PACIFIC

INTELLECTUAL PROPERTY ASSOCIATION

太平洋知的財産協会

PRESENTATIONS

PIPA 25th Congress

Hamamatsu

October 19 - 21, 1994

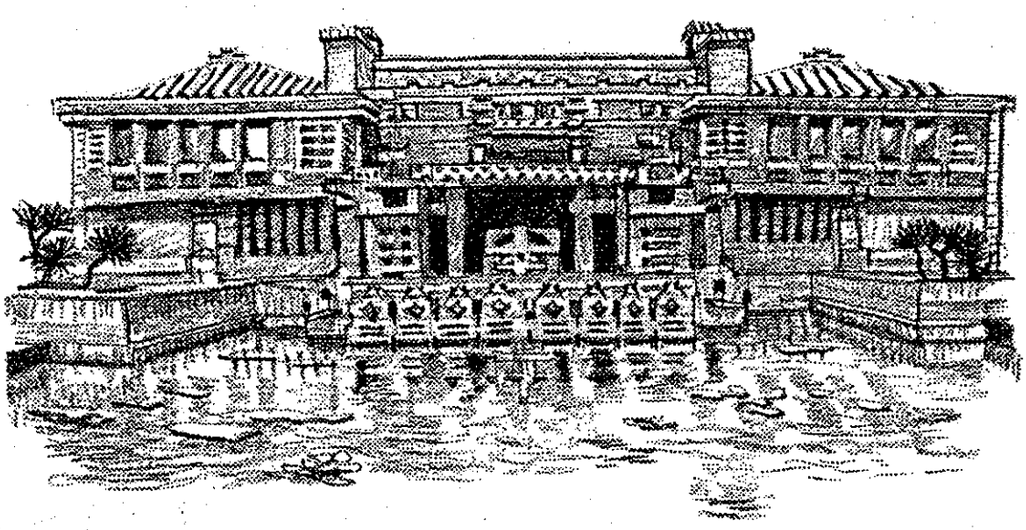

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Table of Contents

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Table of Authors

Program

TUESDAY, October 18 , 1994

(1:00 - 3:00p.m. Joint Board Meeting)

(3:30 - 5:30p.m. Joint Committee Meetings)

6:30 - 9:30 p.m. **GRAND RECEPTION** at Tsuru-no-ma, 2F

【3:00 - 6:30 p.m. Registration at main lobby】

WEDNESDAY, October 19, 1994

【7:30 - 8:30 a.m. Registration at the entrance of Ohtori Hall, 2F】

8:30 a.m. **OPENING CEREMONIES**

- Opening of the Congress - Kazuo Kamisugi
- Report on 1993 Activities - Lawrence T.Welch
- Installation of PIPA Officers for 1994
- Keynote Address - Shigemitsu Nakajima

Guest Speakers

- Honorary Chairman - TaroTanaka, Chairman, Nippondenso Co.Ltd.
- The Honorable Hajime Aburagi, Deputy Commisioner, Japanese Patent Office
- Yukiji Kobayashi, President, Japan Intellectual Property Association

10:00 a.m. **COFFEE BREAK**

REPORTS OF COMMITTEE NO.3

J.Jeffrey Hawley (acting) and Mitsuo Taniguchi, Chairpersons

10:20 a.m. *Study on Comparison between the GATT -TRIP Agreement and the Patent Laws of Japan, U.S., Germany and Korea* Toshikazu Kowa

10:35 a.m. *Changes in U.S. Regulations to Permit Inventors in GATT Countries to Prove Invention Dates* Donald W. Banner

11:00 -12:00 p.m. -Joint Panel Discussion-

GATT/TRIP and 35 USC Section 104

H.E.Cole and J.T.Lumb

T. Kuboyama, K. Kusano, Y. Kutsukake, Y. Suzuki, Y. Murofushi and K. Yamamoto

12:00 p.m. **LUNCH**

1:00 p.m. CONTITUING **REPORTS OF COMMITTEE NO.3**

Trend of Patent Systems in Southeast Asia Hideaki Sekine

1:20 p.m. *Japanese Companies' Views on Japanese, U.S., and European Patent Situation* Maki Kamiya

1:50 p.m. **REPORTS OF COMMITTEE NO.4**

Ben C. Cadenhead and Toshihiro Tetsuka, Chairpersons

Procedure for Collecting Evidence and Attorney-Client Privilege in the "Tentative Plan of the Main Principle of an Amendment to Civil Procedure" Kazuaki Okimoto

2:10 p.m. *1993 Amendments to The Federal Rules of Civil Procedures and Effects on Patent Litigation in the U.S.* Ben C. Cadenhead

2:30 p.m. *Investigation into Warnings in Japan* Shun'ichi Nishioka

2:50 p.m. *Current Status of Product by Process Claims Interpretation* Lawrence T. Welch

3:10 p.m. **COFFEE BREAK**

3:30 - 4:40 p.m. - Joint Panel Discussion -

Study on the Current Use of Alternative Dispute Resolution (ADR)

B.C. Cadenhead, D.H. Fifield, W.A. Troner, E. Andre,

M. Miyanaga, K. Uchiyama, K.Takemoto

THURSDAY, October 20, 1994

8:30 a.m. **REPORTS OF COMMITTEE NO.1**

Craig E. Larson (acting) and Makoto Inabayashi, Chairpersons

Effective Utilization of Patent Information for Management of Intellectual Property Rights Hiroshi Kuranaga

- Joint Panel Discussion -

Prior Art Searches and Ways of Using Them

C.E.Larson, L.T.Welch and J.E.Haken

M.Inoguchi, K.Ohga, M. Kakuda, H.Takenaka, T. Fukuroi, S.Yamaji

9:50 a.m. **COFFEE BREAK**

10:10 a.m. *Matters to be kept in Mind at the Time of Preparing a Specification in View of the Recent Trend in Judgments of Infringement Suit* Shuitsu Takeda

10:25 a.m. *Survey of European Union Intellectual Property Legislation* William T. Ellis

10:40 a.m. *Distinctiveness of Trademarks - Problems in Japan concerning Common Names, Customarily Used Marks and Descriptive Terms* Ikuko Higo

10:55 -11:10 a.m. *Means Plus Function Claims in the United States after* In re Donaldson *and* In re Alappat Jack E. Haken

11:30 a.m. **SOCIAL OUTING**

Museum Meiji-Mura (1.30 - 4:00 p.m.)

5:30 - 8:30 p.m. **RECEPTION and DINNER**

at Meitetsu Okazaki Hotel

FRIDAY, October 21, 1994

CONTINUING **REPORTS OF COMMITTEE NO.1**

8:30 a.m. *Study on Change of Scope of Amendment According to Amended Law* — Yukihiro Masumitsu

8:45 a.m. *The Standard of Patentablility and* In re Baird — Craig E. Larson

9:00 a.m. **REPORTS OF COMMITTEE NO.2**

Charles C. Krawczyk and Masaharu Fukuma, Chairpersons

Intellectual Property and Privacy Rights Involved in Multimedia Systems — Charles C. Krawczyk

9:30 a.m. *Multimedia and its Intellectual Property Rights* — Susumu Tsugaru

10:00 a.m. **COFFEE BREAK**

10:20 - 11:40 a.m. - Joint Panel Discussion -

Issues Concerning Licensing in NAFTA and EU

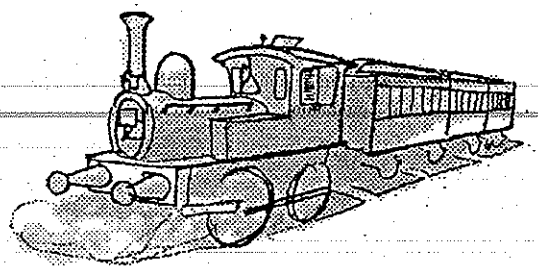
W.Troner, H. Deffebach,
T. Ezoe, K. Okamoto, M. Ohashi and T. Fukuchi

12:00 p.m. **LUNCHEON** and **CLOSING CEREMONY** at Ohtori (East), 2F

12:45 p.m. Reviw of the Congress — Lawrence T. Welch, Takashi Sawai

1:00 p.m. Closing of the Congress — Shigemitsu Nakajima

(3:30 - 5:30 p.m. Joint Board Meeting)



FRIDAY, October 31, 1994

continued REPORTS OF COMMITTEE NO.1

8:30 a.m. Study on Change of Scope of Amendment according to Amended Law — Yukito Masumiya

8:45 a.m. The Situation of Patentability and Its Bailed — Craig E. Larson

9:00 a.m. REPORTS OF COMMITTEE NO.2

Chairs: C. Kawaguchi and Masaaki Fukuma, Chairpersons

Intellectual Property and Privacy Rights Involved in Multimedia Systems — Charles C. Kawaguchi

9:30 a.m. Multimedia and Its Intellectual Property Rights — Susumu Tsujimi

10:00 a.m. CONFERENCE

10:20 - 11:40 a.m. - Joint Panel Discussion -

Issues Concerning Licensing in NAFTA and EU

Moderator: H. Gottlieb,

Panelists: A. Ciamolo, M. Ciardi and T. Fukuchi

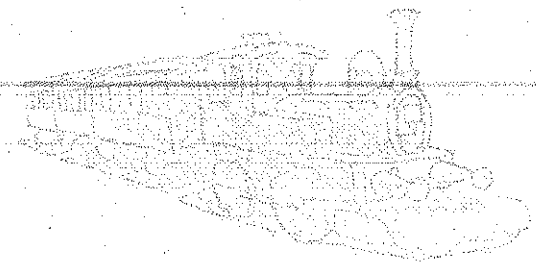
12:00 p.m. MEETING and CLOSING CEREMONY at Union (Rm. 3)

12:45 p.m. Review of the Congress — Lawrence T. Welch

Takashi Sawai

1:00 p.m. Closing of the Congress — Shigeyoshi Hakajima

(3:30 - 5:30 p.m. Joint Board Meeting)



(1) Title: Effective Utilization of Patent Information for Management of Intellectual Property Rights

(2) Date: October 1994 (Hamamatsu)

(3) Source:

1) Source: PIPA
2) Group: Japan
3) Committee: 1

(4) Authors:

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ISHIJIMA Hisashi (Ricoh Company, Limited)

(5) Keywords: Prior Art, Patent Search

(6) Statutory Provisions: (none)

(7) Abstract:

There is an increasing opportunity to obtain information from databases for patent information in our daily work on patents. In this article, characteristics of databases will be analyzed from a practical point of view based upon the results of our investigation of the renewal frequency and coverage/content of the main databases for patent information. This article also describes the results of our study on how prior art searches in filing and prosecution should be carried out from the viewpoint of the searchers, search time and the degree of completion of proposals from inventors. This article furthermore considers the influence on prior art searches of revisions of the Japanese Patent Law, effective since early this year, in which Amendments are restricted.

1. Introduction

In routine work for filing and prosecuting patent applications, the patent department utilizes patent information for judging whether the application is to be filed, taking into consideration the prior art, and for planning policies for obtaining patent rights. In addition, the work of so-called patent clearance, whereby developed products will not infringe the patent rights of competitors, is initiated from patent right searches. Further, in

deciding subjects for research and development in the R&D department, patent information is sometimes utilized for investigating technical trends within certain fields. As such, patent information has both the characteristic of information on intellectual rights and the characteristic of technology, and has become a necessity for R&D and patent work. In recent years, patent information searches have been available in quicker and easier ways as a result of progress in database technology and, therefore, patent information has been more and more actively utilized.

Among patent searches of competitors' patent rights for preventing infringement and of prior art documents at the filing stage, which are related to the Patent Department, this article discusses prior art searches focusing on the business from filing to patenting, which the First Committee is in charge of. One of the objects of a prior art search concerning patenting is to judge whether the application is to be filed in view of patentability so that the number of unnecessary applications with little possibility of being patented are decreased and total filing costs can be saved. Another object is to utilize the results of prior art searches on the content of specifications and the claims, so that the possible coverage of the invention is clarified and a specification with more substantiality and higher possibility of being patented can be drafted. The latter object is now of great importance particularly in Japan because amendments have become restricted as a result of the revision of the Japanese Patent Law effected earlier this year.

In this article, the results of our studies of when and how often information is renewed and on the extent of coverage of the information in main patent information databases which are currently in use will be described with the object of contributing to the utilization of prior art searches in the member companies of the PIPA. It will also describe the characteristics of each of the databases from a practical point of view. Further, it will introduce the

systems of those countries where the submission of a prior art search is obligatory. Moreover, the result of our study on how prior art searches should be carried out from the production of the invention until application will be discussed from the standpoint of the searchers, the search stage, and the degree of completion of documents from the inventors, taking into consideration the influence of the revision of the Japanese patent system.

2. Databases Related to Patents

When conducting a prior art search, the use of on-line databases is one of the most effective means. There are two types of databases related to patents. One is that which solely comprises patent information while the other is that wherein patent information is included as a part of technical literature information. Representative examples of patent-oriented databases are given in Table 1. Among them, only CA is within the latter category while all others are within the former category. In normal patent searches, there are many cases where only databases belonging to the former category are used, although depending upon the subject to be searched, the latter may be an effective means. In any case, there is a limit to the coverage of each database and, therefore, it is necessary to select the databases carefully and use combinations of databases which match the purpose of the search.

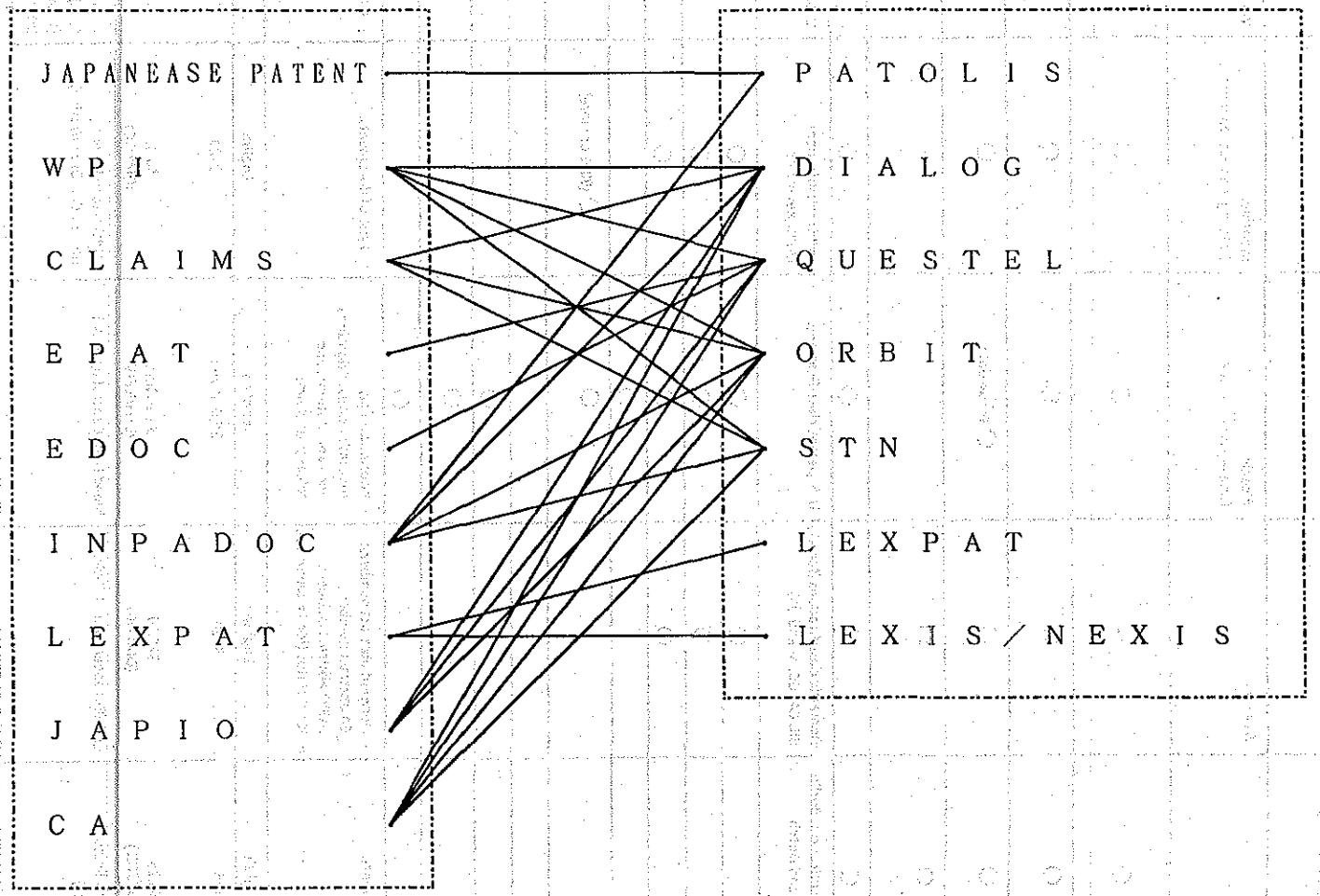
Many databases in the table are available via different on-line systems. When two or more databases are accessible by one of the on-line systems, it is possible to conduct a cross file search while checking a patent family for example. Accordingly, the strategy wherein which databases are to be searched and which system is to be used therefor will be important in conducting the patent search in an efficient manner. Fig. 1 shows which database is accessible by which system.

Table 1. Comparisons of Databases.

	PATOLIS	WPI	CLAIMS	EPAT
Coverage	Japanese patent applications (Kokoku or version B: 1965 and thereafter; Kokai or version A: 1971 and thereafter), Japanese utility model applications (Kokoku or version B: 1965 and thereafter; Kokai or version A: 1971 and thereafter)	Thirty-three countries and organizations. Pharmaceuticals (1963-), polymers (1966-), all chemical areas (1970-) and all technical areas (1974-) which vary depending upon the countries.	United States patents since 1950 except plant patents. Coverage for electrical and mechanical patents is 1963 and thereafter.	All European patents and PCT applications designating the EPO. (June 1978-)
Frequency of Renewal	Weekly. Time lag is about about 17 days (for abstracts, about two months).	Weekly. Time lag for patents from Europe is about two months and about three months for those from Japan.	Weekly. Time lag is one to two weeks.	Wednesday of every week. Simultaneous with laying-open of the application.
Input Data Filing data (numbers, countries and dates)	○	○	○	○
Priority data (numbers, countries and dates)	○	○	○	○
Laid-open data (numbers, countries and dates)	○	○	○ (Issue data)	○
Patent family data (numbers, countries and dates)		○	(Available for chemical patents until 1979)	
IPC	○	○	○	○
Other classifications	F terms, FI symbols, JAPIO classifications and Japanese classification	Derwent classifications.	U. S. patent classifications. Uniterm.	European patent classifications.
Applicants/assignees	○	○	○	○
Inventors	○	○	○	○
Titles	○	○ (original titles)	○	○
Claims			○	○ (First claim only)
Abstracts	○ 1977- for patents; 1980- for utility models	○	○	○
Drawings	○ (1980-)	○ (1992-)		
Examiners	○		○	
Representatives/attorneys/agents	○		○	
References cited	○		○	
Other information	· Proceedings of the examinations and appeal trials · state of annuity payment	· Codes exclusively to members for patents in chemical and electrical areas.	· Information on continuations, divisions and reissues. · CA numbers.	· Information on requests for examination, withdrawals, rejections, registrations, invalidations and oppositions.
Language used	Japanese	English	English	English (French, German)
Connecting charge (per hour)	18,000 yen	$210	$120	$140
Charge for online display (for one full record)	60 yen (260 yen for information on entire proceedings)	$1.90 (DIALOG)	$1.70 (DIALOG)	$0.85 (QUESTEL)
Organization in charge of preparing data	JAPIO (Japan Patent Information Organization)	Derwent (United Kingdom) (Agent in Japan: NGB Corporation [Derwent Section])	IFT/Plenum Data (U. S. A.)	INPI (French Intellectual Property Office)
Remarks	· FI terms and FI symbols which are the result of the paperless plan of the JPO are input and can be used as keys for searches. · Legal status of Japanese applications are input in detail.	· Searching patent family is possible. · There are two levels of member countries - "major" and "minor" - and input data differs between the two. General and mechanical patents from Japan are not covered. · The original titles are modified to more informative ones.	· Since 1971, all claims and information on front pages (excluding drawings) are covered. · Rather old patents retrospective to 1950 are searchable.	· Almost no time lag. · Details of legal status are available. · observing the progress of examinations is possible on the basis of an SDI service.

EDOC	INPADOC	LEPAT	JAPIO	CA
Patents, EP patents, PCT applications and OAPI applications filed by the eighteen industrialized countries. (1960 may vary depending upon country)	Fifty-eight countries and organizations (1968- for the main countries while 1973- for others).	U. S. Patents (1975-)	Japanese patent applications in all areas (October 1976-).	Twenty-nine countries and organizations. Areas of chemistry and of chemical engineering (1967-).
Monthly.	Weekly.	Weekly. Time lag is one week.	Monthly. Time lag is about ten months.	Weekly.
○	○	○	○	○
○	○	○	○	○
○	○	○ (Issue data)	○	○
○	○			
○	○	○	○	○
European classification, Berlin classification and Dutch classification.	Domestic classifications (for AT, BR, CA, GB, M and US)	U. S. patent classifications.	JAPIO classifications. JAPIO keywords	U. S. patent classifications.
	○	○	○	○
	○	○	○	○
	○	○	○	○
		○		
		○	○ (90% or more)	○ (STN)
		○		
		○		
		○		
· Types of patents.	· Derwent abstract numbers; · CA abstract numbers; · JAPIO abstract numbers; · legal status (for 16 countries).	· Information on reexaminations, litigations and cancellations, and releases of claims.	· Type of documents.	· CAS registration numbers.
English	English	English	English	English
$155 $0.25 (QUESTEL)	$120 $20.00 (DIALOG)	36,000 yen 3 yen/line (LEIS/NEIS)	$120 $0.80 (DIALOG)	$120 $1.15 (DIALOG)
INPI (French Intellectual Property Office)	EPO (European Patent Office)	Mead Data Central (U. S. A.)	JAPIO (Japan Patent Information Organization).	Chemical Abstracts Service (U. S. A.). Agent in Japan: JAICI (Japan Association for International Chemical Information).
· Patent family search is possible. · Coverage mainly comprises numbers, countries and dates.	· Searching patent family is possible because of wide coverage of countries	· All texts of U. S. patents are input. · Information on changes of right after issue (e.g. assignment records, litigation notices, terminations, reexaminations, etc.) is seachable.	· Access to laid-open information of Japanese patent applications in English is possible. · No abstract is available when applicant is a foreigner.	· Search from names of compounds and from chemical structures is possible. · Patent information in chemical literature files in general.

