singleness extends to the level of examination, and the Common Market Patent Convention intends to advance this further to the grant of a single Common Market patent right. In other words, the Common Market Patent Convention is considered to aim at giving almost equal protection in each contracting state under a patent granted thereunder by way of a single substantive patent law. The abolishment of the existing

national patent laws of the contracting states, however, is not intended, and there are obviously the following methods of filing applications in European countries.

(1) Filing in each state under the Paris Convention

(2) Filing under PCT by designating a state member to the European Patent Convention

(3) Filing directly in a designated state under the European Patent Convention

It is considered that patent rights acquired through these different filing methods will create material differences that may cuase practical problems. For instance, the question of double patenting will arise if two seperate patents have been issued on the same invention on the basis of applications filed, respectively, with claim to priority under the Paris Convention in one country, and under the European Patent Convention by designating that country.

Regarding the formation of double patenting, the European Patent Convention (Euro I) states in Art. 139 (3) that any Contracting State may prescribe whether and on what terms an invention may be protected simultaneously by both applications. This provision permits the possibility of formation of double patenting to exist. But practices regarding this subject have not yet been set up and there will probably be an event in the future in which to take up this matter. Regarding a situation in which an invention under a usual national patent application is identical with an invention under a Common Market patent application filed by the same inventor or successor, there will be no problem in practice since the prevention of double patenting is sought by means of provisions to ban simultaneous protection by giving priority over the Common Market patent. (Art. 77(1) - Common Market Patent Convention)

3. Questions between PCT and European Patents-Common Market Patents

The relation among PCT, the European Patent Convention (Euro I) and the Common Market Patent Convention is of great importance and interest to Japanese applicants. Mr. Francois Panel, Secretary-General of the AIPPI French Group, made a detailed statement

regarding this at the International Symposium - European Patent Convention (Euro I) and it seems almost certain under the current situation that European countries will probably ratify PCT on the condition of ratifying the European Patent Convention. In the above case, as far as an application is filed under PCT, it will be forced to be an European Patent Convention application and if one of the EC countries is designated, the application will be one covering the nine sates under Art. 3 of the European Patent Convention. The supporting provisions are seen in Art. 45 of PCT, by which the national law of a contracting state under the European Patent Convention serves to automatically designate a PCT application originated in a non-contracting state to be one under the European Patent Convention. After all, so long as we file applications under PCT, they will have to be under the European Patent Convention. Thus, in case where an application is desired to be filed in a specific European country, advantages of relying upon PCT are not considered to be greatly expectable as such application must be filed either under the Paris Convention or directly under the European Patent Convention.

4. Relation between Novelty of Invention and Prior Art

We must give consideration to the relation between an invention and the prior art at the time of its patent application, and in particular to the treatment of a situation in which prior art technic is disclosed in the specification of an early filed application, and has not been made open to the public at the time of filing of a later application.

In particular, Art. 54(3) of the European Patent Convention provides that the content of an early filed patent application which has not been disclosed at the time of a patent application is considered as comprised in the state of the art. In addition, the first application serving such state of art avoid a later application regardless of whether the same inventor or applicant is involved in both applications. This appears to be a severe provision to applicant when we consider Art. 29(2) of the Japanese

Patent Law under which avoiding the later application in the above mentioned situation is not applied to an application involving the same inventor or applicant. Thus, in drafting a specification, it will be necessary for the applicant to secure the invention through sufficient study and not to make any uncovered part of the invention to remain.

Further, Art. 54(2) of the European Patent Convention provides that "The state of the art shall be held to comprise everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the European patent application.". In other words, what is made available to the public either officially or privately means a worldwide public use regardless of whether it is made orally or in writing and renders novelty to be lose. This is believed to create severe problems depending upon the manner of treatment to be employed.

5. The Scope of Protection and Claims

The scope of protection of right to be acquired in each country as a result of applications filed in multiple countries regarding one invention is a matter of great concern to the applicant. According to Art. 4-2 of the Paris Convention regarding the principle of independence of patents, it is natural that patent rights granted in different countries are respectively independent. It is of a great concern to us what interpretation will be given to the scope of right and what protection will be granted by each contracting state with respect to a European patent (Common Market patent inclusive) granted under the European Patent Convention through common search and common examination with claims of common expression.

Regarding wording of claims, Art. 69 of the European Patent Convention provides that "The extent of the protection ----- shall be determined by the terms of the claims. Nevertheless, the description and drawings shall be used to interpret the claims.". It is further remarked in the Memorandum that "It should not be

construed that claims are merely indexes and the scope of right is determined (interpreted) by considering the specification and drawings.".

In spite of the above provisions, it is doubtful to what extent uniform interpretation will be had in practice in each country having different practice. It would be a delicate request to ask for this in an early stage.

According to the European Patent Convention, any dispute respecting the Convention will be judged by a common court, but judgement on the protection of right will be made by a counrt of each contracting state. Thus, it is believed that principal differences will still exist among the contracting states regarding interpreation of the claims in a specification of exactly identical description. Practices of many years regarding such interpretation would not by any pOssibility be unified with ease. An interpretation of claims, for instance, in West Germany would not be directly applicable in Great Britain and vice versa. When the differences between these countries in terms of interpretation of claims are very roughly compared, claims are taken to indicate the outline of patent protection in West Germany in a considerably liberal attitude, while as is well known, the scope of protection is defined by claim language in Great Britain. Then, there arises a considerable doubt at this stage - Can a single patent right granted under the European Patent Convention be said, in reality, to be a single patent right in its true meaning? Especially in regard to Common Market patents being effective on a single market, merits derived from such patents would be limited without having a uniform interpretation regarding the scope of protection. According to Art. 32(Exhaustion of Right under Common Market Patent) (1) of the Common Market Patent Convention, after a patentee has placed a product protected under the patent right on market in any one of the contracting states, the right under the Common Market patent shall not extend to an act conducted in relation to such product within the territories of the contracting states. If the

lost,
the unity of interpretation on patent right should be/unsorted problems would be caused in the application of the above provision.

6. Questions regarding Searches

The European Patent Conventions will next be considered in connection with searches. Regarding the scope of technical fields in which the international search is to be conducted, Rule 33.2 of PCT provides that "The international search shall cover all those technical fields, and shall be carried out on the basis of all these search files, which may contain material pertinent to the invention.". Regarding the policy of search, Rule 33.3 -(b) provides that "In so far as possible and reasonable, the international search shall cover the entire subject matter to which the claims are directed or to which they might reasonably be expected to be directed after they have been amended", and thus suggests that the search cover the technic covered not only by the claims but also by its peripheral subject matter. In contrast, under the European Patent Convention, the Search Division of the European Patent Office is requested, in Art. 92, to "draw up the European search report on the basis of the claims, with due regard to the description and any drawings---". There are thus certain differences between the two. Under PCT, search is conducted on the basis of the invention and with regard also to part relating to the scope of the description in the specification. In contrast, under the European Patent Convention, it can be interpreted that the technic is observed slightly beyond the scope of the invention as defined by the expression of the claims and that the search report is made on such basis. It is thus felt that in an European patent application filed through the PCT channel a slightly larger amount of search material will be introduced than that in an application filed in a state member to the European Patent Convention. Since judgement of novelty and inventive step is made on the above basis, there seem to be points that must be paid attention in the manner of examination and practice.