Fig. 1 DATABASE - SYSTEM



The characteristics of each of these databases will be given briefly below.

<PATOLIS (for Japanese patents and utility models)>

PATOLIS covers all Japanese patent and utility model applications. The most significant feature of this database is that search by and output in Japanese letters is possible. This is an indispensable system for Japanese searchers. It is of course possible to search using keywords and IPC and, in addition, FI symbols and F terms which are used during examination procedures at the JPO are partially available and utilizable. Among these, the F terms are assigned not only to the art covered by the claims but also to the art disclosed in the text, if any, and therefore, F terms are suitable for prior art searches.

Another characteristic of PATOLIS is that the progress of examinations and appeal trials at the JPO are covered as well.

<JAPIO>

JAPIO covers information on Japanese laid-open patents in English but, unlike PATOLIS, there is a significant time lag, information subsequent to laying-open is not available and F terms are not used. Nevertheless, it is helpful for English-speaking people when searching Japanese patents.

<WPI>

WPI is most widely used in searching patent applications in major countries around the world, including Japan. Originally, however, WPI started as a database for covering the chemical field, and consequently some Japanese patents in the mechanical and electrical fields are not covered, therefore due care must be exercised.

Both abstracts and their corresponding patents are input and it is possible to perform searches from common patent searches to the corresponding patent (patent family) searches.

For chemical and electrical patents, codes exclusively for members are available, whereby more precise searches are made possible. Only members are entitled to use such codes.

<CLAIMS, LEXPAT>

In searching U.S. patents, it is of course possible to use WPI but, when CLAIMS is used, it is possible to search older patents. For U.S. patents registered in recent years, full texts are available in LEXPAT and in U.S. FULLTEXT (not listed in Table 1) which are useful in terms of both search and output.

In LEXPAT, information on changes to patents after issuance is available.

<EPAT>

For European Patent searches, EPAT is useful as well as WPI. The main feature of EPAT is that there is almost no time lag. For patents which were filed designating some countries belonging to the EPC, there is greater possibility of detecting them first by means of EPAT.

<INPADOC, EDOC>

For so-called patent family searches for the names of the countries in which patents being searched have been filed, INPADOC and EDOC can be used in addition to WPI. INPADOC is particularly useful because it covers as many as 58 countries. However, abstracts are not available in INPADOC and EDOC and, therefore, it is not possible to search patents from their technical content. Accordingly, these databases can be used only for searching patent families.

<CA>

CA is a file for general chemical literature, patent information being included as part thereof. Since information such as patent families is not available, it is recommended that cross file searches with other patent-oriented databases be performed.

In the chemical field, this database is used quite often for searching the related prior art from the names of compounds and chemical structural formulae.

In conducting a prior art search, it is common to use PATOLIS and/or WPI by means of IPC followed by the use of key words, applicants, inventors, F terms (for PATOLIS only) and other search keys for further isolating the subject. For a more precise search, country-specific databases, such as CLAIMS for U.S. patents, may be used. When the subject patents are detected, patents corresponding thereto and those cited during examination are searched as well, so that the related prior art can be searched more broadly.

3. Patent Systems in Several Countries Relating to Prior Art Searches

Submission of information on prior art searches is obligatory only in the United States. This system (rules amended on March 16, 1992) is summarized in Tables 2-1 to 2-3. Further, the system for search reports in European countries, etc. and the system for submission of the examination status of corresponding patents in other countries adopted in North European and Asian countries are respectively summarized in Tables 3 and 4. In Japan, there is a regulation which reads "When literatures concerning the prior art is available, the titles thereof are to be preferably disclosed." (cf. Notes in Form 29 of Regulations under the Patent Law).

Table 2-1: Duty to disclose information material to patentability in the United States (Rule 56)

Persons Responsible	Individuals associated with the filing or prosecution of the U.S. patent application (inventors, attorneys/agents, assignees, etc.)
Information to be Disclosed	All information which is thought to be material to the unpatentability of the invention of the patent application
Criteria for Unpatent-ability	Information which is not cumulative and (1) which establishes a prima facie case of unpatentability for a claim or (2) which is inconsistent with the position taken by the applicant in (i) opposing an argument of unpatentability relied on by the Office, or (ii) asserting patentability
Method of Disclosure	IDS (Information Disclosure Statement) in accordance with Rules 97 and 98 must be submitted.

Table 2-2: Terms for Submitting the IDS (Rule 97)

(1)	Submission within three months from the U.S. filing date (date of entry at the national stage in the case of PCT applications) and before the mailing date of a first official action on the merits which event occurs last.	no charge
(2)	Up till the mailing date of a final action or of a notice of allowance after (1), whichever is earlier.	IDS is submitted with payment of $200 <u>or</u> with certification (*)
(3)	Before payment of the issue fee after (2)	IDS is submitted with payment of $130 <u>and</u> certification (*) and a petition for considera-tion of the information
(4)	Before issuance of the patent, after payment of the issue fee	No consideration will be made even if an IDS is submitted, therefore a continuation application is necessary.

*) What is to be certified is that (a) the persons involved with the application did not know of the requirement to submit within three months before the date of disclosure of information or (b) none of the references was cited in a counterpart foreign application within three months before the date of disclosure of information [i.e. the charge is free when submission is made within three months from the mailing date for the literature which was cited in the search report or in the official action].

Table 2-3: Content of the IDS (Rule 98)

(1)	List of patents, publications, etc. to be submitted	U.S. Patents (patent numbers, dates of issue and assignees); Foreign patents (countries, document numbers and dates of issue); Publications (authors, titles, publication dates, page numbers, etc.).
(2)	Copies of the documents listed in (1)	Duplicated submission is not necessary for cumulative information; Submission is not necessary for copies of specifications of U.S. patent applications.
(3)	English translation of non-English document	This is not obligatory, though submission is necessary when the information is within the possession of or is readily available to the persons in Rule 56.
(4)	Concise explanation of the non-English information	Unnecessary when English translation is submitted; when the search report written in English for the counterpart foreign application shows its relevance, submission of only the search report will suffice.

Table 3: Search Report Systems in Several Countries

EPC	The search report is laid open together with the laying-open of the application after 18 months from the priority date or filing date. A request for substantive examination is to be filed within 6 months from the laid-open date.
Great Britain	A preliminary examination and search are to be requested within 12 months from the priority date or the filing date. The search report is laid open together with the laying-open of the application after 18 months. A request for substantive examination is to be filed within 6 months from the laid-open date.
France	In principle, preparation of a "literature notice" is to be requested on the filing date or within 18 months from the priority date. A search report is laid open together with the laying-open of the application.
Germany	A "novelty search" is to be requested within 7 years from the filing date.
The Netherlands	A request is to be made within 7 years from the filing date. Otherwise, the application becomes invalid.
Belgium	A novelty search is to be requested within 18 months from the priority date or the filing date.
PCT	A search report is prepared within 3 months from when the international searching authority receives the search copy or within 9 months from the priority date.

Table 4: Obligations for Submission of the Examination Progress Reports, Lists of Cited References, etc. for Corresponding Foreign Applications

Canada	Report on the examination status in corresponding foreign applications may be requested. When the application has already been issued in the United States, the U.S. application claims may be substituted.
Denmark	Submission of search reports for the corresponding foreign applications is obligatory. Submission of official actions in basic foreign applications upon which the priority is claimed is requested and, at the same time, submission of information on cited references in foreign applications is suggested.
Norway	A report on the examination status of corresponding foreign applications may be requested.
Finland	Results of examinations of corresponding foreign applications must be reported.
Sweden	A copy of actions for corresponding foreign applications must be submitted.
Australia	Submission of a list of the prior art literature searched by foreign patent offices or organizations for the corresponding foreign applications may be requested. When any one of the corresponding applications in U.S.A., Great Britain, Canada, New Zealand or the EPC has been patented, the Australian application is patented provided that the specification is made consistent with the Australian format (a modified examination)
China	When requesting the substantive examination, it is necessary to submit prior art literature and citations and results of examinations in corresponding foreign applications. Otherwise, the application will be deemed withdrawn.
Korea	The examination progress in Japan, etc. may be taken into consideration.
Malaysia	Citations and results of the examination progress in corresponding foreign applications may be requested.

4. Objects of Prior Art Searches and Utilization Thereof

4-1. Objects of Prior Art Searches

Objects of prior art searches which are conducted before filing patent applications are as follows.

(1) Judgement as to whether the application shall be filed:

A prior art search is carried out before filing the patent application for judging the possibility of patent from the standpoint of the patentability of the invention(s) in consideration of filing, then it is decided whether the application is to be filed. Applications focus only on inventions which are potentially patentable, whereby the applicant is able to improve cost performance.

(2) Drafting of claims and the body of the specification:

Based upon the prior art detected as a result of the search, claims which are capable of asserting the patentability of the application are drafted. Then the technical matter of the application based upon the prior art, the functional effects of the application with respect thereto and embodiments which support the scope of the claims are fully investigated, and a specification which can withstand rejections and oppositions is prepared.

When the specification is drafted based upon the prior art which is most closely related to the invention, the possibility of the application being patented is much higher.

(3) Disclosure of prior art literature when filing the application:

It is recommended that the prior art which was found as a result of the search be described in the specification, indicating the patent publication numbers, the names of the documents, etc. together with the contents thereof. Thus, the prior art related to the application is disclosed to the examiner so that examiner will be able to understand the invention easily and accurately, by considering the prior art.

4-2. Anticipated Flow of Practice

The practice from the prior art search to the drafting of the specification will be exemplified by classification into cases where the prior art search is conducted by the inventors and where it is conducted by the patent department.

A. Where prior art search is conducted by inventors (cf. Table 5-1)

Step 1: The inventors carry out a prior art search after defining the coverage of the search (e.g. period covered and classifications). Out of a number of prior art documents, they specify the ones which are related to the invention invented by them.

Step 2: The inventors judge whether the invention is patentable in view of the above-specified prior art and decide whether the invention shall be proposed as a patent application for filing.

Step 3: If the invention is to be proposed, the inventors decide the object(s) of the invention and the means for achieving it/them (that is, a policy for drafting the claims as well) based upon the prior art and, in addition, prepare a specification draft substantiating the embodiments which support the above means.

Step 4: The R&D department evaluates whether the invention is worth filing based upon drafted specification, from a business point of view. When it is decided that the invention is worth filing from the business standpoint, the specification draft is sent to the patent department.

Step 5: The patent department decides whether the invention shall be filed after judging its

patentability based upon the specification draft forwarded from the R&D department. If it is decided to file it, the patent department checks and drafts the claims, judges the degree to which the claims are supported by the embodiments, and prepares the body of the specification. When it is decided that the invention has little or no patentability or when the disclosure in the specification draft is insufficient after being checked by the patent department, the draft is returned to the inventors for further consideration.

Step 6: The patent department prepares the specification based upon the specification draft and files the application.

B. In a case where the prior art search is conducted by the patent department

B-1. When a letter of proposal from the inventors is a specification draft (cf. Table 5-2)

Step 1: The inventors prepare a specification draft for the invention invented by them.

Step 2: The R&D department evaluates whether the invention is worthy filing a patent application based upon the prepared specification draft from the standpoint of the line of business. When the invention is decided to be worthy filing from the standpoint of the line of business, the specification draft is sent to the patent department.

Step 3: Based upon the specification daft forwarded from the R&D department, the patent department (including the search company) conducts a prior art search after defining the coverage for the search (e.g. coverage period and classifica-

tion). Out of the prior art documents found, the ones which relate to the invention are specified.

Step 4: The patent department judges the patentability of the invention based upon the specified prior art and decides whether it shall be filed. When it is decided that the invention has little or no patentability or when the disclosure in the specification daft is insufficient after being checked by the patent department, the draft is returned to the inventors for further consideration.

Step 5: The patent department prepares the specification based upon the specification draft.

B-2. When the letter of proposal from the inventors is an invention report (cf. Table 5-3)

Step 1: The inventors prepare an invention report (about one A4 size sheet of paper) in which the summary of the invention invented by them is described.

Step 2: Based upon the above-prepared invention report, the R&D department evaluates from the standpoint of the line of business whether the invention is worthy filing. When it is decided to be worthy filing from the standpoint of the line of business, the invention report is sent to the patent department.

Step 3: Based upon the invention report forwarded from the R&D department, the patent department (including the search company) conduct a prior art search after defining the coverage for the search (e.g. covering period and classification). Out of the plural prior art literatures detected, the ones which relate to the invention

are specified and the result is returned to the department where the invention was invented.

Step 4: Depending upon the patentability, the R&D department decides whether a draft for the invention is to be drawn up.

Step 5: The inventors decide the object(s) of the invention and the means for solving them (that is a policy for drafting the claims as well) based upon the prior art and, in addition, prepare a specification draft after trying to fill up the working examples which support the above solving means followed by submitting it to the patent department.

Step 6: The patent department decides whether the invention shall be filed after judging the patentability. When it is decided to be filed, the patent department checks and drafts the claims, judges the degree of the support by the embodiments and prepares the story of the specification. When the invention is decided to be with little or no patentability or when the disclosure in the specification draft is insufficient after being checked by the patent department, the draft is returned to the inventors for further consideration.

Step 7: The patent department prepares the specification based upon the specification draft.

Table 5-1: Flow of Practice when Prior Art Search is Conducted by the Inventors

Step	Action	Conducted by	Remarks
1	Creation of invention	R&D Dept	
	Prior art search; Specifying the prior art	R&D Dept	
2	Judging patent-ability; Deciding whether the specification draft is acceptable	R&D Dept	Deciding whether the specification draft is acceptable based upon the degree of patentability
3	Preparing a specification draft	R&D Dept	Based upon the prior art, a "specification-like" draft is prepared
	(1) Decision on the body of a specification draft	R&D Dept	Deciding the objects and means for solving the problems (claim policy); substantiating the embodiments and drafting the claims
	(2) Preparing specification draft	R&D Dept	
4	Evaluation from business viewpoint	R&D Dept	Evaluating whether it is worth filing based upon the specification draft
	Submission of the specification draft to patent dept	R&D Dept	
5	Judging patent-ability	Patent Dept (Pat Dept)	When little or no patent-ability, i) return to the R&D Dept or ii) prepare patentable claims in Pat Dept; in case ii), the prepared claims may be sent to the R&D Dept for evaluation from business viewpoint
	Judging supportability of the embodiments	Pat Dept	Judging whether support for the claims is sufficient; If insufficient, amendment is requested of the R&D Dept.
	Judging and preparing the body of the specification	Pat Dept	In practice, this is not disconnected from the evaluation of patentability and on supportability by embodiments
6	Preparing a specification for filing with the application	Pat Dept	

Table 5-2: Flow of Practice when Prior Art Search is Conducted by Patent Department (where the letter of proposal is a specification draft)

Step	Action	Conducted by	Remarks
1	Creation of invention	R&D Dept	
	Preparation of a specification draft	R&D Dept	Preparing a specification-like draft
	(1) Decision on body of the specification draft	R&D Dept	Deciding the objects and means for solving problems (claim policy); substantiating the embodiments and drafting the claims
	(2) Preparation of the specification draft	R&D Dept	
2	Evaluation from business viewpoint	R&D Dept	Evaluating whether it is worthy filing based upon a specification draft
	Submission of the specification draft to patent dept	R&D Dept	
3	Prior art search	Pat Dept	Conducting a prior art search based upon the specification draft
4	Judging patentability	Pat Dept	When little or no patentability, i) return to the R&D Dept or ii) preparing the patentable claims in Pat Dept; in case ii), the prepared claims may be sent to the R&D Dept for evaluation from business viewpoint
	Judging the supportability of the embodiments	Pat Dept	Judging whether support of the claims is sufficient; When insufficient, amendment is requested of the R&D Dept.
	Judging and preparing the body of the specification	Pat Dept	In practice, this is not disconnected from the evaluations of patentability and supportability by the embodiments
5	Preparing a specification for filing with the application	Pat Dept	

Table 5-3: Flow of Practice when Prior Art Search is Conducted by the Patent Department (where a letter of proposal is an invention report)

Step	Action	Conducted by	Remarks
1	Creation of invention	R&D Dept	
	Preparation of invention report	R&D Dept	On about one sheet of paper (A4 size)
2	Evaluation from business viewpoint	R&D Dept	Evaluating whether it is worth filing based upon the invention report rearranging and unifying the inventions
	Submission of the invention report to patent dept	R&D Dept	
3	Prior art search	Pat Dept	Returning the search result to the R&D Dept
4	Judging patent-ability; Deciding whether invention report is acceptable	Pat Dept	Deciding whether the invention report is acceptable based upon the degree of patentability
5	Preparing a specification draft	R&D Dept	Based upon the prior art, a specification draft is prepared
	(1) Decision on the body of the specification draft	R&D Dept	Deciding the objects and means for solving the problems (claim policy); substantiating the embodiments and drafting the claims; for preparation of a good quality specification, judgement by the Pat Dept is to be preferably taken into consideration
	(2) Preparing a specifica-tion draft	R&D Dept	
6	Judging patentability	Pat Dept	When little or no patentability, i) return to the R&D Dept or ii) prepare patentable claims in Pat Dept; in case ii), the prepared claims may be sent to the R&D Dept for evaluation from business viewpoint
	Judging supportability by the embodiments	Pat Dept	Judging whether support for the claims is sufficient; When insufficient, amendment is requested of the R&D Dept.
	Judging and preparing the body of the specification	Pat Dept	In practice, this is not disconnected from the evaluations on patentability and supportability by the embodiments
7	Preparing a specification for filing with the application	Pat Dept	

4-3. Merits and Disadvantages in the Flow of Practice

4-3-1. Comparison of the Search Results

Table 6 shows the results of a comparison from the point of view of the search, precision of the search result, and merits for each of the R&D and patent departments. When the precision of the search result is taken into consideration, it is advisable that it be conducted by the patent department, where professional knowledge of patents is available

Table 6: Comparison According to Searcher

Searcher	Inventors	Patent Department
Viewpoint for the Search	Technology-oriented	Patent right-oriented
Precision of the Search Result	Because they are familiar with the technology, precision is high when technology which is the same as their invention is searched. Due to scant knowledge of the search system, precision is not so high in technical fields different from that of the invention. Because of scant knowledge of patent laws, search from the inventive step is difficult.	Because they are experts in the search system and have knowledge of patent laws, a search taking even the inventive steps into consideration is possible. They are not experts in the technology when compared to the inventors, precision is low when technology concerning the invention is not so well grasped or understood.
Merits	R&D dept can grasp the related technology. Preparation of the specification reflecting the prior art is possible (provided that the inventors are well-educated)	Since precision for the prior art is high, there are less measures for rejection, etc. after filing and the procedure for patenting is easier.

4-3-2. Comparison in Terms of the Content of the Specification Draft

Table 7 shows results of a comparison in terms of the reliability of the search, coverage of the search, influence on the specification, work of the inventors for preparing the paper and the degree of ease with which the application is ceased.

When the influence of the prior art search on the specification is taken into consideration, it is desirable to prepare a specification draft after conducting a prior art search based upon an invention report and taking the detected prior art into consideration fully rather than conducting the prior art search after preparing the specification draft.

Table 7: Content of the Letter for Proposal

Type of the Letter	Invention Report	Specification Draft
Reliability of Search	Low: Thus, since the details of the invention are not clear, the invention cannot be specified, and reliability is low.	High: Thus, since the details of the invention are clear, reliability is high.
Coverage of the Search	Broad: Thus, since the invention cannot be specified, the coverage of the search is broad and many prior art documents are detected.	Narrow: Thus, since the invention can be specified, concentrated search is possible and prior art detected is comparatively less.
Influence on the Specification	Easy	Difficult
Work of the Inventors	Little	Much. Under certain conditions, the work for preparing the specification draft might be wasteful.

4-3-3. Considerations

In preparing a specification which can withstand rejections and oppositions, it is essential that the specification be prepared on the basis that (1) the prior art closest to the invention has been detected before filing the application and (2) the prior art is used as a basis for preparing the specification.

In order to meet the requirement of (1), it is desirable that the patent department (including search companies), who have professional knowledge of patents, conducts the prior art search with the cooperation of the inventors, who are specialists on the technology.

In order to meet the requirement of (2), conducting the prior art search based on the invention report is believed to be effective for preparing a specification which duly reflects the prior art.

The conclusion when the above facts are taken into consideration is that the flow of practice given in Table 5-3 (where the prior art search is conducted by the patent department-when the letter of proposal is an invention report) will result in the preparation of a substantially good quality specification which can withstand rejections and oppositions.

5. Influence of the Revision of the Patent Law

5-1. Restriction of the Amendments

5-1-1. Amendments where New Matter is Added

In the former system, addition of new matter to the specification or the drawings in the amendment prior to Kokoku publication was allowed so far as it did not change the gist of the specification or the drawings. Under such a system, however, it was pointed out that applications in which disclosure of the invention at the filing stage is insufficient are apt to be filed and that patent right might be granted on matter which was not disclosed therein at the time of filing. In addition, amendments adding new matter are not allowed in most other countries.

In the revised patent law of Japan, amendments adding new matter are no longer allowable (Article 17, paragraph 2) from the standpoint of international harmonization of patent systems, promptness in granting patent rights, realization of equitability in handling patent applications, etc.