Committee Presentations

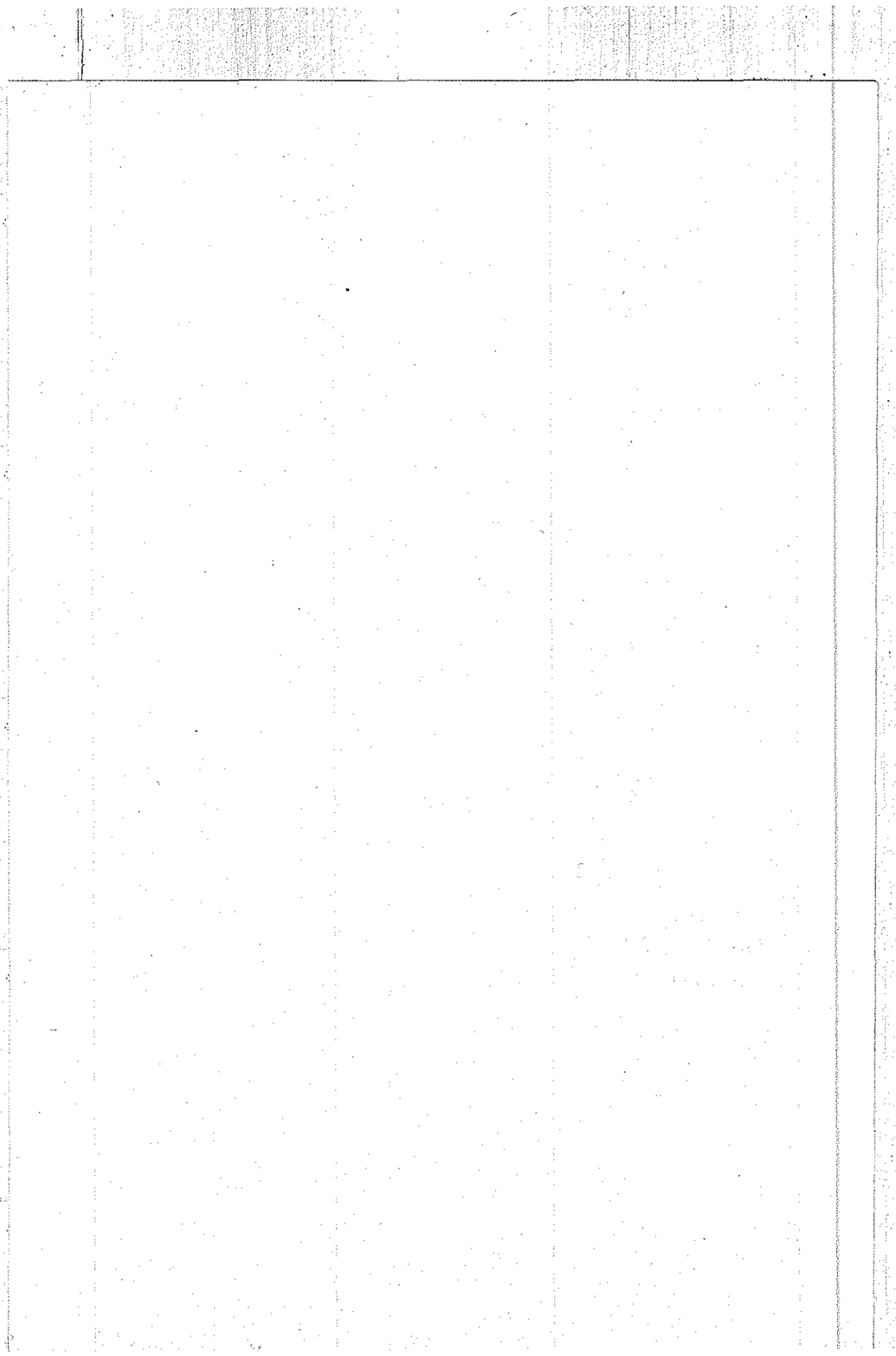
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Committee # 4
T. Teshima

GENERAL PROGRESS OF THE PROPOSED PIPA CONCILIATION SYSTEM

~~Ladies and gentlemen, and~~ Mr. President, and all Members:

It is my pleasure and honor to serve as the chairman of the Committee IV in today's meeting. Firstly, before we open the floor for today's discussion on the realization of our conciliation system and a draft of the Rules therefor, I would like to take some time to review briefly a general progress of the proposed system.

The idea to establish a conciliation system sponsored by PIPA has been long contemplated; in fact, I was told that some members including Mr. Kalikow of General Electric Company and Mr. Saotome of Mitsubishi Chemical Industries Limited expressed already in the first Tokyo meeting in 1970, the idea that a conciliation system such led by PIPA be established for the settlement of disputes among private companies in the field of intellectual property matters. However, the said idea was discussed as an official subject neither in the said Tokyo meeting nor in the second Washington meeting in 1971. In this Washington meeting, several reports were presented by American members about arbitration, which is another method to settle disputes. It was in the third Tokyo meeting in 1972 that the idea of PIPA conciliation system was officially submitted to the discussion. In this meeting, Mr. Kalikow proposed "to study the possibility of PIPA conciliation system as a method of settling disputes over licensing matters between U.S. and Japan, and also to study what should be provided in the rules for such a conciliation system". And both American and Japanese members agreed to the proposal in the meeting. For the purpose of specializing in the study

of the proposed matter, the independent Committee IV was established out of the former Arbitration and Mediation Subcommittee in Licensing Committee.