5-1-2. Amendment of the Claims

In the former system, amendment prior to publication including expansions and alterations of the claims was allowed even after issuance of official actions. Further, there was no restriction on the frequency of amendments and, accordingly, claims could be amended each time an official action was issued so far as the gist of the invention was not changed.

The revised law provides regulations for countermeasures by classification into cases where "when the first action is received" and "when the final action is received" and, with respect to amendment of the claims after the final action is received, amendment is restricted to the cancellation of the claims or to the reduction of the coverage of the claims so that mere repetition of the examination is prevented (cf. Article 17 bis, paragraph 3).

5-2. Influence of the Prior Art Search on the Specification

5-2-1. Time for Conducting the Prior Art Search

In the revised law, amendments adding new matter to the specification are no longer allowable. Therefore, unlike under the former law, adding or changing the embodiments and the objects/merits after filing the application is restricted. Accordingly, it is necessary to make the prior art and the objects clear at the application filing stage.

Conventional prior art searches have been conducted paying attention mostly to novelty in the art in order to judge whether the application or the request for examination is necessary. After the revision of the patent law, however, emphasis may be put on the prior art search including the inventive step search, whereby the body of the specification

can be well prepared and the specification is more substantiated.

It seems that, in preparing a specification which duly reflects the prior art, the time for conducting the prior art search will be shifted to the time before commencement of the preparation of the specification. It would be desirable to conduct the prior art search before the inventors prepare the specification draft.

5-2-2. Searcher for Conducting the Prior Art Search

As mentioned already, it is necessary to conduct a prior art search paying due attention to the inventive step as well after the revision of the patent law. For engineers in the R&D department in general, however, it is difficult to compare the proposed invention from the viewpoint of an inventive step with prior art documents detected by the search. In addition, for conducting a precise search, it is requested that the searchers be familiar with the patent information system.

As such, prior art searches under the present circumstances require a professional knowledge of patent examination practices, the system for searching information, etc. Accordingly, it is desirable that the patent department or the search company (which has more professional knowledge than the R&D department) takes the lead in the judgment of prior art searches, particularly the judgment of the result of the search.

5-2-3. How to Reflect the Search Result in the Specification

The result of the prior art search can be reflected in the specification in the following ways.

a) As a result of the prior art search, the prior art can be correctly grasped, whereby the subject of the invention can be made more adequate. When the result of the search is highly precise, there will be no concern about the alteration of the body of the specification.

b) A correct grasp of the prior art as a result of the prior art search can make the claims more adequate. It is possible to make the coverage of the request for patent clear before examination.

6. Conclusions

Firstly in this article, the characteristics of the main databases for patent information have been compared. As a result, it was made clear that EPAT is suitable for obtaining patent information for European countries at an early stage, that WPI and INPADOC which input patent information from many countries are suitable for obtaining information on patent families, and that LEXPAT is suitable for obtaining full texts of U.S. patent specifications. In addition, as mentioned in Chapter 2, each of these databases has its own features and, if they are utilized after considering how to make the most of the result, it is believed that a considerably efficient and detailed patent service can be carried out.

With respect to patent systems, U.S.A. is the only country where the submission of information on the prior art is obligatory, while many other countries such as Canada and those in Northern Europe have an obligation to submit status reports of examinations conducted in other countries. Further, the EPC and many European countries issue search reports.

Finally, a discussion was made on how the prior art search should be. Comparison was made between cases where the prior art search is conducted by the R&D department and by the patent department and also between cases where the letter of proposal is merely the inventive report and where it is the specification draft. Each of them has been found to have its own merits and disadvantages. However, under the Japanese Patent Law, which was revised earlier this year, where the amendment of the specification is now rather restricted, it is necessary to make the description of the prior art, subject matter, etc. of the specification clear at

the filing stage. Accordingly, it is believed that the target of the prior art search will shift from a novelty search for judging whether the application is to be filed to a search including consideration in the inventive step with the object of preparing the body and substantiation of the specification. Consequently, after revision of the law, it is necessary to conduct more precise and professional prior art searches because searches which include an inventive step must now be conducted. It is therefore believed that the department in charge of judging the search result will be moving from the R&D department to the patent department and that the stage for the search will change from the time of completion of the specification draft to the time before preparation of the specification draft.

(1) Title:

Prior art searches and ways of using them

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(3) Committee:

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(7) Abstract:

A survey is done on prior art searches being conducted by companies belonging to PIPA Japan Chapter in relation to the patent applications. Interesting results were obtained as summarized below:

1) The greater the number of patent applications, the more the timing for conducting prior art searches tends to center on the time of the filing of the request for examination, leading to their concurrent use as searches before application filing.
2) The manpower and cost spent per search by the chemical sector companies are considerably bigger than those spent by the companies in the electric and mechanical sector.
3) In the case of the companies in the electric/mechanical sector, searches are carried out before the time of the request for examination, and invalid patent applications are removed effectively.
4) The electric/mechanical sector companies which have searches done by their patent division/department or outside searching companies tend to be satisfactorily able to remove invalid patent applications.

Based on these results, the companies are to hold a panel discussion on ways of conducting prior art searches at the general meeting.

1. Preface

It goes without saying that prior art searches are important for obtaining effective patent rights. A sufficient knowledge of the prior art makes it possible to clearly distinguish the invention of a patent application from the prior art and to obtain a wide and effective patent right.

Cost reductions required for overcoming the recent economic recession are a very important matter also to intellectual property division/departments. But it is not an easy task to limit the number of applications just to reduce costs while still effectively protecting highly sophisticated and diversified technologies.

Against this background, PIPA Committee No.1 are planning a panel discussion to study on the effective and useful ways and means for conducting prior art searches based on knowledge of the actual situation in prior art searches being done by the PIPA member companies.

The present report summarizes the results of a questionnaire survey carried out in order to get a picture of companies' prior art search usage to be used as basic material for the panel discussion mentioned above.

2. Summary of the results of the questionnaire

The questionnaire was sent out to PIPA Japan Chapter member companies. There are 71 respondents, of which 37 were in the chemical sector and 28 in the electric/mechanical sector, while the remaining 6 were in other sectors.

<Appendix 1> shows the questionnaire used this time.

The survey results are illustrated in Fig.1 through Fig.48 in <Appendix 2>. In the questions where multiple answers were required in order of priority, the highest priority answer was given the n point, the second highest priority answer (n-1) points ... and the (n-th) points highest priority answer 1 point. The totals are shown as "points obtained".

This time, we analyzed tendencies in prior art searching mainly as seen through the number of patent applications and as

seen through the rate of publication of examined applications. This is because the former was thought likely to be a factor that strongly influences how searches are conducted, while it was thought that the latter would be useful basic material for studying what are effective ways of searching. In both cases, as trend differences between industry sectors was anticipated, analysis was made by separating the sectors into two groups of companies, namely the chemical sector and the electric/mechanical sector. Now, the overall analysis followed by the analysis of number of patent applications and the analysis by rate of publication of examined applications are discussed below.

3. Overall analysis

3-1. Purpose of prior art searches

Figs. 1 and 2 show a summary of the specific purposes of prior art searches intended by each of the respondent companies. Fig. 1 shows the purposes as of before the preparation of specification drafts,while Fig. 2 shows those after the preparation of specification drafts. The "specification draft" means an draft of a specification having an appearance similar to a formal specification of a patent application. Many of the questions in the questionnaire were divided into two categories, namely into before and after the preparation of specification drafts. The reason for this was that we thought there might be some differences in appraisal in the flow of specification preparation, considering the fact that there are two cases where the specification drafts are directly submitted by the department to which the inventor belongs and cases where they are prepared by other departments starting from a memo-like invention proposal coming from the inventor.

There were no major difference found in the purpose of prior art searches between before and after the preparation of specification drafts. Looking in detail, it is apparent that the judgment on whether or not application should be done plays a big role before the preparation of specification drafts. After the preparation, however, the stress is normally given to finding prior art references, to the preparation of claims and creating

the 'story' of the specification.

The reason why there are no major differences in the objectives of searches between before and after the preparation of specification drafts is considered to be that searches after the draft preparation are regarded as supplementary to the ones conducted before the draft preparation. As is evident from the entire questionnaire, this is also supported by the fact that the form of the searches carried out after preparation of specification drafts is not clearly reflected in the rate of publication of examined applications. The fact that many companies make the judgment on whether or not to proceed with the application for a patent after the preparation of specification drafts seems to reflect that searches performed before the preparation of specification drafts are often not necessarily sufficient.

3-2. Important factors and points of dissatisfaction in prior art searches

Figs. 3 to 5 show what the survey found the respondents think important in conducting prior art searches. It is evident that especially the completeness of information gathered and speed are of importance. There are many companies that make relatively little of manpower and cost.

Fig. 6 indicates the points of dissatisfaction felt by the respondents in conducting prior art searches. The biggest dissatisfaction lies in the intensive cost and time requirement.

Judging from all these results, it can be interpreted that although many companies are generally dissatisfied about the expensive manpower and cost requirements for conducting prior art searches, they have no intention of risking the accuracy of the searches by attempting to make reductions in the manpower and cost.

Fig. 7 shows the dissatisfaction especially regarding on-line data base searches. In comparison with Fig. 6, the dissatisfaction is mostly due to the insufficient technical skills of patent searchers in the case of on-line data base searches. On this point we presume that this reflects the

difficulty in performing thorough on-line data base searches without any omission of important prior art references.

4. Analysis of tendencies in prior art searches as seen through the number of patent applications

4-1. Timing of searches

Figs. 8 and 9 show the timing of the searches conducted by the companies in the chemical sector and the electric/mechanical sector. Figs. 10 and 11 show when the respondents think it ideal to conduct prior art searches. The companies both in the chemical industry sector and in the electric/mechanical sector seem to think it ideal to conduct prior art searches in the phase before the preparation of specification drafts and before the time of filing applications for foreign patents. Especially, those companies not having many patent applications normally tend to conduct prior art searches in the phase before filing applications for patents (that is to say, before and after the preparation of specification drafts).

It is worthy of note (Fig. 8) that the companies having more than 1000 patent applications in the chemical sector are, in most cases, conducting prior art searches before the time when requests for examinations are filed. These companies, however, have a wider gap between ideality and reality; they think that the said searches should be done in the phase before filing applications for patents (Fig. 10).

4.2 Rate of conducting prior art searches

Figs. 12 and 13 show, separately for the companies in the chemical sector and the electric/mechanical sector, the rate of prior art searches with respect to the number of proposal of inventions, preparation of specification drafts and filing of requests for examinations. It is clear that the companies with many applications for patents are high in the rate of conducting prior art searches at the time of filing the request for examinations. We presume the reason as follows. The greater the number of applications for patents, the lower the quality of the prior art searches per application. This is inevitable. The

survey result is, therefore, appropriate if we think of the need to remove invalid patent applications from being filed for examination. Further, when compared with the companies in the chemical sector, the rate of prior art searches before the time of filing requests for examinations is slightly higher in the case of the companies in the electric/mechanical sector.

4.3 Searching system, searchers and patentability evaluators

Figs. 14 and 15 show the searching methods adopted by the companies in the chemical sector and in the electric/mechanical sector. Especially, it is more prevalent for the companies with many patent applications in the electric/mechanical sector to use their own searching system. This may be for the reason that they have had to develop their own in-house searching system because commercial on-line data bases available for searching purpose were not sufficiently well developed to satisfy the needs of electric/mechanical industry.

Figs. 16 and 17 show the results of the survey on searchers and Figs. 18 and 19 on patentability evaluators respectively in the companies in the chemical sector and the electric/mechanical sector. The rate of using their own subsidiary searching organization is higher in the companies with many patent applications.

4-4. Time and cost involved in searching

Figs. 20 through 27 show separately the time and cost involved in the searches conducted by their own in-house searching system and through outside searching organizations respectively for the case of the companies in the chemical sector and in the electric/mechanical sector. Variations due to differences in the number of patent applications and in the timing of conducting prior art searches is not evident. However, there are differences between the two industry sectors. The manpower and cost involved prior art search are considerably larger in the case of the companies in the chemical sector than in the electric/mechanical sector. This difference suggests a large difference in manpower and cost burden will exist when the

number of patent applications is great.

4-5. Analysis

Judging from the fact that the greater the number of patent applications, the higher the rate of conducting prior art searches at the time of filing requests for examination (Figs. 8 and 9) is, it is likely that the companies having many patent applications have a history where they were compelled to conduct prior art searches mainly at the time of filing requests for examinations to cope with the growing number of applications for patents.

The chemical sector companies with more than 1000 patent applications tend to have a higher rate of conducting prior art searches before the time of filing the requests for examinations. It is worthy of note that these companies consider that ideally the time for the searches should be sifted to the phase before filing an application for a patent (Figs. 8 and 10). We suppose this tendency reflects an awareness that the prior art searches should be put together substantially into one search to be conducted before filing an application for a patent, considering the burden of manpower and cost involved. This is because the manpower and cost involved per prior art search is considerably larger for the companies in the chemical sector than those in the electric/mechanical sector (Figs. 20 to 27).

5. Analysis of tendencies in prior art searches as seen therefor the rate of publication of examined applications

5-1. Timing of searches

Figs. 28 and 29 show the time when prior art searches are conducted by the companies in the chemical sector and in the electric/mechanical sector. Similarly, Figs. 30 and 31 show the timing they think it ideal to conduct the prior art searches. The variations due to differences in the rate of publication of examined applications are not marked.

5-2. Rate of conducting prior art searches

Figs. 32 and 33 show the rate of prior art searches with

respect to the number of proposals for inventions, preparation of specification drafts and the number of requests for examination. In the case of the companies in the electric/mechanical sector, there is a tendency for the rate of publication of examined applications to be low when the ratio of prior art searches before the time of filing requests for examination is low. That is to say, by the prior art searches conducted before the time of filing requests for examination, they tend to remove invalid patent applications.

5-3. Searching method

Figs. 34 and 35 show the findings of the questionnaire regarding on searching methods adopted by the chemical sector companies and the electric/mechanical sector companies. The variations due to difference in the rate of publication of examined applications are not marked.

5-4. Searchers and patentability evaluators

Figs. 36 through 39 show the findings of the questionnaire regarding on the searchers and patentability evaluators. A difference in trend exists between the chemical sector and the electric/mechanical sector. In the case of the latter sector, at companies retaining a certain ratio of publication of examined applications, there is a trend for prior art searches to be conducted by their patent department or outside searching organization rather than by the department to which the inventors in question belong. No such tendency is seen in the case of the chemical companies.

5-5. Time and cost for prior art searching

Figs. 40 through 47 show the findings of the survey regarding the time and cost involved in searches conducted respectively by their in-house searching departments and by outside searching organizations in the case of the chemical industry companies and the electric/mechanical sector companies. Variations caused by differences in the rate of publication of examined applications are not notable.

5-6. Analysis

It is interesting that the electric/mechanical sector companies which utilize their in-house intellectual property department or outside searching organization for conducting prior art searches rather than the department to which the inventor belongs are satisfactorily able to remove invalid patent applications. This may be because the skill of the searchers reflect more on the quality of searches than in the case of the chemical industry companies as more key words are used in the on-line data base. However,it is not clear.

It became clear from the responses to the question on who should ideally conduct prior art searches that many companies expect them to be conducted more than before by the department to which the inventor belongs (Fig. 48).

Summarizing the results as mentioned above,it can be said that although many companies would like to shift the burden of conducting prior art searches to the department to which the inventor in question belongs, there might be cases where the quality of prior art searches cannot be ensured in the case of the electric/mechanical sector companies in which prior art searches are conducted by that department. This may suggest that thorough training will be required when shifting the searching work to inventors.

6. Conclusion

The overall impression we obtained from the results of this questionnaire was as follows:

The greater the number of patent applications, the more the prior art searches tend to be conducted at a time close to that when requests for examinations are filed, so as to have them done concurrently with the searches to be done in the phase before filing applications for patents. In this case the searches are carried out before the time of the request for examination, and invalid patent applications are removed effectively. However, a strong resistance does exist in the case of the chemical sector companies to making use of the searches conducted before the time of filing requests for examinations concurrently with the ones

to be conducted before the time of filing patent applications, since the manpower and cost per search are large. It will be interesting to see that direction the chemical companies aim at in the future for conducting prior art searches.

Many companies would like to shift the task for conducting prior art searches to the department to which the inventor belongs. However, there might be cases where the quality of prior art searches cannot be ensured if the task is so simply shifted. It will be necessary to give thorough consideration before making any such transfer.

To rationalize searching time, searching rate and searchers is an effective means to eliminate wasteful patent applications. In other words, the significance of prior art searches will further be enhanced by their being carried out more rationally.

<Appendix1>

Questionnaire

Committee No.1, PIPA

<Please note the following before answering the questionnaire.>

1. The following terms used in this questionnaire shall have the meanings as set forth below.
   (1) "Prior art search" shall mean a general patent search conducted before the filing of an application for a patent. However, state-of-the-art searches and patent infringement clearance searches shall be excluded.
   (2) "Rate of publication of examined applications" shall represent a value given by the following formula pursuant to the AP 80 of the Japanese Patent Office:

$$\frac{\text{The number of examined applications decided to be published}^{(1)}}{\text{The number of examined applications decided to be published} + \text{The number of applications finally refused} + \text{The number of applications withdrawn or abandoned during examination}^{(2)}} \times 100$$

   and shall hereinafter be abbreviated to the "rate of publication".

   (1) The number of examined applications decided to be published is a total number obtained by adding the number of examined applications decided after an ordinary examination to be published, and the number of applications decided after a preliminary examination*, to be published, to the number of applications decided after an examination by the Department of Appeal to be published. However, applications which are once decided to be published but are finally refused based on a protest filed by a third party shall be excluded.
   * Preliminary examination is an examination of an application once refused by an examiner, conducted by that examiner prior to an examination by the Department of Appeal in case an appeal brief is filed by the applicant and amendment is made on the application.
   (2) Applications withdrawn or abandoned "during examination" shall mean applications withdrawn or abandoned "after the notification of reasons for refusal" or "at an interview".
   (3) "Number of patent searchers" shall be the number of in-house technical staff who is engaged exclusively in patent searches. Therefore, the number of searchers of outside searching organizations shall be excluded. However, if your company has a subsidiary company which specializes in patent searches, please include the number of technical staff engaged in patent searches in that subsidiary company.
   (4) "Average search time" shall mean a period of time spent from the start of a search to the completion of location of relevant references and study of such references located.
   (5) "Proposal of invention" shall mean to present and disclose the critical ideas of an invention by, for example, submitting a brief report of about one A4 size paper or research notebooks, or instead, making an oral report. Please note that it shall also include the cases where the outline of an invention is disclosed in informal meetings.
   (6) "Invention report" shall mean a report briefly describing the

critical ideas of an invention, organized into about one A4 size paper. It shall not take the form of a specification.

(7) "Specification draft" shall mean an original draft of a specification of a patent application. It shall take the form of a specification.

2. When answering the questions in Section I "General Matters", please note that figures representing company-wide statistics are required.
3. When answering Question (6) "Which industrial category does your company belong to?" and Question (7) "What role do inventors play in your company in preparing a specification" of Section I, please note that a main business or work performed by your company or by inventors should be considered.

I. General Matters

(1) How many national patent applications were filed by your company in the year 1993?

☐ 0-299 ☐ 300-499 ☐ 500-999 ☐ 1000-2999 ☐ 3000-4999
☐ 5000 or more

(2) What percentage of the national patent applications are filed for foreign patents?

☐ 0-3 % ☐ 3-5 % ☐ 5-10 % ☐ 10-20 % ☐ 20-30%
☐ 30% or more

(3) How large is the rate of publication of your company in the year 1993?

☐ 0-50 % ☐ 50-65 % ☐ 65-80 % ☐ 80 % or more

(4) How many technical staff is engaged in the patent/utility model applications filing and maintenance practices in the intellectual property division of your company*?

☐ 0-5 ☐ 6-10 ☐ 11-20 ☐ 21-30 ☐ 31-50 ☐ 51-100
☐ 101 or more

* Those technical staff engaged exclusively in the patent/utility model applications filing and maintenance practices shall hereinafter be abbreviated to the "application administration staff".

(5) How many patent searchers (in-house technical staff engaged exclusively in patent searches) does your intellectual property division have?

☐ 0-5 ☐ 6-10 ☐ 11-20 ☐ 21-30 ☐ 31-50 ☐ 51-100
☐ 101 or more

(6) Which industrial category does your company belong to?

☐ Mechanical/Metalworking industry
☐ Electric/Electronics industry
☐ Chemical industry
☐ Others ( )

(7) What role do inventors play in your company in preparing a specification?

☐ (a) Preparation of invention reports/proposal of inventions
☐ (b) Preparation of invention reports and specification drafts
☐ (c) Preparation of specification drafts only (Preparation and submission of invention reports are left to inventor's discretion.)

If you check the block (a), it is unnecessary to answer the questions in Section IV "Matters related to prior art searches conducted after the preparation of specification drafts but before the filing of patent applications".

(8) If you check the block (c), what is the percentage of the specification drafts for which invention reports have submitted beforehand?

☐ 0 % ☐ 0-20 % ☐ 20-40 % ☐ 40-60 % ☐ 60-80 %
☐ 80-100 %

If you check "0 %", it is unnecessary to answer the questions in Section III "Matters related to prior art searches conducted before the preparation of specification drafts".

(9) Does your company conduct patent searches at the start of new projects/product developments?

☐ Yes ☐ No
☐ Other ( )

II. General Matters Related To Prior Art Searches

(1) Does your company conduct prior art searches?

☐ Yes, at least for important issues.
☐ No (Reasons:)

If you check "No", it is unnecessary to answer the questions (2) through (8) in this section.

(2) When does your company conduct prior art searches? (Please select 4 phases or occasions in which prior art searches are most frequently conducted, numbering the following blocks in the order of frequency.)

☐ The phase before the preparation of specification drafts
☐ The phase from the completion of specification drafts to the filing of applications for patents
☐ When applications for foreign patents are to be filed
☐ When requests for examinations are to be filed
☐ When interviews with examiners are to be held
☐ Other ( )

(3) When should prior art searches ideally be conducted? (Please select 4 phases or occasions in which prior art searches should ideally be conducted, numbering the following blocks in the order of priority.)