This Committee IV began with a fact-finding study of the disputes over industrial property rights, know-how and trade secrets among PIPA members of U.S. and Japan. In the fourth San Francisco meeting both American and Japanese Committees reported the result of the said study as follows: " I. The number of disputes over infringement and validity of patent rights was the greatest and the number of disputes over licensing matters follows. 2. Both mutual negotiation by disputing parties and litigation were most frequently taken up as a method of settling disputes. 3. These two facts were commonly recognized by both groups. "

A draft of the Rules for PIPA conciliation system was presented to the said San Francisco meeting for the first time. This draft was drawn up by the American Committee members including Chairman Dr. Newman and then incorporated proposals made by the Japanese Committee. Up to the present, both U.S. and Japanese Committees have continued the examination of the said draft. Later in Today's meeting, Chairman Dr. Newman will introduce to you a revised draft of the Rules based upon the results of the examination, together with the Regulations which set forth detailed procedures for the application of the said Rules. You must remember that the following resolution was agreed upon in the said San Francisco meeting toward the realization of PIPA conciliation system, after vigorous discussions on the said draft and the fact-finding study; that is to say, "Hereafter the Board of Governors and the Committee IV of both groups will continue diligent discussions to bring the plan of PIPA conciliation system to its perfection along the lines of general ideas delibcrated upon by this general

meeting ".

By the way, although I have summerized the general progress of our proposed conciliation system, let us now spare some time to think over the need of our conciliation system. The result of both American and Japanese fact-finding studies obviously shows that there have been fairly frequent disputes in the fieild of intellectual property matters. And it is worth of our notice that mutual negotiation by disputing parties themselves came to fair success in a number of cases, besides that legal proceedings in the court were often taken in many cases.

It is also a fact that an arbitration system has not often taken up as a method of settlement, and the reason for it is probably that an arbitration is not always held by arbitrators with expert knowledge, nor is there a perfect guarantee, despite finally binding force of the awards, that arbitrators make a fair examination with sufficient hearing from all the parties concerned.

While legal proceedings are more advantageous than arbitration in this respect, legal proceedings are not satisfactory in the economy of time and cost. The Principle of Public and Open Trial causes the concerned parties to hesitate to bring to a court disputes on know-how or trade secrets. Furthermore, in a legal proceeding, an answer to a problem should be given either in "Yes" or " No", which might be excessively conclusive for some cases.

Taking into consideration all the facters described in the above, we have come to the conclusion that it is self-evident that settlement of problems by concerned parties themselves is the most desirable way of settling disputes. The conciliation system under our contemplation is purposed to be a system by which experienced experts in the field of intellectual property rights will offer to concerned parties various suggestions and advices, and finally lead them to a certain settlement, without wasting time and money needlessly, and instead, with objective and constructive attitudes towards a settlement. Of course, the parties are free to take subsequently another method of settlement, if a suggestion offered by an arbitrator cannot satisfy them. The lack of legally binding force might be considered a default of conciliation; however, this fact never means the lack of persuasiveness to the parties.

In due consideration of all the above, I am fully convinced that PIPA conciliation system would be most significant as an unprecedently unique system. Although it is quite unpredictable to what extent this system would be made use of, I would like to quote to you a line from Faust, that is to say. " Im Anfang war die Tat!"

By the way, as you may already know, this Committee IV is now selecting conciliators. The criteria of such selection are so set up that as many people with various useful experiences can participate in the system, including retired managers of patent departments of private companies, retired judges. ex-officials of Patent Offices,

attorneys at law, and patent attorneys.

Any way, it is all up to the discussions today how to decide on the proposed system of conciliation and how to operate such system. In order to make our intention to this matter clearer to all members, I would like to request Dr. Newman to summarize the Rules and Regulations of the Conciliation.
And then, I am going to offer the resolution for a procedure of adopting the Conciliation Rules and Regulations.
By both Japanese and American committee, the recommended conciliators which are quite imperative to the function of the system, are selected respectively and panels will be shown to you at the time the above system will be made effective.

The above is all of my opinion I have wanted to express as the chairman of the Committee IV. Thank you very much for your attention.

PACIFIC INDUSTRIAL PROPERTY ASSOCIATION

Kyoto, October 31, 1974

Report of Pauline Newman, Chairman of
American Group Committee 4

We have come quite far since the original suggestion that PIPA might fill a role in the conciliation area.