☐ The phase before the preparation of specification drafts
☐ The phase from the completion of specification drafts to the filing of applications for patents
☐ When applications for foreign patents are to be filed
☐ When requests for examinations are to be filed
☐ When interviews with examiners are to be held
☐ Other ( )

(4) What do you think about prior art searches? If you feel dissatisfied with the current prior art search practices rendered, please check one or more applicable blocks.

☐ No efficient searching system/tool is available.
☐ It is too costly to conduct a prior art search.
☐ Prior art searches require much time and manpower.
☐ The search result is insufficient in its accuracy. It is often found that some of relevant references are not located.

- ☐ Due to the insufficient technical skills of our patent searchers, it is difficult to obtain a sufficient searching accuracy.
- ☐ Although our own systems/tools are available for prior art searches, the maintenance of those systems/tools is costly.
- ☐ Other (A definite answer is requested.)
- ☐ There is nothing to complain of.

(5) If your company conduct online database searches for prior art searches and if you feel dissatisfied with the current online database searches rendered, please check one or more applicable blocks.

- ☐ Online database searches require much time and manpower.
- ☐ It is too costly to conduct an online database search.
- ☐ The search result is insufficient in its accuracy. It is often found that some of relevant references are not located.
- ☐ Due to the insufficient technical skills of our patent searchers, it is difficult to achieve a sufficient searching accuracy.
- ☐ Other (A definite answer is requested.)
- ☐ There is nothing to complain of.

(6) If your company uses its own systems/tools for patent searching, please answer the following questions.

① Does your company have its own searching systems/tools developed independent of other systems/tools available?

- ☐ Yes
- ☐ No (Reason:)

If you check "No", it is unnecessary to answer the questions ② through ⑤.

② In what form are your company's own searching systems/tools maintained?

- ☐ Printed documents (including microfilms)
- ☐ Electronic information

③ What do you think is the originality of your company's own searching systems/tools? (You may check one or more blocks, if applicable.)

- ☐ They are collected covering information of our own interest.
- ☐ They are classified under our own classification system.
- ☐ They have our own summaries/abstracts.
- ☐ Other ( )

④ Which divisions/departments provide those searching systems/tools?

- ☐ Research and development divisions/departments
- ☐ Intellectual property divisions/departments
- ☐ Other ( )

⑤ Who can use those systems/tools?

- ☐ Every employee
- ☐ Limited employees belonging to particular divisions/departments
- ☐ Employees belonging to searching divisions/departments only

(7) What is changed with prior art searches by the 1994 amendment to the Patent Law? Does your company have any plan to change the current prior art searching practices?

☐ Yes (Please answer what is/will be changed.)

☐ No

(8) If a decision is made based on a prior art search result that no application should be filed to cover a particular invention, does your company modify the relevant project/product development strategies?

☐ Yes (In what case, for example?)

☐ No

III. Matters related to prior art searches conducted before the preparation of specification drafts

The questions in this section relate to the prior art searches conducted based on invention reports before preparing specification drafts.

(1) On what percentage of the inventions proposed are the prior art searches conducted?

☐ 100 % ☐ 65 and up to 100 % excl. ☐ 35 and up to 65 % excl.
☐ Over 0 and up to 35 % excl.
☐ 0 % Reason: ☐ Because a prior art search is in general conducted after a specification draft is prepared.
☐ Other ( )

If you check any of the blocks other than "100 %" and "0 %", for what inventions does your company conduct prior art searches?

☐ Inventions that are likely to be used in our new products
☐ Inventions of which an application will be filed for a foreign patent
☐ Inventions that fall in a particular technical field
☐ Other ( )

(2) Who conducts prior art searches generally?

① Who requests prior art searches?

☐ Division/department which the inventor belongs to
☐ Intellectual property division/department

② Who conducts prior art searches?

☐ Inventor/other staff of the division/department which the inventor belongs to
☐ Application administration staff
☐ In-house patent searchers
☐ Subsidiary searching company
☐ Outside searching organization

③ Who evaluates the patentability of an invention?

☐ Division/department which the inventor belongs to
☐ Intellectual property division/department

(3) By whom should a prior art search be conducted ideally?

① Who should request prior art searches?

- ☐ Division/department which the inventor belongs to
- ☐ Intellectual property division/department

② Who should conduct prior art searches?

- ☐ Inventor/other staff of the division/department which the inventor belongs to
- ☐ Application administration staff
- ☐ In-house patent searchers
- ☐ Subsidiary searching company
- ☐ Outside searching organization

③ Who should evaluate the patentability of an invention?

- ☐ Division/department which the inventor belongs to
- ☐ Intellectual property division/department

(4) What is the purpose of prior art searches? Please select 4 blocks numbering them in the order of priority.

- ☐ To evaluate the patentability of inventions
- ☐ To find prior art references that should be stated in the specification
- ☐ To evaluate inventions
- ☐ To utilize the results in preparing claims of the specification
- ☐ To utilize the results in framing the outline of descriptive portion of the specification
- ☐ To comply with the IDS requirement
- ☐ Other ( )

(5) What do you think are the important factors in conducting prior art searches? Please select 4 factors which you think important, numbering the following blocks in the order of importance.

- ☐ Cost
- ☐ Saving of manpowers of employees
- ☐ Speediness
- ☐ Completeness of information gathered

(6) By what method do you conduct prior art searches generally? Please number the following blocks in the order of frequency.

- ☐ By manual searching of publications such as patent literature
- ☐ By online outside database searching using, for example, PATOLIS
- ☐ By using our company's own searching system/tool

(7) The following questions relate to general patent searches.

① What kind of information source do you search? You may check one or more blocks if applicable.

- ☐ Patent/utility model publications
- ☐ Technical documents other than patent literature
- ☐ Product manuals and catalogs

② Do you limit the search period?

- ☐ Yes (How long is it?)
- ☐ No
- ☐ It depends on circumstances.

③ What countries/bodies do you cover in patent searches? You may select one or more blocks if applicable.

☐ Japan ☐ USA ☐ EPC ☐ Germany
☐ Other ( )

(8) How long does it take in average to conduct a prior art search?

① In case your company conducts a prior art search

☐ - 30 min. ☐ 30-60 min. ☐ 60-120 min.
☐ 120-180 min. ☐ More than 180 min.

② In case you order a prior art search from an outside searching organization (Please exclude the time spent by the searching organization in searching.)

☐ - 30 min. ☐ 30-60 min. ☐ 60-120 min.
☐ 120-180 min. ☐ More than 180 min.

(9) How much does it cost in average to conduct a prior art search?

① In case your company conducts a prior art search (Please exclude the labor cost.)

☐ - ¥ 3,000 ☐ ¥ 3,000 - ¥ 5,000 ☐ ¥ 5,000 - ¥ 10,000
☐ ¥ 10,000 - ¥ 20,000 ☐ More than ¥ 20,000

② In case you order a prior art search from an outside searching organization (Please include the searching fees charged by the searching organization.)

☐ - ¥ 20,000 ☐ ¥ 20,000 - ¥ 50,000
☐ ¥ 50,000 - ¥ 100,000 ☐ More than ¥ 100,000

(10) Which division/department maintains the prior art search results?

☐ Research and development division/department
☐ Intellectual property division/department
(Including the maintenance of application papers files)
☐ Other ( )

IV. Matters related to prior art searches conducted after the preparation of specification drafts but before the filing of patent applications

The questions in this section relate to the prior art searches conducted based on specification drafts prepared.

(1) On what percentage of the inventions for which specification drafts are prepared are the prior art searches conducted?

☐ 100 % ☐ 65 and up to 100 % excl. ☐ 35 and up to 65 % excl.
☐ Over 0 and up to 35 % excl.
☐ 0 % Reason: ☐ Because a prior art search is in general conducted after a specification draft is prepared.
☐ Other ( )

If you check any of the blocks other than "100 %" and "0 %", for what inventions does your company conduct prior art searches?

☐ Inventions for which no prior art searches are conducted.
☐ Inventions for which inadequate searches are conducted before specification drafts are prepared
☐ Inventions that are likely to be practiced

- [ ] Inventions of which an application will be filed for a foreign patent
- [ ] Inventions that fall in a particular technical field
- [ ] Other ( )

(2) Who conducts prior art searches generally?

① Who requests prior art searches?

- [ ] Division/department which the inventor belongs to
- [ ] Intellectual property division/department

② Who conducts prior art searches?

- [ ] Inventor/other staff of the division/department which the inventor belongs to
- [ ] Application administration staff
- [ ] In-house patent searchers
- [ ] Subsidiary searching company
- [ ] Outside searching organization

③ Who evaluates the patentability of an invention?

- [ ] Division/department which the inventor belongs to
- [ ] Intellectual property division

(3) By whom should a prior art search be conducted ideally?

① Who should request prior art searches?

- [ ] Division/department which the inventor belongs to
- [ ] Intellectual property division/department

② Who should conduct prior art searches?

- [ ] Inventor/other staff of the division/department which the inventor belongs to
- [ ] Application administration staff
- [ ] In-house patent searchers
- [ ] Subsidiary searching company
- [ ] Outside searching organization

③ Who should evaluate the patentability of an invention?

- [ ] Division/department which the inventor belongs to
- [ ] Intellectual property division

(4) What is the purpose of prior art searches? Please select 4 blocks numbering them in the order of priority.

- [ ] To evaluate the patentability of inventions
- [ ] To find prior art references that should be stated in the specification
- [ ] To evaluate inventions
- [ ] To utilize the results in preparing claims of the specification
- [ ] To utilize the results in framing the outline of descriptive portion of the specification
- [ ] To comply with the IDS requirement
- [ ] Other ( )

(5) What do you think are the important factors in conducting prior art searches? Please select 4 factors which you think important, numbering the following blocks in the order of importance.

- ☐ Cost
- ☐ Saving of manpowers of employees
- ☐ Speediness
- ☐ Completeness of information gathered

(6) By what method do you conduct prior art searches generally? Please number the following blocks in the order of frequency.

- ☐ By manual searching of publications such as patent literature
- ☐ By online outside database searching using, for example, PATOLIS
- ☐ By using our company's own searching system/tool

(7) The following questions relate to general patent searches.

① What kind of information source do you search? You may check one or more blocks if applicable.

- ☐ Patent/utility model publications
- ☐ Technical documents other than patent literature
- ☐ Product manuals and catalogs

② Do you limit the search period?

- ☐ Yes (How long is it?)
- ☐ No
- ☐ It depends on circumstances.

③ What countries/bodies do you cover in patent searches? You may select one or more blocks if applicable.

☐ Japan ☐ USA ☐ EPC ☐ Germany
☐ Other ( )

(8) How long does it take in average to conduct a prior art search?

① In case your company conducts a prior art search

☐ - 30 min. ☐ 30-60 min. ☐ 60-120 min.
☐ 120-180 min. ☐ More than 180 min.

② In case you order a prior art search from an outside searching organization (Please exclude the time spent by the searching organization in searching.)

☐ - 30 min. ☐ 30-60 min. ☐ 60-120 min.
☐ 120-180 min. ☐ More than 180 min.

(9) How much does it cost in average to conduct a prior art search?

① In case your company conducts a prior art search (Please exclude the labor cost.)

☐ - ¥ 3,000 ☐ ¥ 3,000 - ¥ 5,000 ☐ ¥ 5,000 - ¥ 10,000
☐ ¥ 10,000 - ¥ 20,000 ☐ More than ¥ 20,000

② In case you order a prior art search from an outside searching organization (Please include the searching fees charged by the searching organization.)

☐ - ¥ 20,000 ☐ ¥ 20,000 - ¥ 50,000
☐ ¥ 50,000 - ¥ 100,000 ☐ More than ¥ 100,000

(10) Which division/department maintains the prior art search results?

- ☐ Research and development division/department
- ☐ Intellectual property division/department (Including the maintenance of application papers files)
- ☐ Other ( )

Matters related to prior art searches when requests for examinations are to be filed.

V. The questions in this section relate to the prior art searches when requests for examinations are to be filed.

(1) On what percentage of the inventions for which it is decided whether requests for examinations are to be filed are the prior art searches conducted?

☐ 100 % ☐ 65 and up to 100 % excl. ☐ 35 and up to 65 % excl.
☐ Over 0 and up to 35 % excl.
☐ 0 % Reason: ☐ Because a prior art search is in general conducted after a specification draft is prepared.
☐ Other ( )

If you check any of the blocks other than "100 %" and "0 %", for what inventions does your company conduct prior art searches?

- ☐ Inventions for which no prior art searches are conducted.
- ☐ Inventions for which inadequate searches are conducted before specification drafts are prepared
- ☐ Inventions that are likely to be practiced
- ☐ Inventions of which an application will be filed for a foreign patent
- ☐ Inventions that fall in a particular technical field
- ☐ Other ( )

(2) Who conducts prior art searches generally?

① Who requests prior art searches?

- ☐ Division/department which the inventor belongs to
- ☐ Intellectual property division/department

② Who conducts prior art searches?

- ☐ Inventor/other staff of the division/department which the inventor belongs to
- ☐ Application administration staff
- ☐ In-house patent searchers
- ☐ Subsidiary searching company
- ☐ Outside searching organization

③ Who evaluates the patentability of an invention?

- ☐ Division/department which the inventor belongs to
- ☐ Intellectual property division

(3) By whom should a prior art search be conducted ideally?

① Who should request prior art searches?

- ☐ Division/department which the inventor belongs to
- ☐ Intellectual property division/department

② Who should conduct prior art searches?

- ☐ Inventor/other staff of the division/department which the inventor belongs to
- ☐ Application administration staff
- ☐ In-house patent searchers
- ☐ Subsidiary searching company
- ☐ Outside searching organization

③ Who should evaluate the patentability of an invention?

- ☐ Division/department which the inventor belongs to
- ☐ Intellectual property division

(4) What is the purpose of prior art searches? Please select 4 blocks numbering them in the order of priority.

- ☐ To evaluate the patentability of inventions
- ☐ To find prior art references that should be stated in the specification
- ☐ To evaluate inventions
- ☐ To utilize the results in preparing claims of the specification
- ☐ To utilize the results in framing the outline of descriptive portion of the specification
- ☐ To comply with the IDS requirement
- ☐ Other ( )

(5) What do you think are the important factors in conducting prior art searches? Please select 4 factors which you think important, numbering the following blocks in the order of importance.

- ☐ Cost
- ☐ Saving of manpowers of employees
- ☐ Speediness
- ☐ Completeness of information gathered

(6) By what method do you conduct prior art searches generally? Please number the following blocks in the order of frequency.

- ☐ By manual searching of publications such as patent literature
- ☐ By online outside database searching using, for example, PATOLIS
- ☐ By using our company's own searching system/tool

(7) The following questions relate to general patent searches.

① What kind of information source do you search? You may check one or more blocks if applicable.

- ☐ Patent/utility model publications
- ☐ Technical documents other than patent literature
- ☐ Product manuals and catalogs

② Do you limit the search period?

- ☐ Yes (How long is it?)
- ☐ No
- ☐ It depends on circumstances.

③ What countries/bodies do you cover in patent searches? You may select one or more blocks if applicable.

- ☐ Japan ☐ USA ☐ EPC ☐ Germany
- ☐ Other ( )

(8) How long does it take in average to conduct a prior art search?

① In case your company conducts a prior art search

☐ - 30 min. ☐ 30-60 min. ☐ 60-120 min.
☐ 120-180 min. ☐ More than 180 min.

② In case you order a prior art search from an outside searching organization (Please exclude the time spent by the searching organization in searching.)

☐ - 30 min. ☐ 30-60 min. ☐ 60-120 min.
☐ 120-180 min. ☐ More than 180 min.

(9) How much does it cost in average to conduct a prior art search?

① In case your company conducts a prior art search (Please exclude the labor cost.)

☐ - ¥ 3,000 ☐ ¥ 3,000 - ¥ 5,000 ☐ ¥ 5,000 - ¥ 10,000
☐ ¥ 10,000 - ¥ 20,000 ☐ More than ¥ 20,000

② In case you order a prior art search from an outside searching organization (Please include the searching fees charged by the searching organization.)

☐ - ¥ 20,000 ☐ ¥ 20,000 - ¥ 50,000
☐ ¥ 50,000 - ¥ 100,000 ☐ More than ¥ 100,000

(10) Which division/department maintains the prior art search results?

☐ Research and development division/department
☐ Intellectual property division/department
(Including the maintenance of application papers files)
☐ Other ( )