A survey of the Japanese and American members of PIPA showed that very few had ever invoked existing conciliation procedures, while many members expressed an interest in the PIPA conciliation proposals then in draft.

The earlier draft proposals have been improved upon considerably over those previously distributed, thanks to careful attention and rewriting by both the Japanese and American Committees 4. We trust that the form before you now is close enough to satisfactory, to allow us to adopt it and see how it works in practice.

The basic principles followed in preparing these Rules and Regulations were these:

We wanted a procedure that was simple to invoke, yet which carried enough formality that the parties and the conciliator would know how to proceed.

We wanted a procedure that was non-binding, and thus would encourage participation since it would not penalize either party if the dispute remained unsettled.

We tried to protect proprietary and confidential information all around.

We set a role for PIPA whereby PIPA would help the conciliation get started, and then withdraw.

We decided that this procedure should be open to non-members as well as members of PIPA, both to avoid any implication of collusion, and to give it the broadest possible value.

Changes in the Rules require action of this group at a PIPA annual meeting, and thus the substance of this arrangement is embodied in the Rules.

Changes in the Regulations can be made by the Board of Governors, and thus the Regulations contain lesser, procedural items.

Procedures for amendment of both the Rules and Regulations are actually quite simple. We see this initial period as one of trial, to test this proposal, to see how it works, and to see if it fills a real need.

* * * * *

The Rules may be summarized as follows:

Article 1 requires that one party to the dispute be a resident or national of Japan or the United States.

Article 2 imposes on PIPA the obligation of maintaining a Panel of at least 10 possible conciliators, experts in various aspects of industrial property. But the parties need not select a member of this panel, if they agree on some other conciliator.

Article 3 sets out the method for invoking this procedure, merely by writing to the Secretary of either the Japanese or American Group. If the other party to the dispute is not willing to participate, that's the end of it.

Article 4 relates to selection of the conciliator, with PIPA's help.

Article 5 states some simple ground rules for carrying out the conciliation, in good faith and diligently.

Article 6 affirms the privacy of the proceedings, including the identity of the participants. Article 6(b) reflects the desirability of reaching a binding agreement, if the parties wish.

Article 7 suggests a 30-day limit to the conciliation process, unless the parties themselves want to extend it. It further affirms that nothing said in the course of an unsuccessful conciliation, for example offers at compromise, shall be used against a party.

Article 8 provides for a fee to cover PIPA's administrative costs, and in the Regulations this is set for the present at $100 per party. All other costs, and the conciliator's costs, are paid by the parties.

Article 9 is a formal reference to the existence of supplemental Regulations.

Article 10 relates to amendment of the Rules and Regulations.

Article 11 sets responsibility with the Board of Governors, and requires an annual report.

The Appendix is a suggested clause for incorporation into contracts on industrial property.

The Regulations provide some elaboration to the Rules, and contain answers to some questions which were raised during the drafting period, such as what we mean by industrial (intellectual) property, and whether this conciliation procedure is limited to disputes on license agreements and other contracts, or whether they may also include matters such as patent infringement.

The Regulations contain some additional guidance on the composition and selection of the Panel of Conciliators and the mechanics of conciliation. Specific recognition is given to language and translation aspects, with ground rules as to who pays for what.

* * * * *

Both the Japanese and American Groups think we are ready to commence this experiment. I would like to ask this assemblage, however, whether there are any major oversights in this document. May I therefore, Mr. Chairman, open the subject for discussion and questions:

PROVISIONAL RESOLUTION

RESOLVED, THAT THE PIPA ADOPT A CONCILIATION SYSTEM, IN ACCORDANCE WITH THE RULES AND REGULATIONS PRESENTED BY COMMITTEE 4 AND APPROVED, AT THE GENERAL MEETING OF OCTOBER 31, 1974 (THE FIFTH INTERNATIONAL CONGRESS), AND SAID SYSTEM TO BECOME EFFECTIVE ON RATIFICATION BY THE JAPANESE AND AMERICAN GROUPS IN ACCORDANCE WITH THE BYLAWS.

No. 4 Committee

30 September 1971

PACIFIC INDUSTRIAL PROPERTY ASSOCIATION

Rules for Conciliation

Article 1.

The objective of conciliation and the procedures therefor are to facilitate the settlement of disputes relating to intellectual property matters, outside the courts. Conciliation shall be made available under the auspices of the Pacific Industrial Property Association (hereinafter PIPA) whenever at least one party to the dispute is a resident or national of one of the countries of PIPA.

Article 2.

(a) PIPA shall maintain a Panel of at least ten persons who shall have been approved by the Board of Governors, and who have stated their willingness to act as conciliators, subject to availability at any given time.

(b) The Panel of conciliators shall include experts in industrial property from both member states of PIPA and from non-member states. However, at the request of the parties, a conciliator for any particular dispute need not be selected from this Panel but may be any expert in intellectual property matters approved by the Board of Governors.

(c) Administration of these Rules and accompanying Regulations shall be carried out by the Secretaries of the American and Japanese Groups, or by other persons designated by them and approved by the President of the pertinent Group, which persons shall hereafter be included in the term "Secretary" for the purposes of these Rules and Regulations.

(d) The Secretaries of the American and Japanese Groups shall each maintain a current file of approved conciliators, their qualifications, fields of expertise, fees, and any other available pertinent information.

Article 3.

(a) The application for initiation of the conciliation procedure shall be made in writing by either party or by both parties to the Secretary of either the American or the Japanese Group, as appropriate, stating the general subject of the dispute. Such Secretary shall determine, subject to advice and consent by the Board of Governors, whether the subject and character of the dispute falls within these Rules and Regulations and is subject to conciliation hereunder, and shall promptly so notify the applicant(s). The applicant(s) shall make a written declaration that he(they) will submit to conciliation in accordance with these Rules, and that he(they) will not commence any legal action until this conciliation is deemed to have failed.

(b) If only one party applies for the conciliation procedure, the appropriate Secretary shall promptly notify the other party, requesting that it state, within thirty (30) days, whether it agrees to submit to conciliation in accordance with these Rules.

(c) If such other party rejects the PIPA conciliation procedure or fails to reply to the Secretary's notification and request, the Secretary shall notify the applicant that the conciliation procedure cannot be implemented.

Article 4.

If both parties have agreed to conciliation, the appropriate Secretary shall advise the parties of the Panel of possible conciliators, and shall use his best efforts to assist the parties in selecting an acceptable conciliator who is able to act. If no such conciliator is selected within forty-five (45) days after the parties have agreed to conciliation (or such longer time as mutually agreed), all proceedings under these Rules are terminated. Unless the parties agree otherwise, there shall be one conciliator selected.

Article 5.

(a) Following selection of the conciliator, the appropriate Secretary shall, in consultation with the parties and the conciliator, set a date and location for commencement of conciliation, and for continuing meetings during the conciliation procedure. Representatives of the parties may include counsel and shall include persons who are authorized to act on behalf of the parties.

(b) The representatives of the parties shall meet together with the conciliator; and shall provide and exchange appropriate documentation to facilitate settlement of the dispute, with full and open discussion of the issues, subject to any confidentiality restrictions agreed upon by the parties. Such conciliation shall proceed diligently, including subsequent meetings which may be held by mutual agreement, and the parties shall act in good faith to reach a prompt and acceptable conclusion.

Article 6.

(a) The conciliation procedure shall be private, and all documentation, the proceedings, and results shall be maintained in confidence by the participants, the conciliator, and the Secretary and other PIPA officials and their designates. The conciliator shall, promptly following conclusion of conciliation, destroy or return all documentation and materials related to the conciliation. No report other than statistical shall be made by the conciliator or by the Secretary, and the parties will not be identified without their consent.

(b) No proposed settlement shall be binding unless agreed to by the parties and contained in a signed written agreement. The conciliator shall be prepared to assist the parties in reaching a written agreement, which in such event shall be deemed part of the conciliation process.

(c) The conciliator shall notify the appropriate Secretary of termination of conciliation, and shall advise whether the parties reached agreement.

(d) Upon termination of the conciliation, in order to maintain the confidentiality of the same, the appropriate Secretary shall remove from his files all correspondence involving the participants, and immediately destroy the same.

Article 7.

(a) If no agreement is reached within thirty (30) days after the commencement of meeting with the conciliator, conciliation under these Rules will be deemed to have failed, and the conciliator shall so notify the Secretary. This time period can be extended by common consent.

(b) Upon failure of the attempt at conciliation, the parties shall be free to act in accordance with other available procedures.

(c) Neither statements, proposals, offers of compromise, nor any other aspect of a failed conciliation procedure shall be binding upon either party, nor may they be introduced in any subsequent proceedings.