Thank you for your cooperation

<Appendix2>

Fig. 1

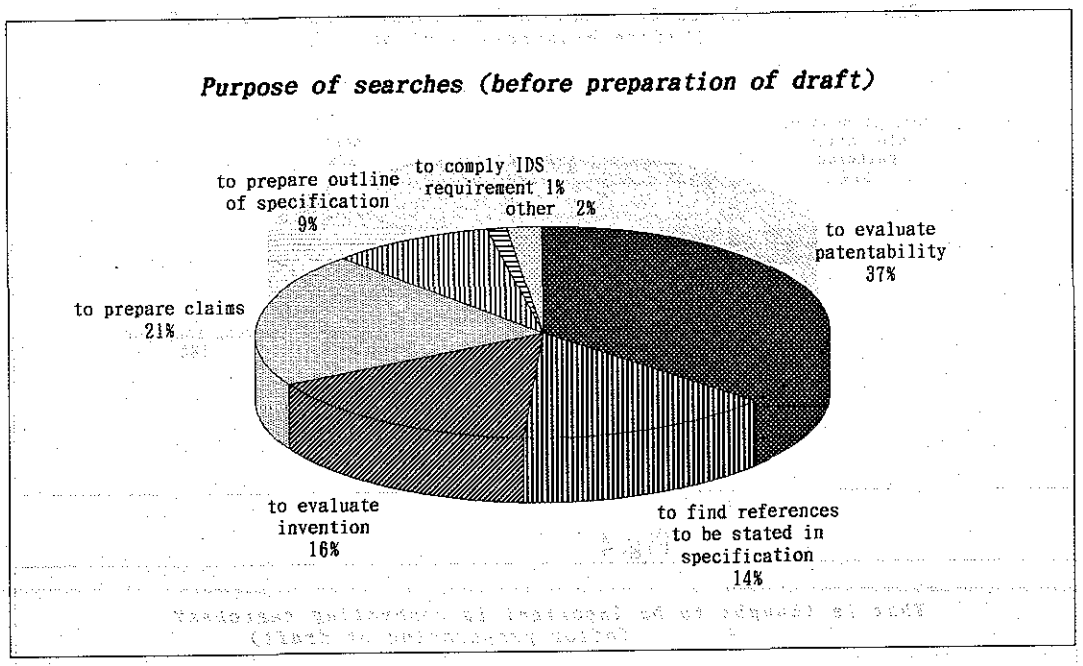


Fig. 2

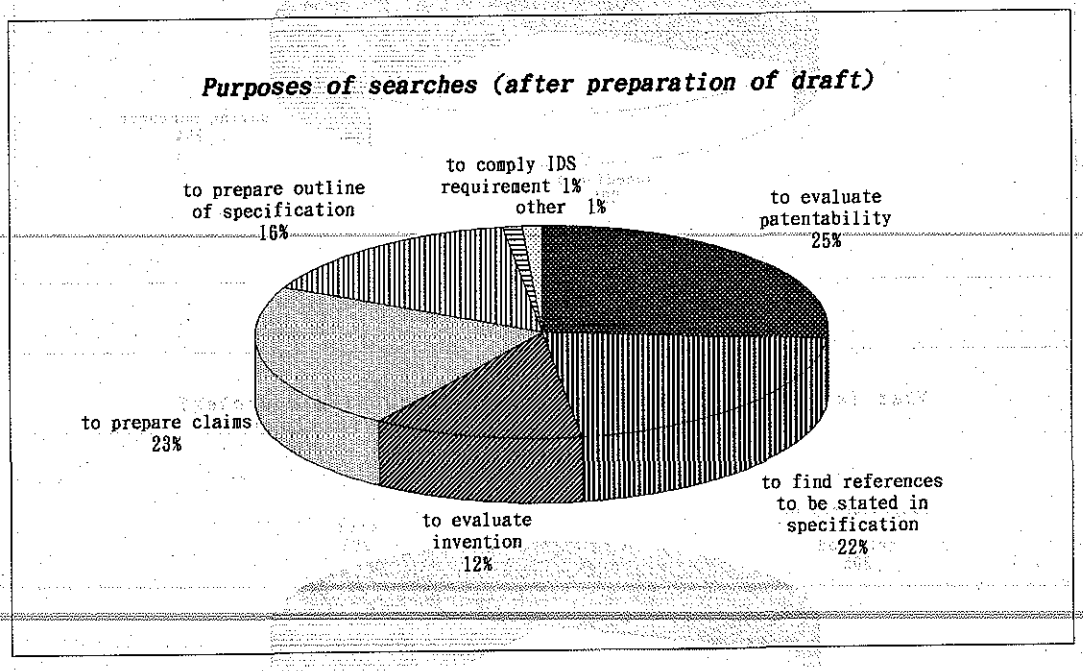


Fig. 3

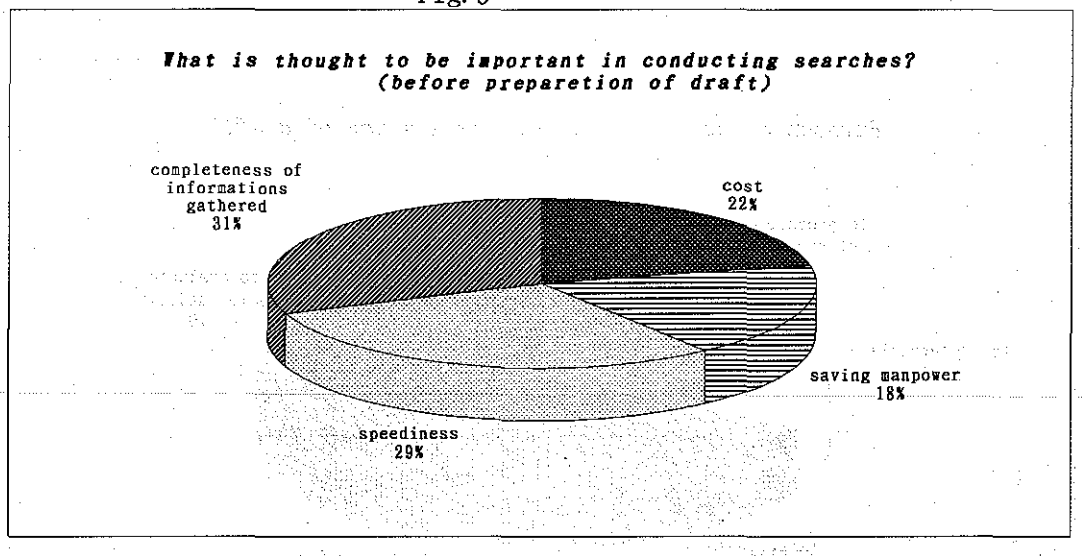


Fig. 4

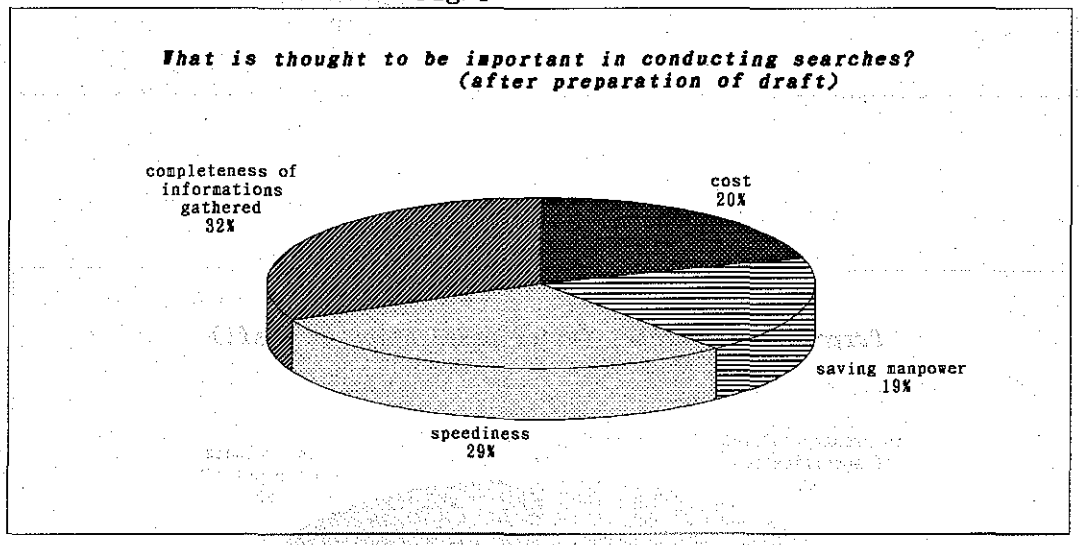


Fig. 5

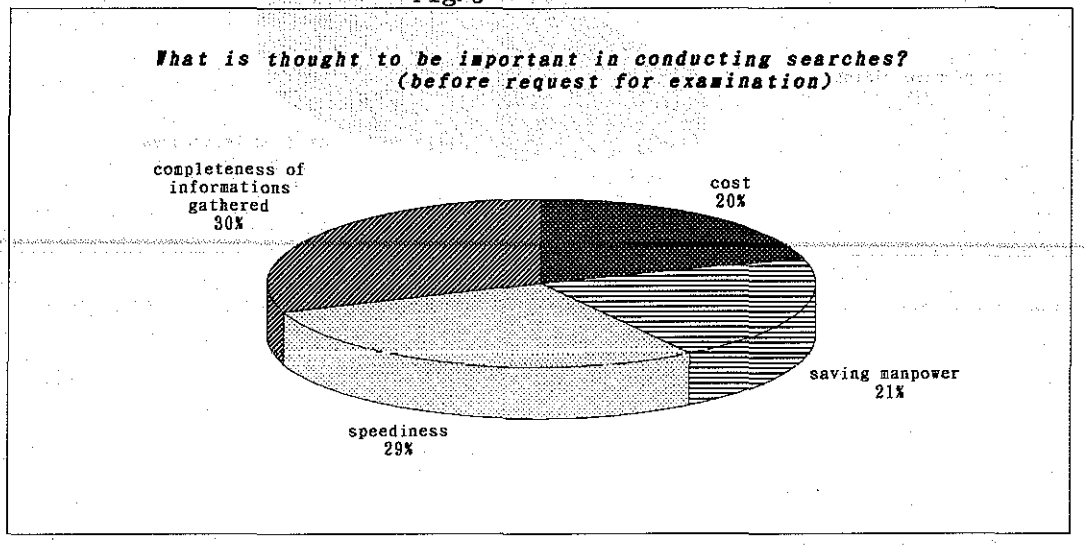


Fig. 6

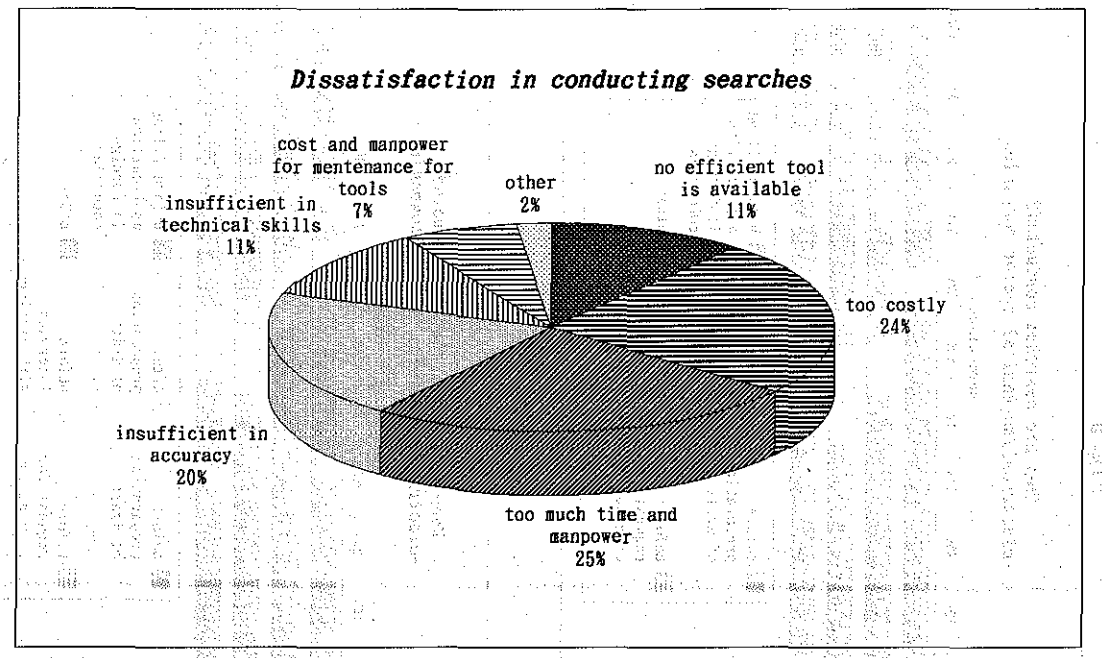

Dissatisfaction in conducting searches
cost and manpower for mentenance for tools 7%
other 2%
no efficient tool is available 11%
insufficient in technical skills 11%
too costly 24%
insufficient in accuracy 20%
too much time and manpower 25%

Fig. 7

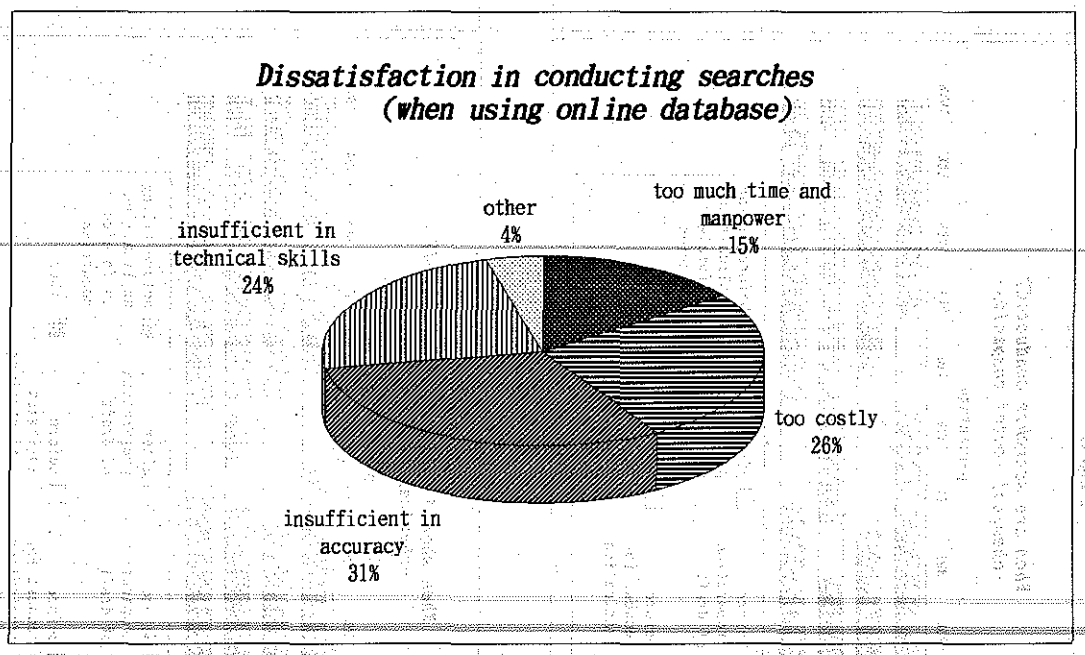

Dissatisfaction in conducting searches
(when using online database)
other 4%
too much time and manpower 15%
insufficient in technical skills 24%
too costly 26%
insufficient in accuracy 31%

Fig. 8

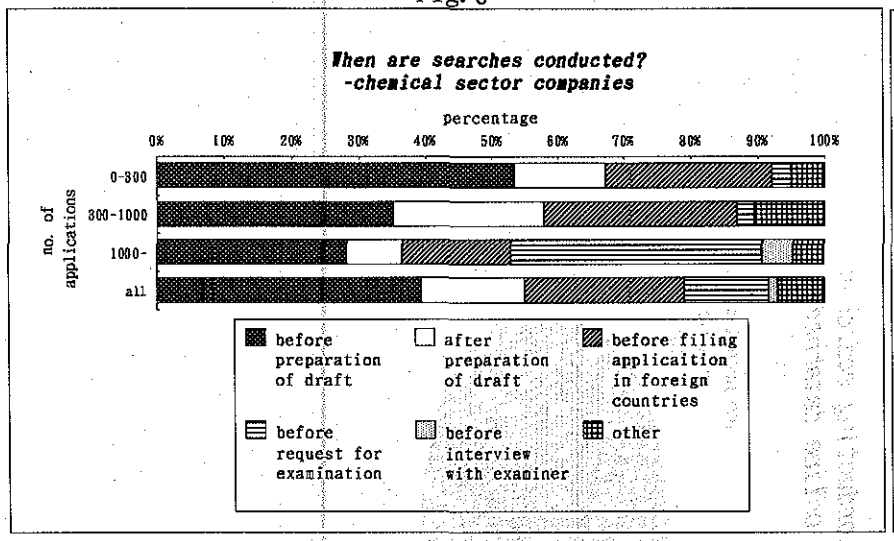


Fig. 9

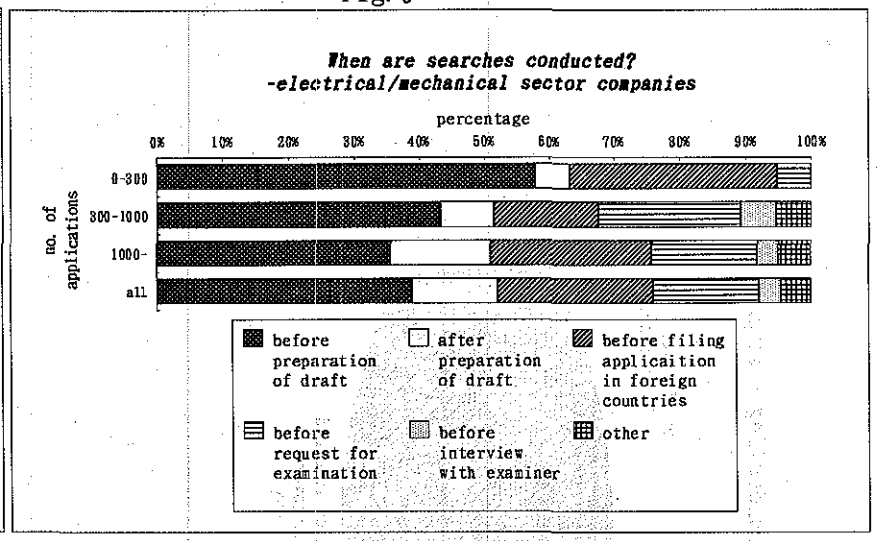
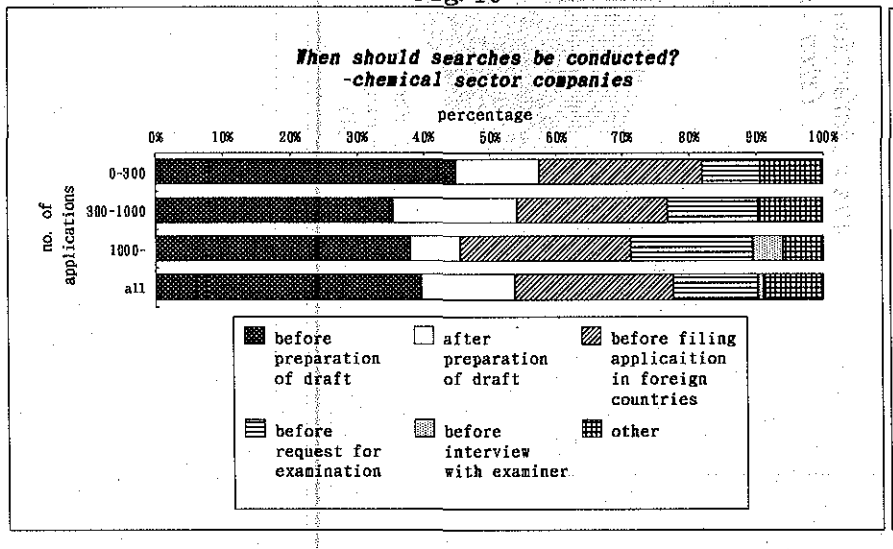


Fig. 10



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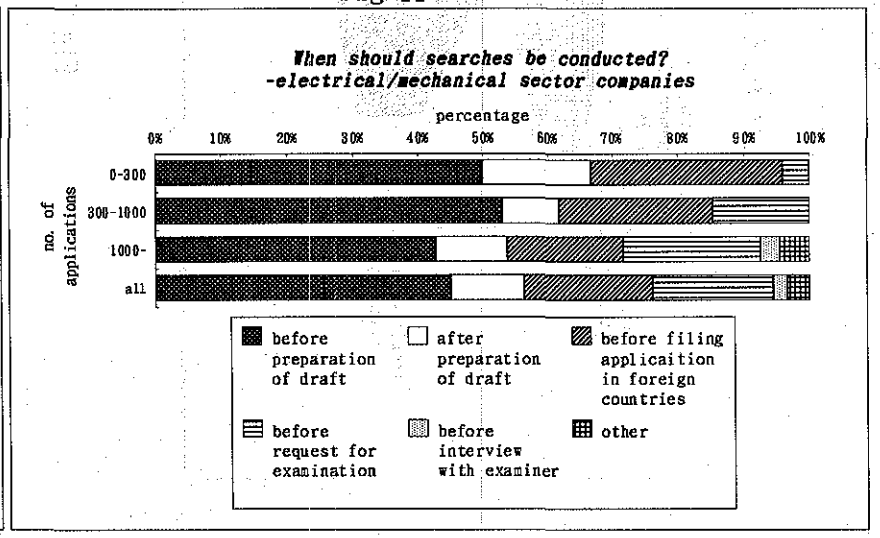

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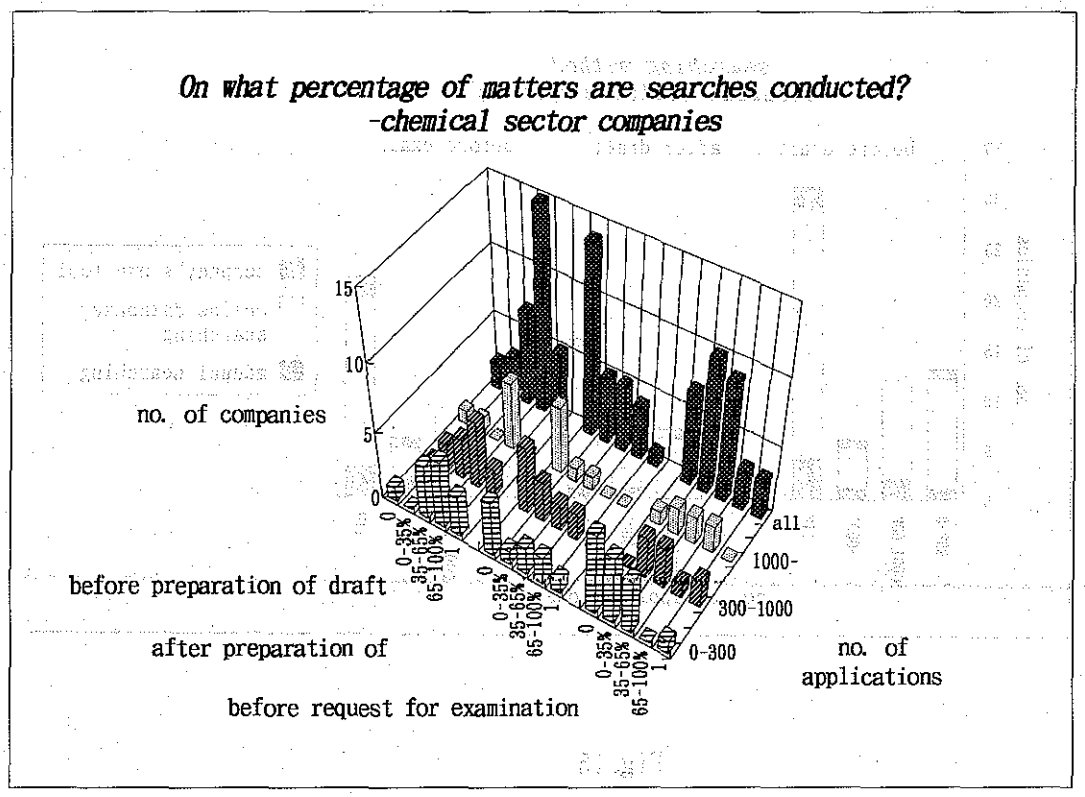
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-chemical sector companies
no. of companies
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10
5
0
before preparation of draft
after preparation of
before request for examination
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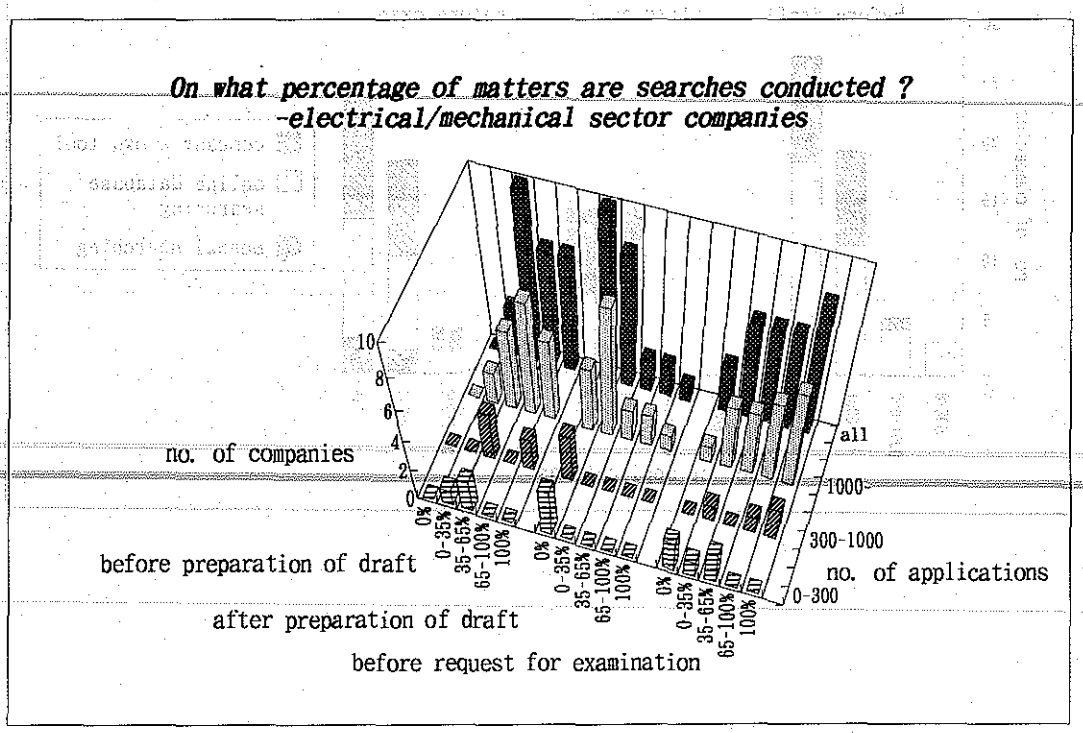
0-300
no. of
applications

Fig. 13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no. of companies
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4
2
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after preparation of draft
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65-100%
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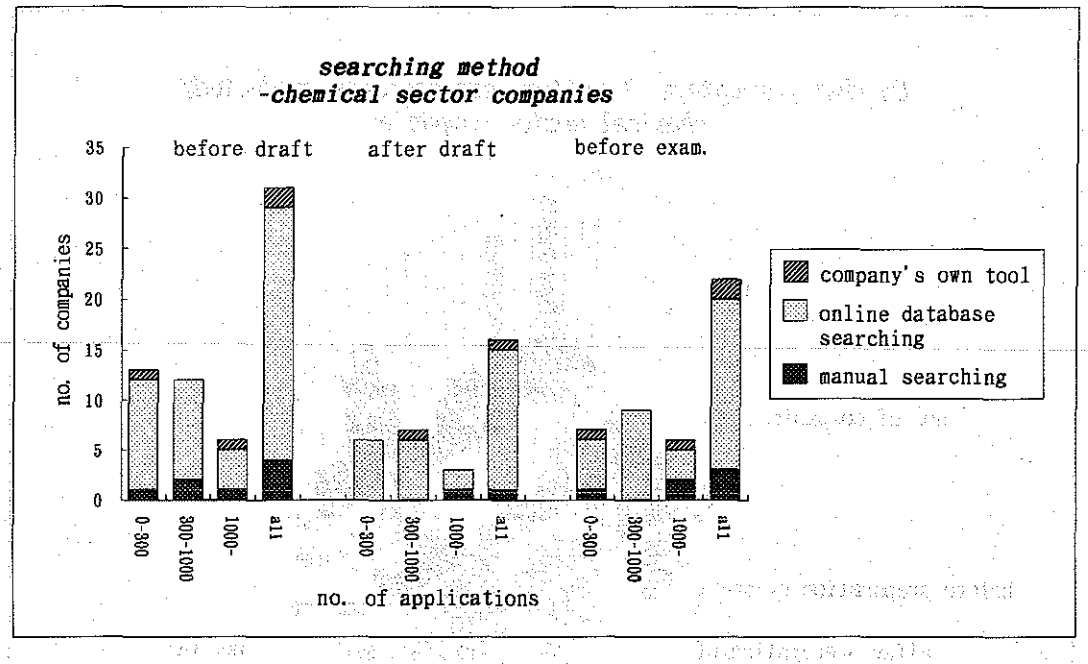
1000-
300-1000
0-300
no. of applications

Fig. 14


searching method
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before draft
after draft
before exam.
no. of companies
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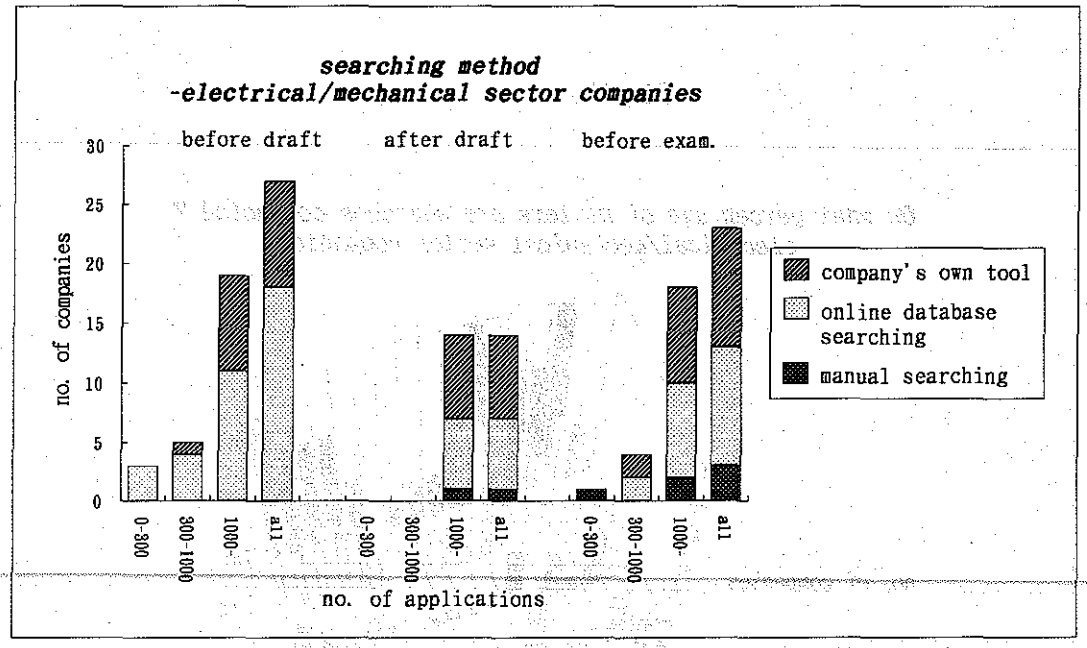
all
company's own tool
online database searching
manual searching
no. of applications

Fig. 15


searching method
-electrical/mechanical sector companies
before draft
after draft
before exam.
no. of companies
30
25
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15
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0-300
300-1000
1000-
all
company's own tool
online database searching
manual searching
no. of applications

Fig. 16

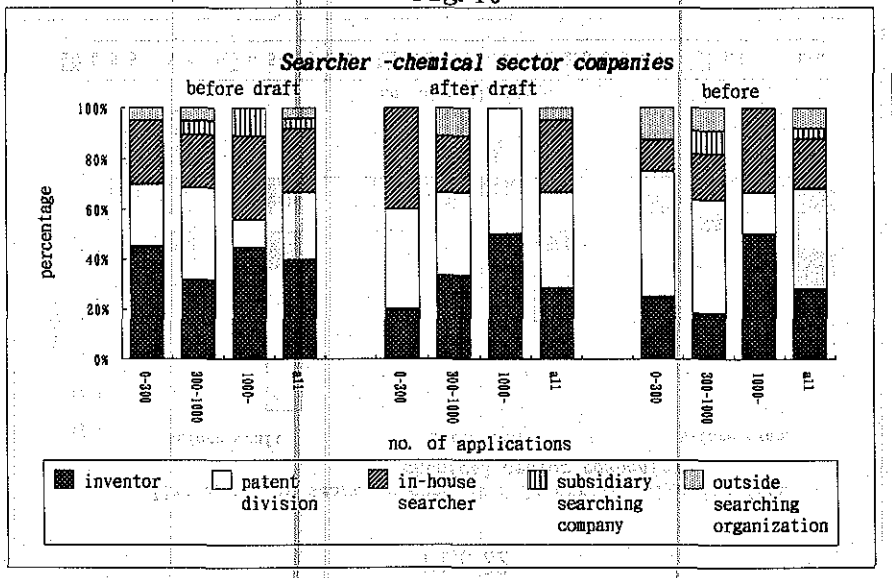
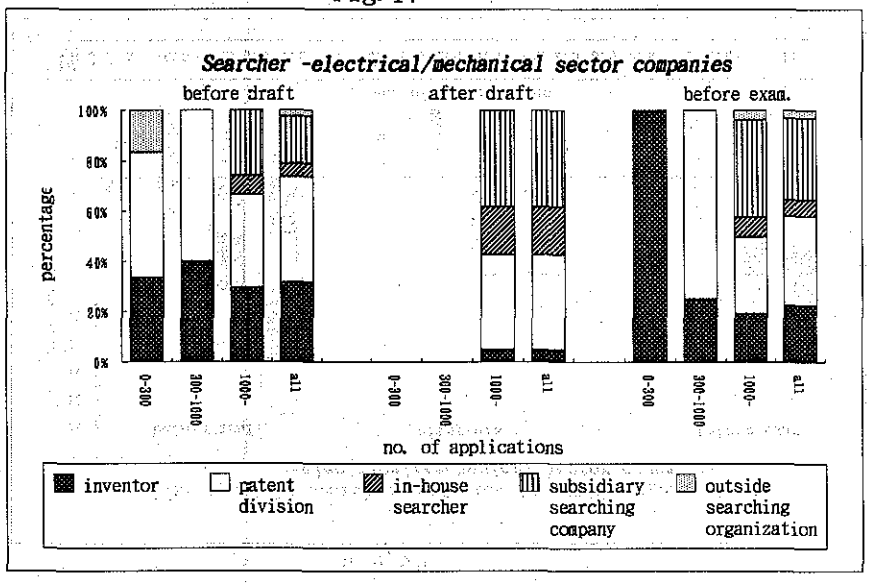


Fig. 17



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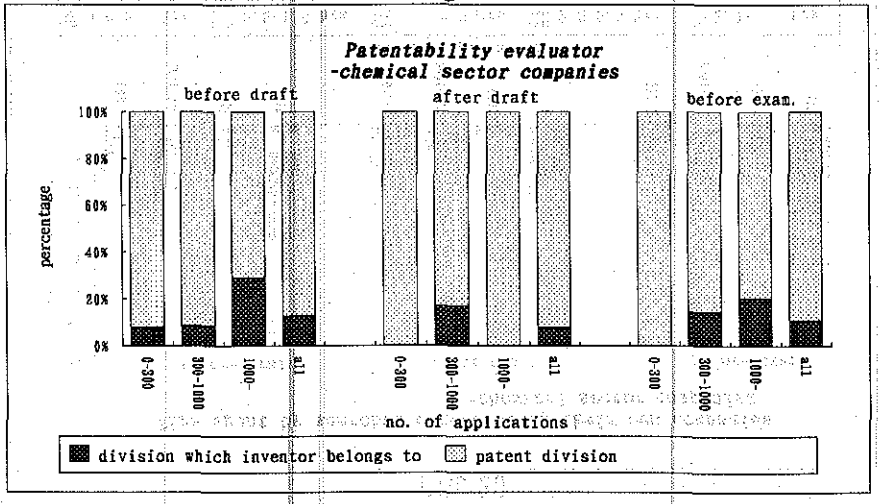

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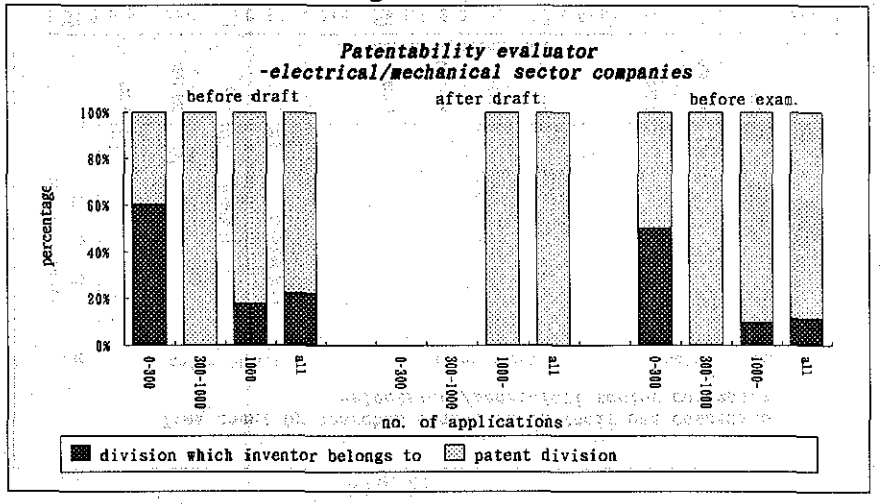
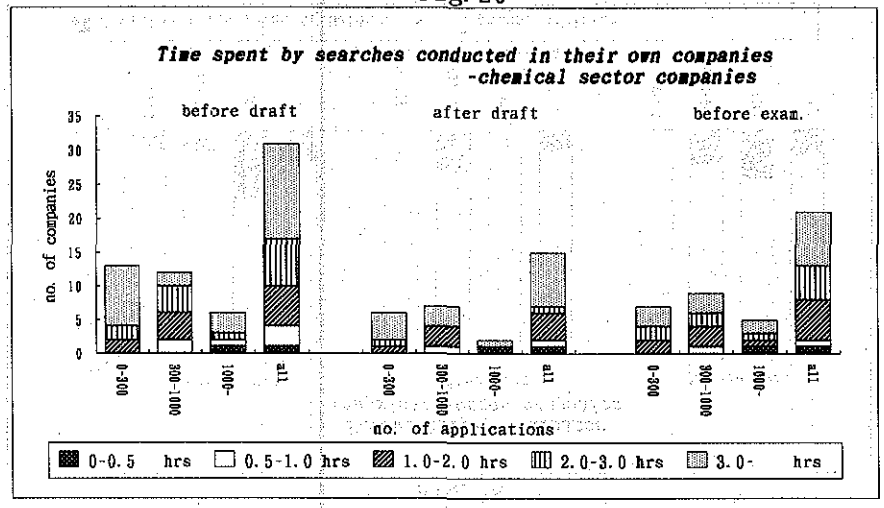


Fig. 20



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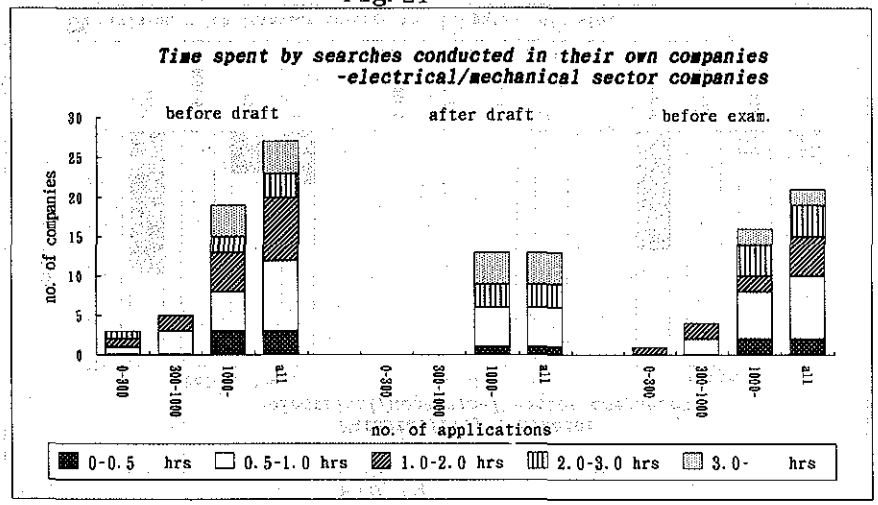

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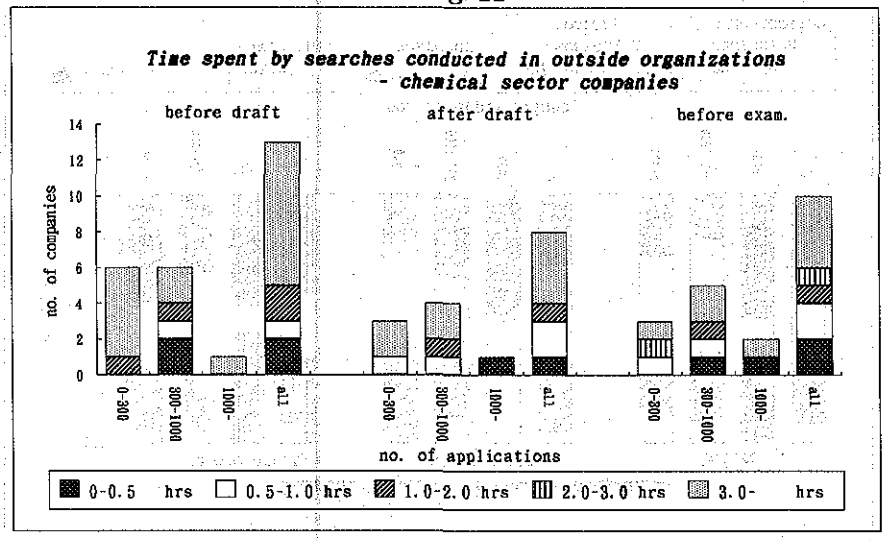
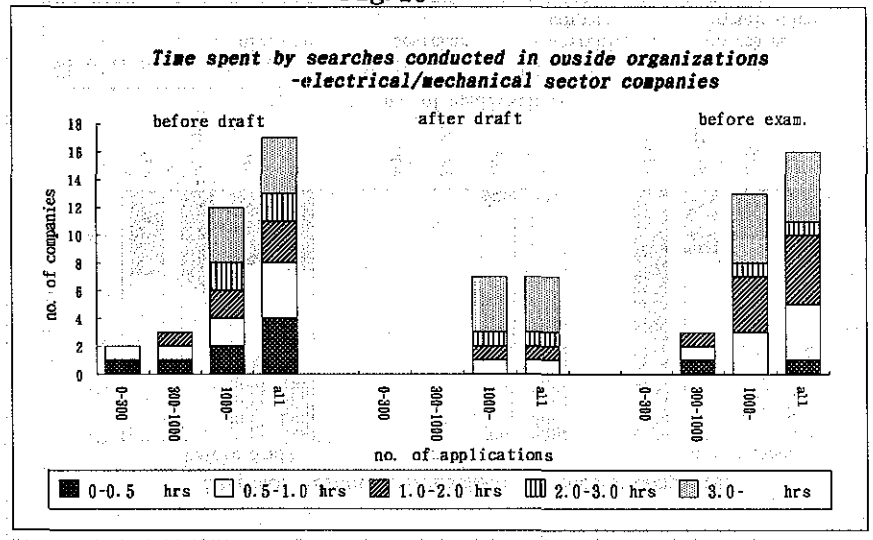


Fig. 23



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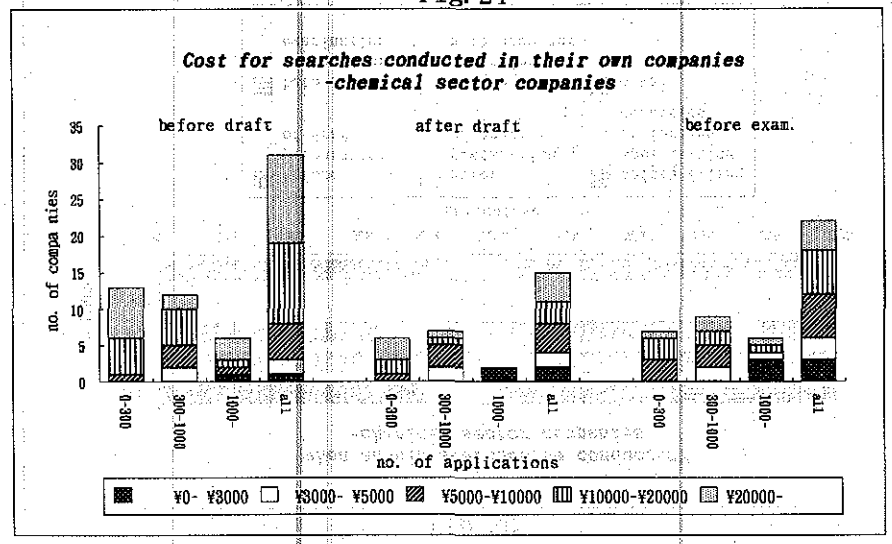