Article 8.

(a) A fee shall be paid to PIPA for the costs and administration of such conciliation procedures, as set forth in the Regulations. Such fee shall be due and payable when the application for initiation of the conciliation procedure is made in writing by either or both parties to the pertinent Secretary. This fee is not returnable, unless the Secretary determines that the dispute is not subject to conciliation hereunder, as set forth in Article 3(a), in which event the fee shall be refunded at the time the Secretary so notifies the applicant(s). The parties shall each bear their own additional expenses.

(b) The conciliator is not an agent of PIPA. Any fees or expenses of the conciliator shall be shared equally by the parties, and paid directly to the conciliator.

Article 9.

Regulations shall be issued from time to time for the purpose of implementing and supplementing these Rules.

Article 10.

These Rules may be amended by majority vote taken, subject to prior notice, of those present and voting at any annual meeting of PIPA. The Regulations may be amended at any time by a majority vote of the Board of Governors.

Article 11.

(a) The Board of Governors, through the Secretaries of each national group or such other person or persons designated for this purpose, is responsible for administration of these Rules and Regulations.

(b) The Secretaries or such other person or persons designated for this purpose shall report annually on the use and their estimate of the value of this conciliation procedure (without identifying participants), and shall recommend changes in the Rules and/or Regulations as necessary.

* * * * * *

Appendix to Rules.

The following clause may be incorporated in contracts pertaining to industrial property matters between Japanese and American companies:

> "Any dispute arising out of this contract which the parties are unable to settle between themselves shall be submitted to conciliation in accordance with the Rules for Conciliation of the Pacific Industrial Property Association, before any other remedy is pursued."

30 September 1974

PACIFIC INDUSTRIAL PROPERTY ASSOCIATION

The following Regulations are for the purpose of implementing and supplementing the Rules for Conciliation of disputes on intellectual property matters, and are to be applied in conjunction therewith.

REGULATIONS

1. Subject matter for PIPA conciliation

Disputes involving:

a. Patents

b. Trademarks

c. Copyright

d. Know-how

e. Technical information

f. Trade secrets

Examples:

a. License agreements

b. Secrecy agreements

c. Other contracts on the above subject matter

d. Validity, interpretation, and/or scope of patents

e. Infringement matters

Not included:

Conciliations in conflict with national legal considerations affecting either party.

2. Panel of conciliators

a. An eventual panel of fifteen to twenty persons is contemplated, depending on need, but PIPA participation shall not become effective until a minimum of ten (10) conciliators have been selected and have agreed to become members of the Panel.

b. The Board of Governors shall be responsible for the selection of the Panel. Committee 4 shall provide the Board of Governors with a list of proposed Panel members as they are initially and from time to time required.

c. The Panel shall include experts, to the extent possible, in the various aspects and technical fields of intellectual property.

d. The Panel preferably shall comprise about one-third Japanese experts, one-third American experts, and one-third from other countries, but this proportion shall not be binding upon the Board of Governors except to the extent that the number of Japanese and American experts shall be substantially equal.

e. Upon the written request of any PIPA member or any other person having an interest in the PIPA conciliation procedure, all pertinent information including a copy of the Rules and Regulations shall be provided to such person by the Secretary of either Group.

3. Conciliation procedures

a. Conciliation proceedings may be commenced by either party to a dispute upon notice to the other party in accordance with the Rules.

b. In setting dates and locations for commencement and continuation of conciliation, the parties shall have due consideration for the convenience of each other and of the conciliator.

c. To the extent possible, an adequate block of time shall be set aside to permit conclusion of conciliation in consecutive daily sessions.

d. The conciliator is expected to conduct an orderly exchange, while maintaining the necessary informality of this type of procedure. The submission of oral and written arguments and objections shall be at the discretion of the conciliator.

4. Fees

a. The fee paid to PIPA in accordance with Article 8(a) of the Rules shall be $100.00 per party, or such other fee as may be set by amendment of these Regulations.

5. Language

a. The conciliation procedure may be carried out in any language or languages selected by each party, with due consideration to the convenience of each other and the conciliator.

b. When either party requires for itself translation or interpretation, such shall be at its own initiative and expense.

c. When the conciliator requires or requests translation or interpretation in order to carry out his duties, any additional expense of such translation or interpretation shall be shared equally by the parties to the conciliation.