Fig. 25

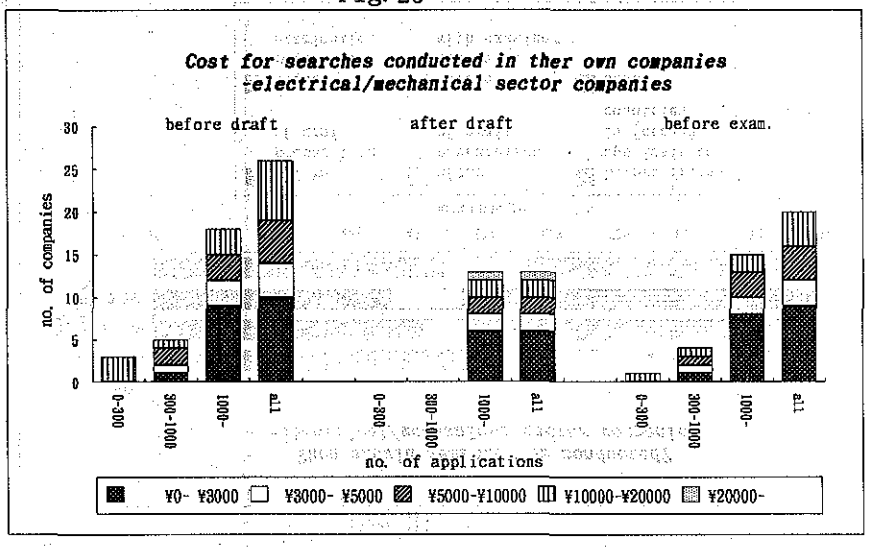


Fig. 26

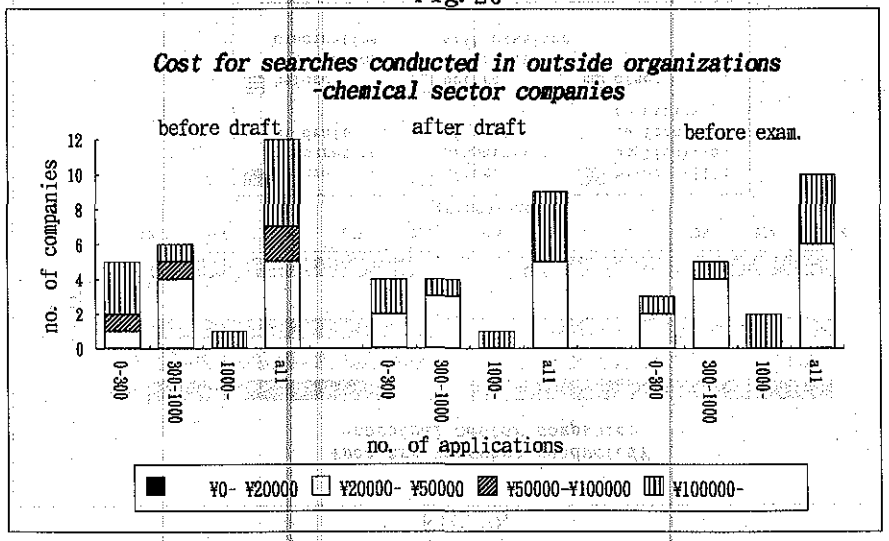


Fig. 27

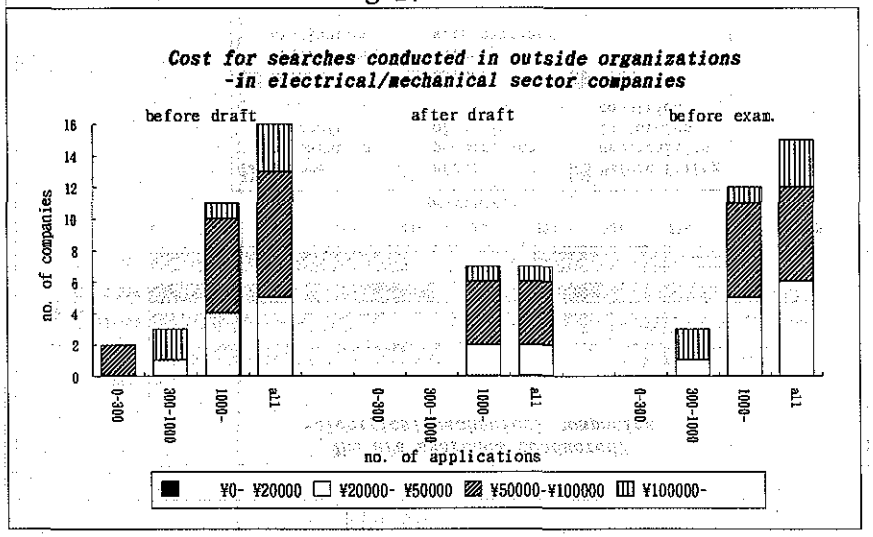


Fig. 28

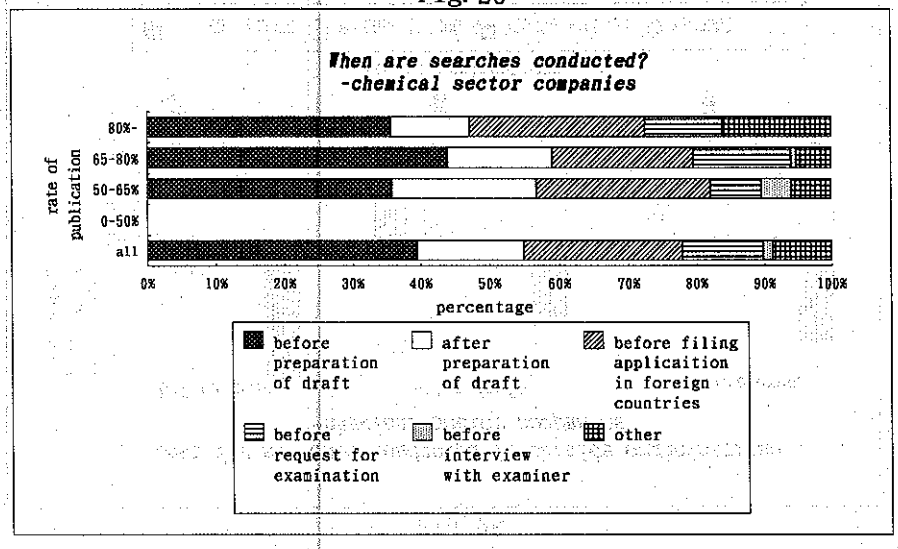
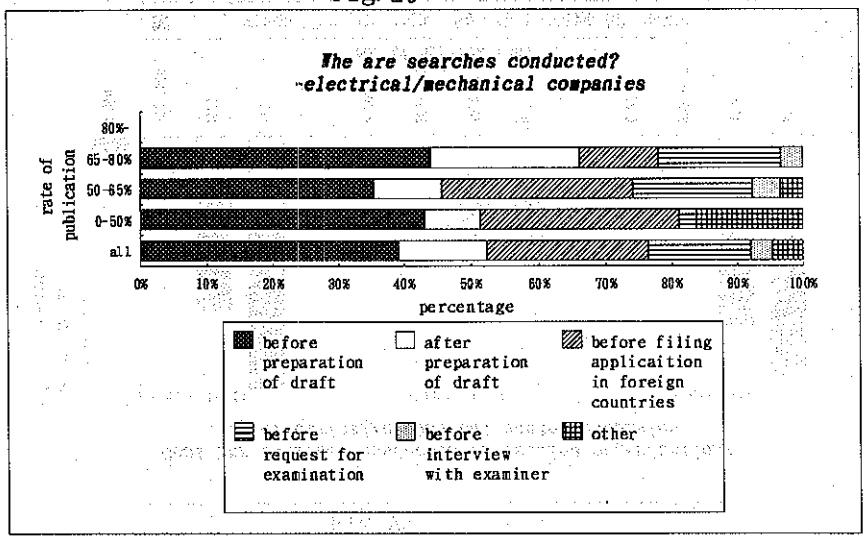


Fig. 29



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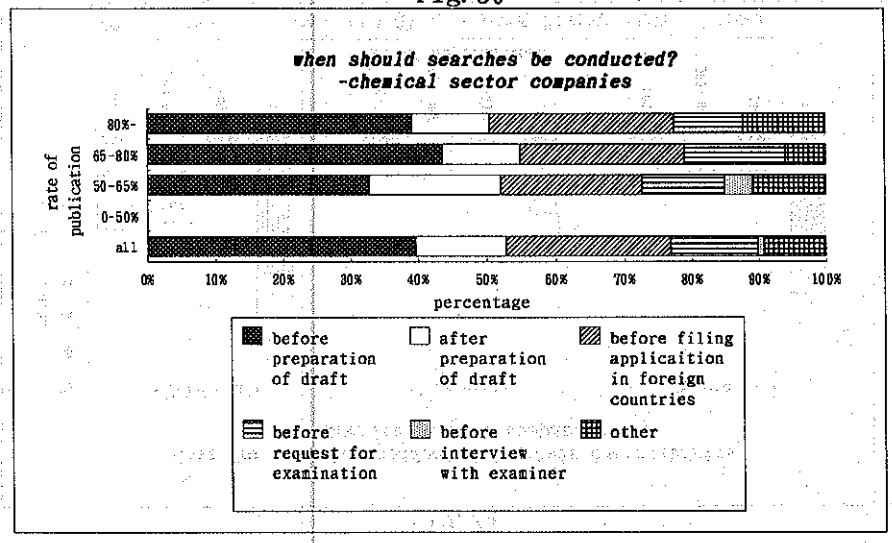


Fig. 31

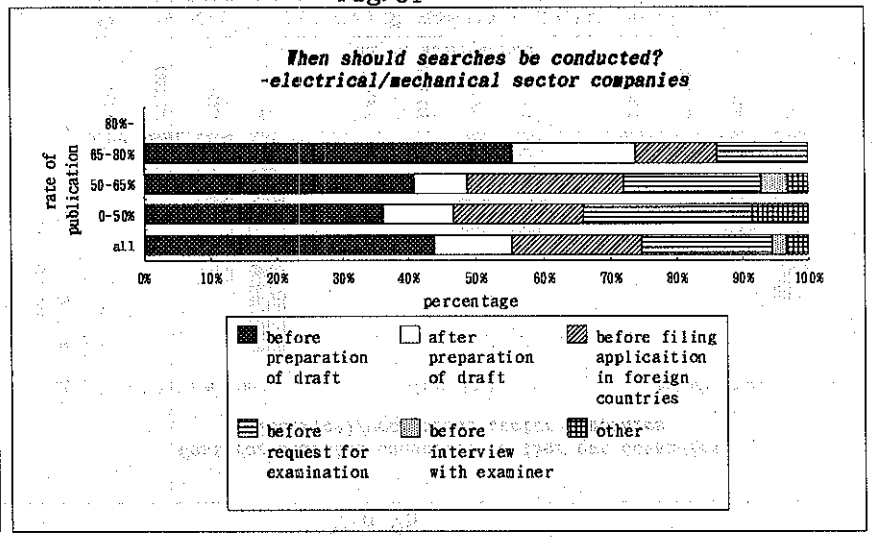
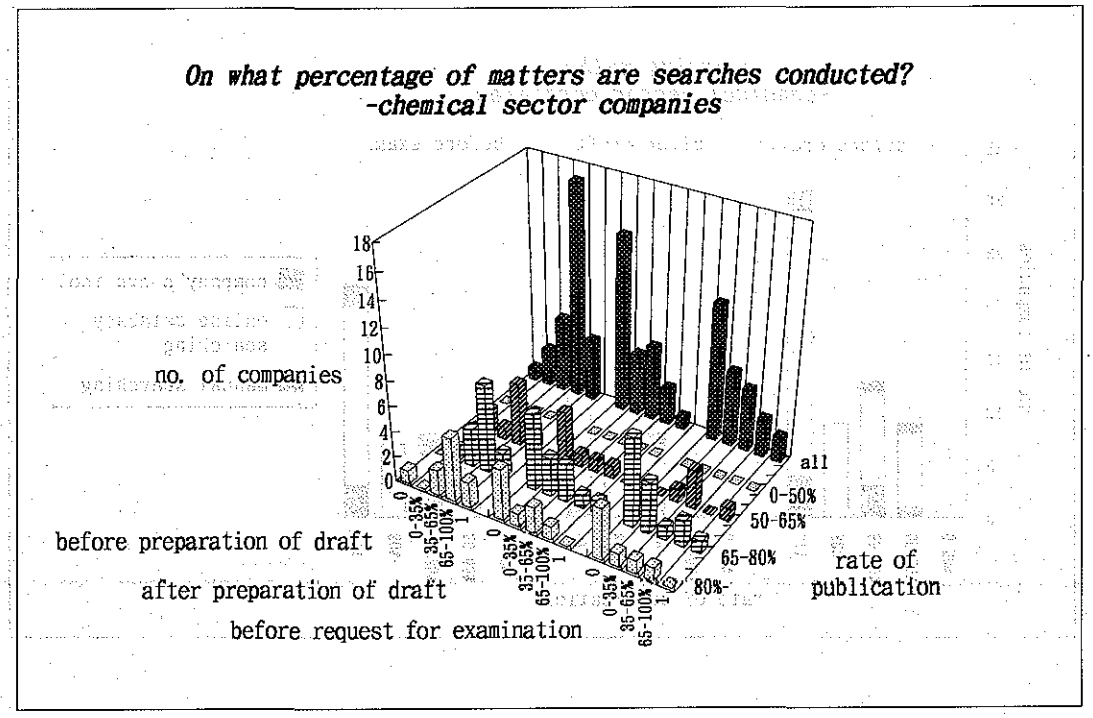


Fig. 32


On what percentage of matters are searches conducted?
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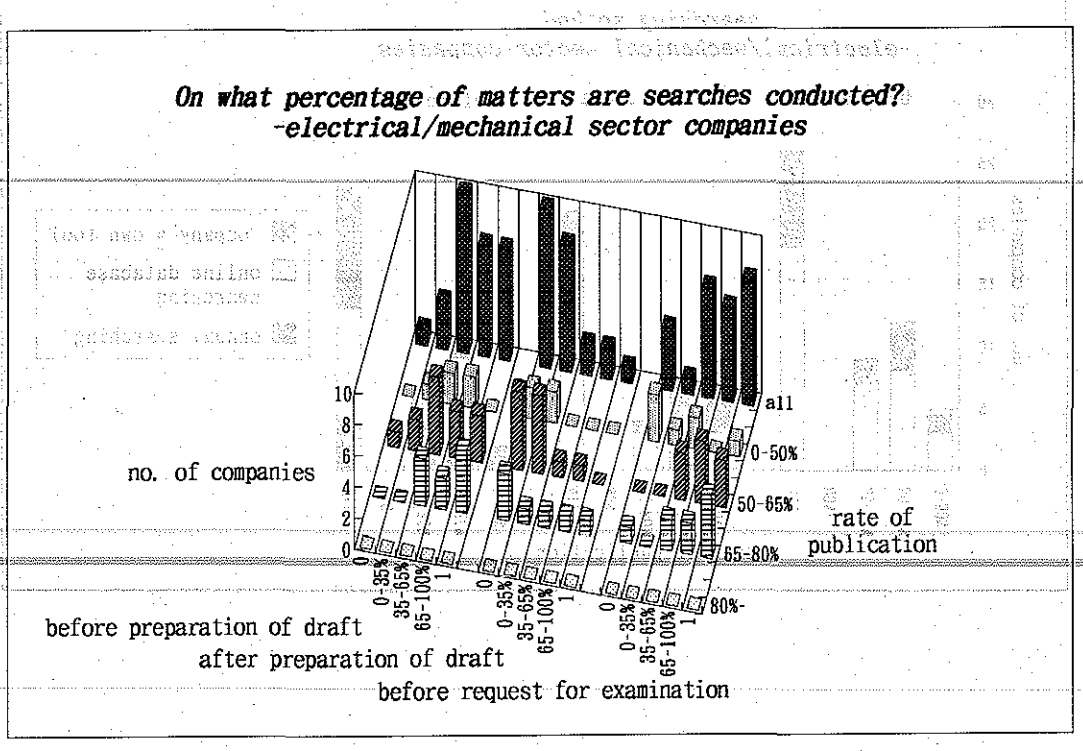
no. of companies
18
16
14
12
10
8
6
4
2
0
before preparation of draft
after preparation of draft
before request for examination
0
0-35%
35-65%
65-100%
1
all
0-50%
50-65%
65-80%
80%-
rate of publication

Fig. 33


On what percentage of matters are searches conducted?
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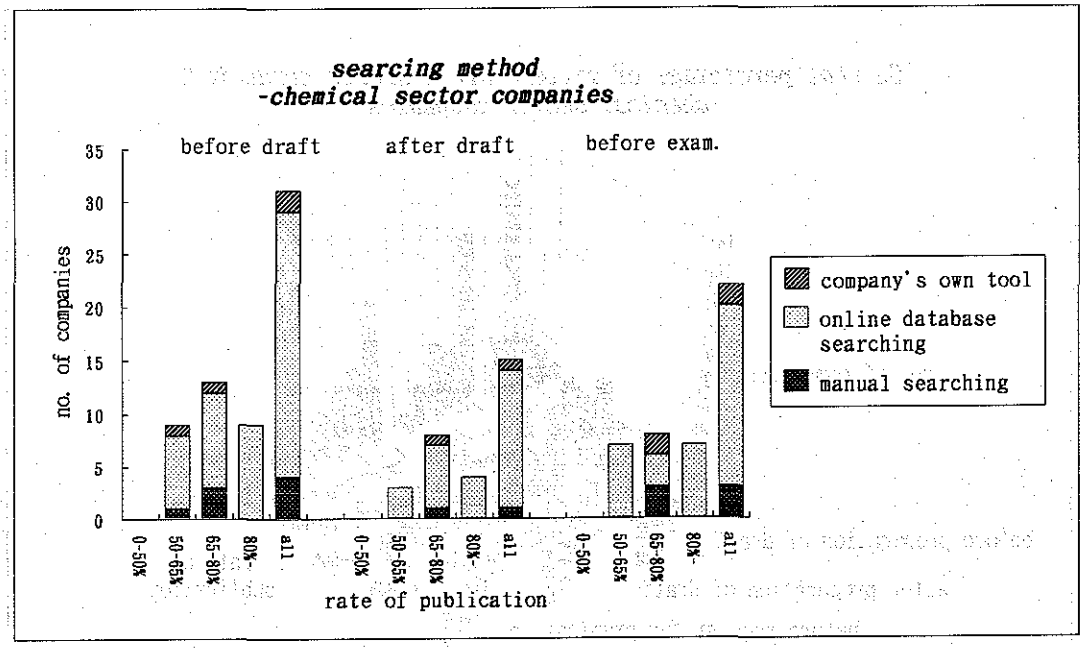
no. of companies
10
8
6
4
2
0
before preparation of draft
after preparation of draft
before request for examination
0
0-35%
35-65%
65-100%
1
all
0-50%
50-65%
65-80%
80%-
rate of publication

Fig. 34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before draft
after draft
before exam.
no. of companies
35
30
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0-50%
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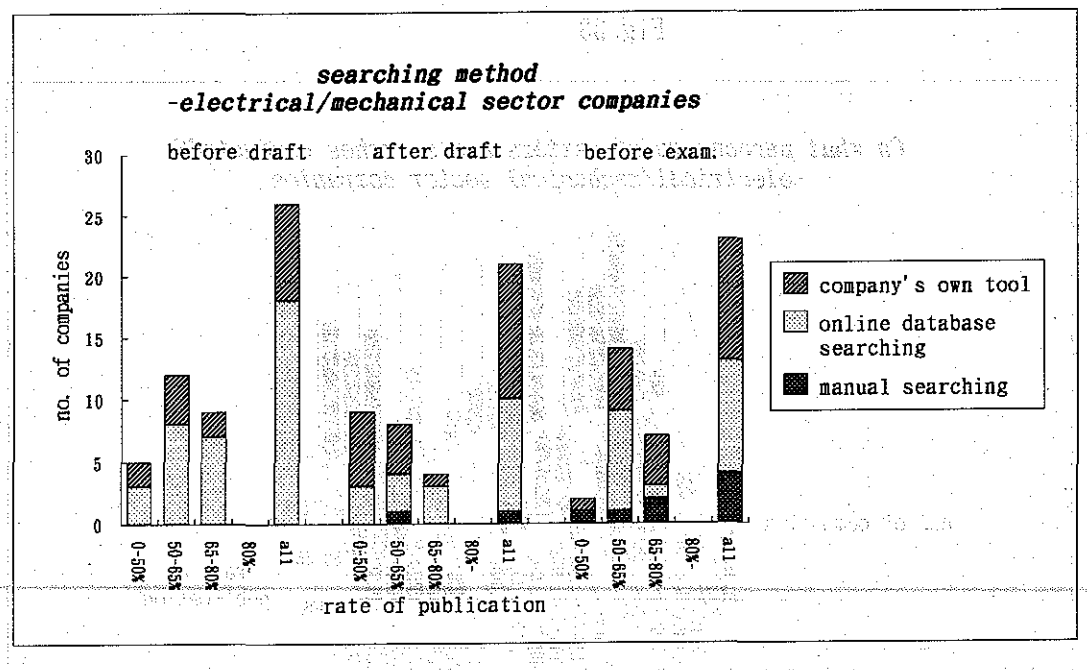
65-80%
80%-
all
company's own tool
online database searching
manual searching
rate of publication

Fig. 35


searching method
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before draft
after draft
before exam.
no. of companies
30
25
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15
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0
0-50%
50-65%
65-80%
80%-
all
company's own tool
online database searching
manual searching
rate of publication

Fig. 36

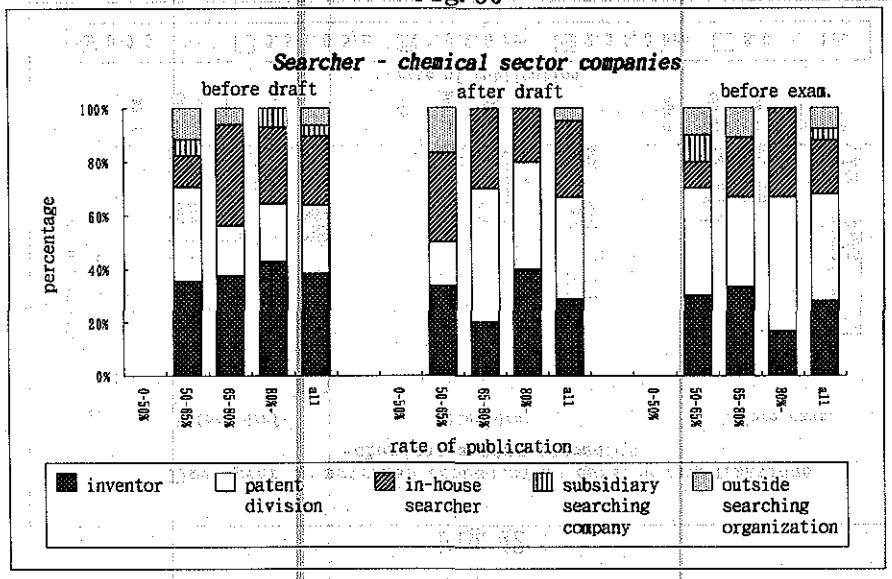


Fig. 37

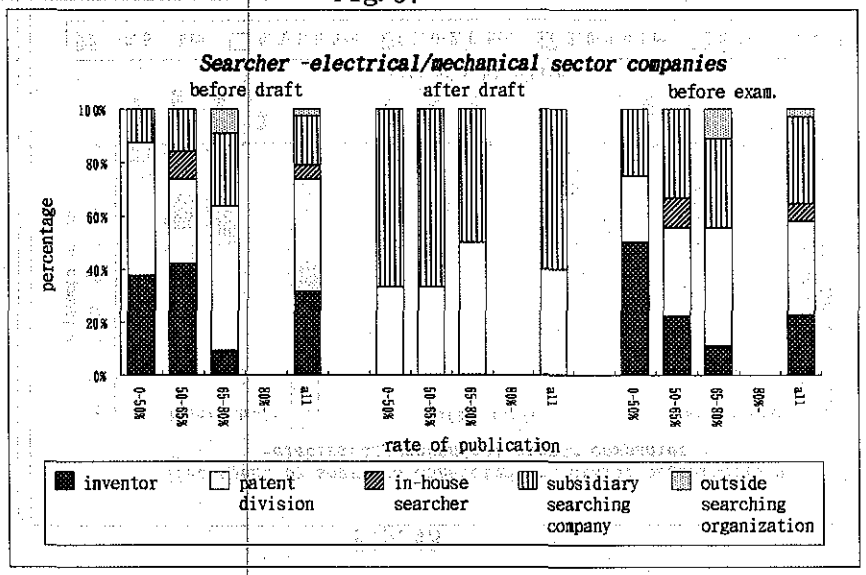


Fig. 38

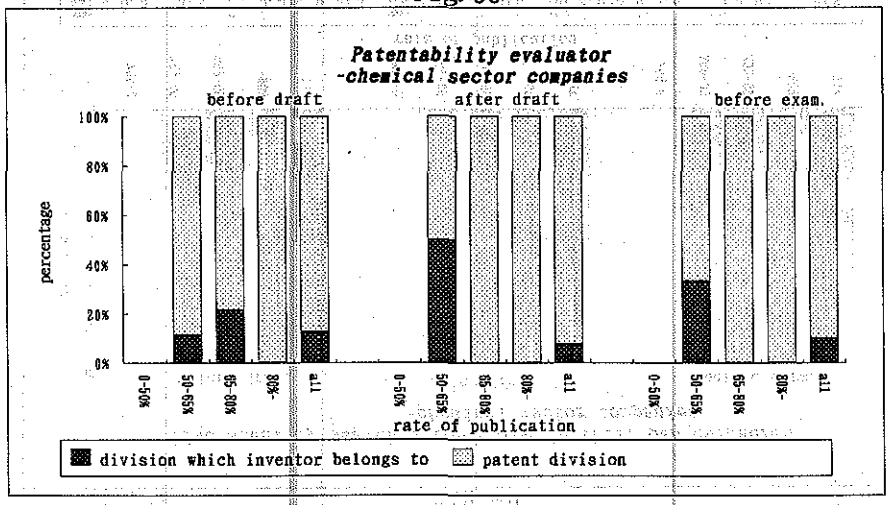


Fig. 39

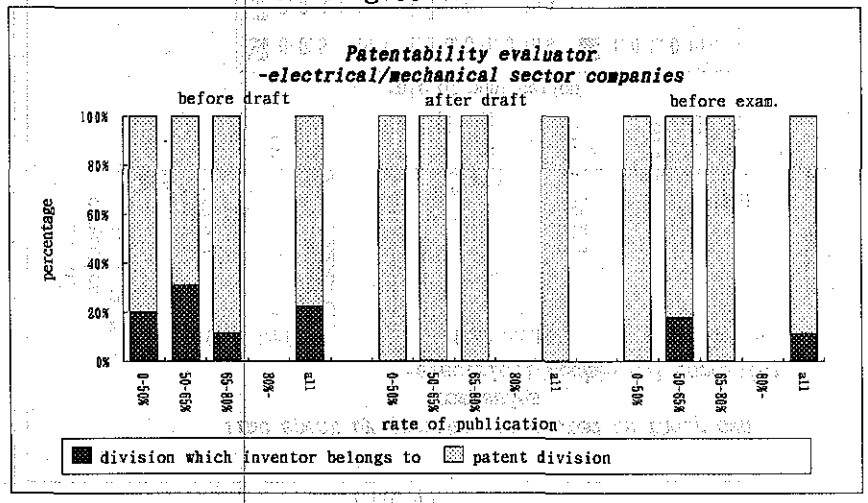


Fig. 40

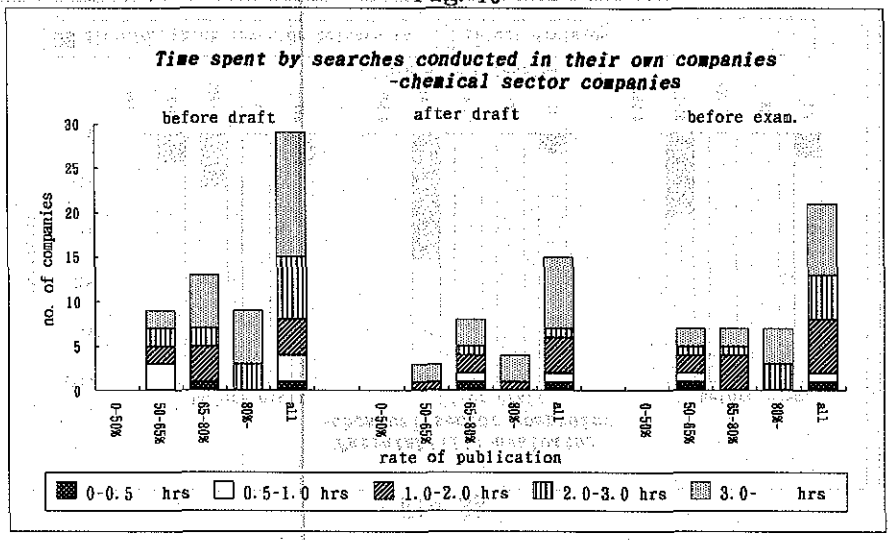


Fig. 41

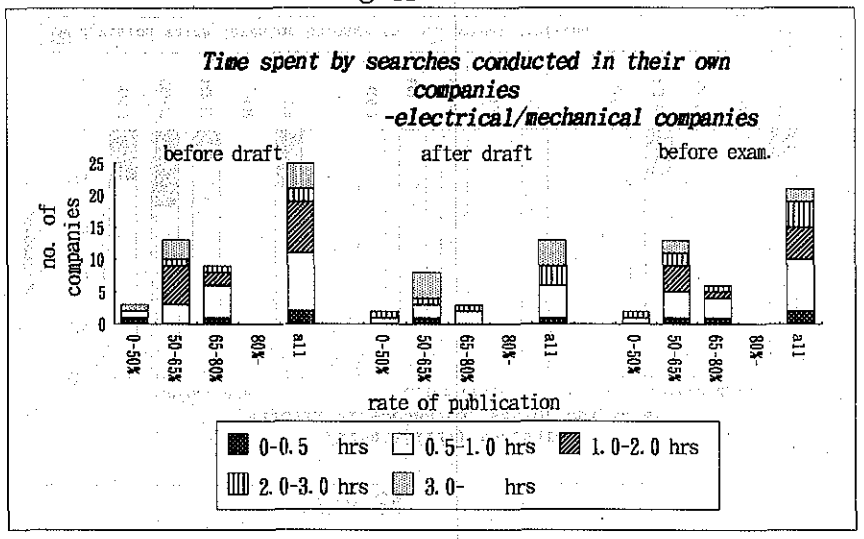
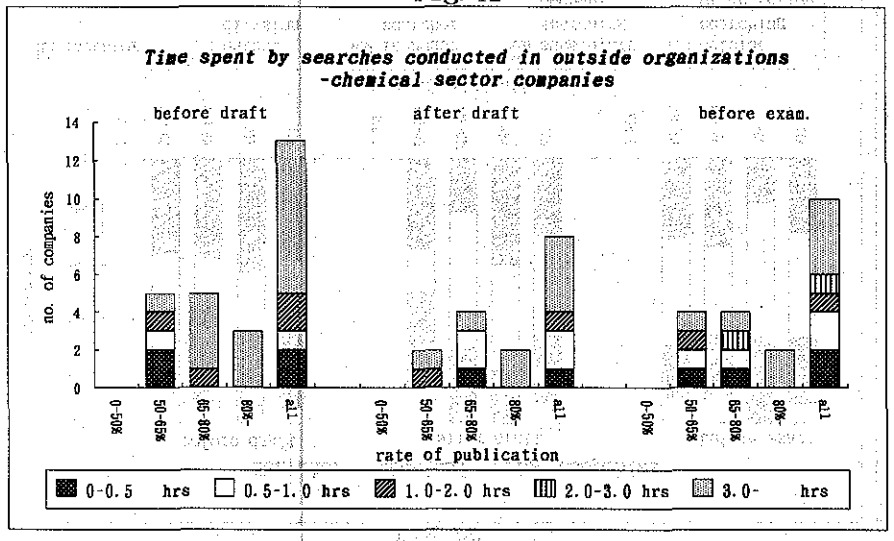


Fig. 42



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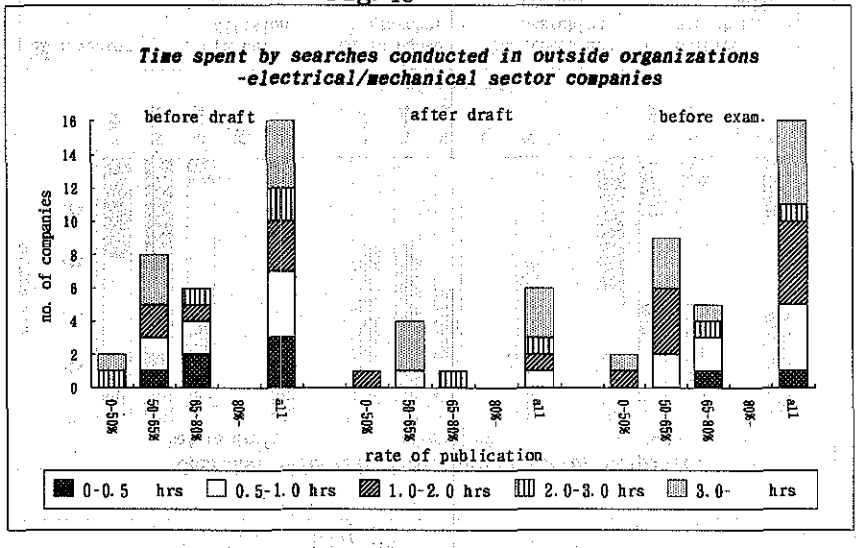


Fig. 44

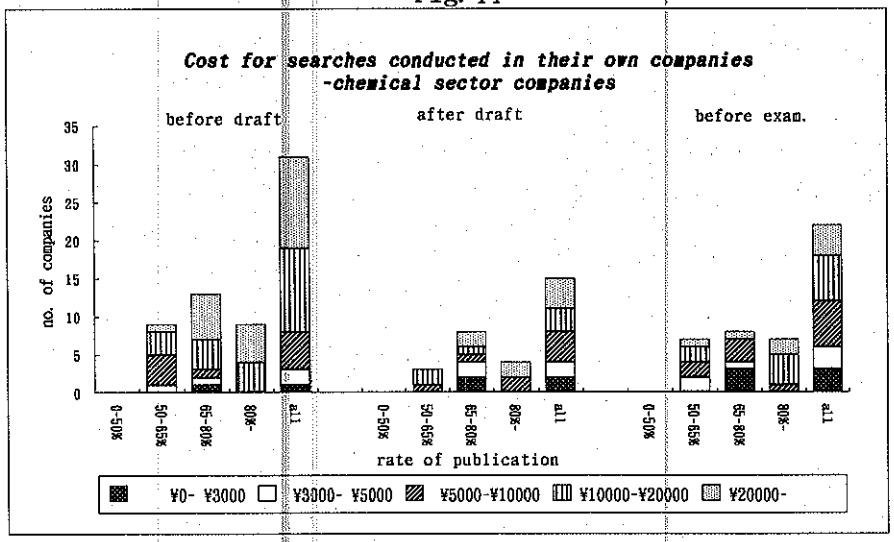
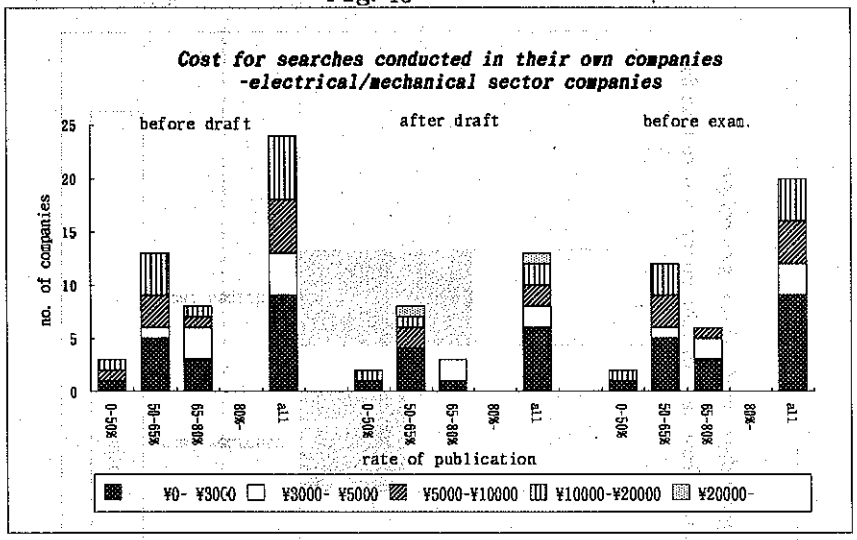


Fig. 45



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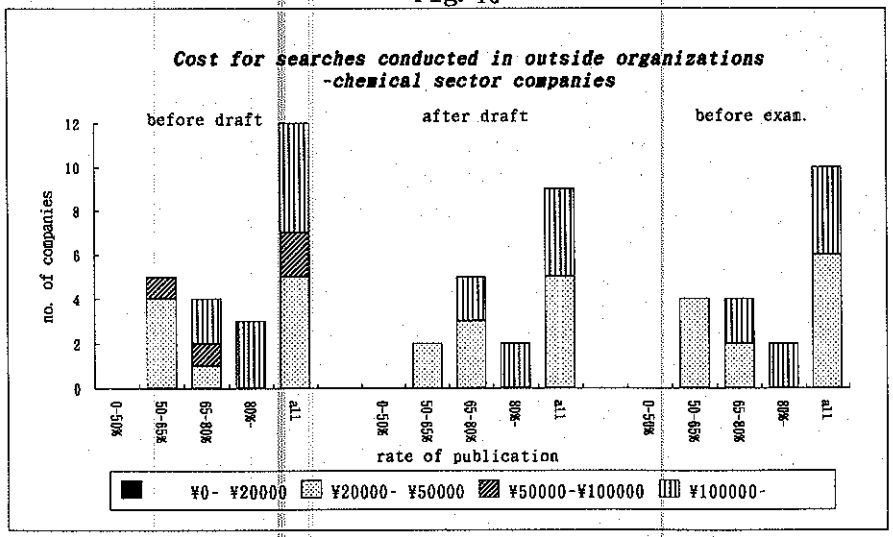


Fig. 47

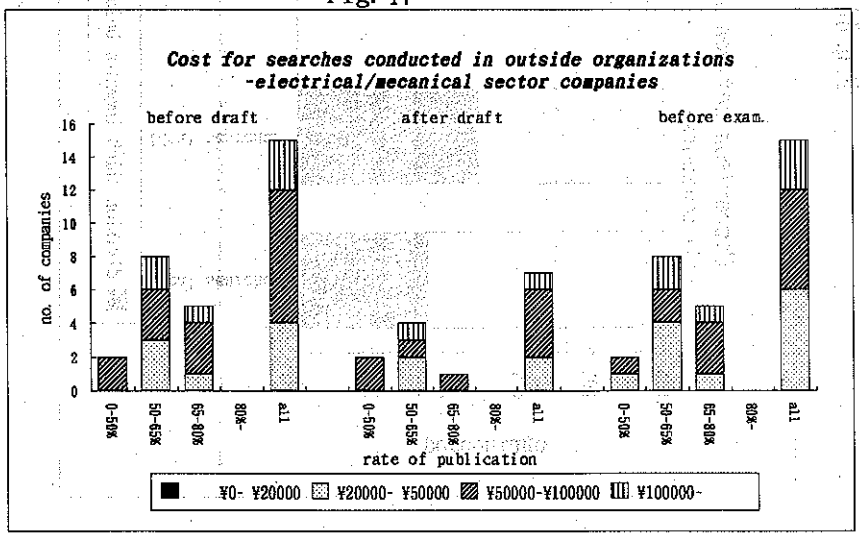
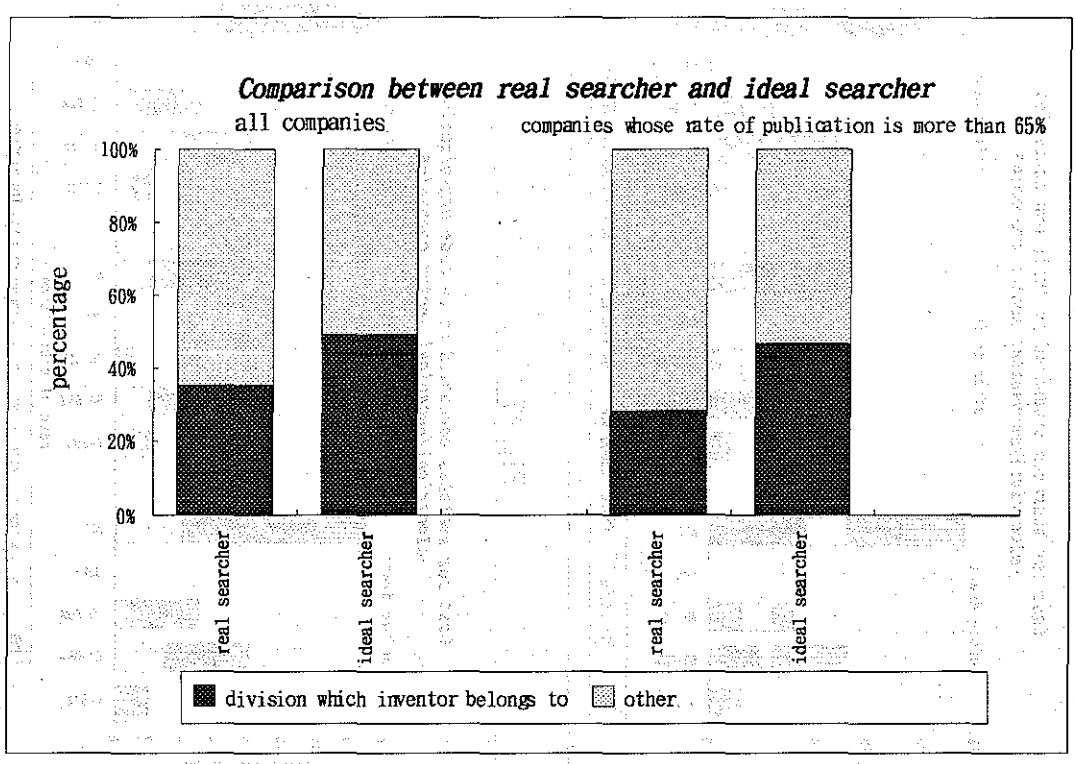


Fig. 48


Comparison between real searcher and ideal searcher
all companies
companies whose rate of publication is more than 65%
percentage
100%
80%
60%
40%
20%
0%
real searcher
ideal searcher
real searcher
ideal searcher
division which inventor belongs to
other

(1) Title : "Matters to Be Kept in Mind at The Time of Preparing a Specification in View of The Recent Trend in Judgments of Infringement Suit"

(2) Date : October, 1994 (Hamamatsu)

(3) Source :
1) Source : PIPA
2) Group : Japan
3) Committee: #1

(4) Authors : Tsuneo HAYASHI of KANEKA CORPORAION
Toshifumi KITA of SHIMADZU CORPORATION
Mikiya ISHIHARA of SEKISUI CHEMICAL CO., LTD.
Masao KATSURA of MITSUI PETROCHEMICAL INDUSTRIES, LTD.
Shuitsu TAKEDA of MITSUBISHI ELECTRIC CORPORATION

(5) Keywords: "specification", "claim", "infringement suit", "judgment"

(6) Statutory Provisions: Japanese Patent Law §36, §70, §101, §102
Japanese Utility Model Law §5, §27, §28

(7) Abstract : Among the infringement suits of which judgments were given during the period from 1991 to April, 1994, cases in which point at issue was interpretation of what is described in claim or specification are picked up, and points of those judgments are analyzed in association with the description in the specification. Matters to be kept in mind at the time of preparing a specification are then discussed in detail, picking up three cases of which judgments were recently given, .

CONTENTS

preparing claim

5. Example of claim prepared according to the points to be aimed and matters to be kept in mind

6. Others

Case: The Tokyo District Court H5.1.21 1(ワ)6095

"Binoculars"

1. Outline of the case

(1) History of the case

(2) Gist of the patent

(3) Gist of the allledgedly infringing product

2. Point at issue

3. Judgment (Reason)

4. Points to be aimed and matters to be kept in mind at the time of preparing claim

5. Example of claim prepared according to the points to be aimed and matters to be kept in mind

Case: The Tokyo District Court H5.3.19 4(ワ)23205, 4(ワ)23298

"Tape holder with cutting device"

1. Outline of the case

(1) History of the case

(2) Gist of the patent

(3) Gist of the alledgedly infringing product

2. Point at issue

3. Judgment (Reason)

4. Points to be aimed and matters to be kept in mind at the time of preparing claim

5. Example of claim prepared according to the points to be aimed and matters to be kept in mind

IV. Matters to be kept in mind at the time of preparing a specification

V. Conclusion

I. Introduction

In the patent strategy of these days, it is important to develop an active strategy utilizing one's own right as a weapon both domestically and internationally from the viewpoint of maintaining a priority of one's own products and entering into a favorable license business.

In this sense, it is required as a matter of course that claim and specification are prepared taking a specific product into consideration, and it will be further required, early in the stage of acquiring a right, to take necessary means for favorable development of legal proceedings considering a infringement suit.

In other words, it is extremely important to understand what is interpreted by the courts on claim and specification in the actual cases of infringement suit, and then prepare claim and specification based on such understanding.

In this article, first a recent trend of interpretation put by courts on claim and specification is reviewed by picking up a number of cases of infringement suit filed in past three years in which point at issue was interpretation of claim and specification, and then matters to be kept in mind at the time of preparing claim in the stage of acquiring a right are discussed by picking up noteworthy cases and analyzing them in detail.

II. Cases picked up in which point at issue was interpretation of what is described in claim or specification from among those of infringement suit judged in the past three years, and analysis of trend in the judgments.

1. Cases picked up:

165 cases in which point at issue was interpretation of description of claim or specification are picked up from among the cases reported in the past three years (from January, 1993 to April, 1994) by "The Intelectual Property Judgment Digest" published by the Industrial Property-Related International Cooperation and Training Center of The Japan Institute of Invention and Innovation, and classified into the following research items.

Research items:

(1) Win or loss of the proprietor in lawsuit.

(2) Classification of the proprietors into natural person proprietor, overseas proprietor, and juridical person proprietor.

(3) Subject matters of right are classified into the following 4 industrial categories:

① mechanical ② electrical ③ chemical and material ④ system

The "system" means something of which inventive step is acknowledged in the organic association or combination between one apparatus and another.

(4) Whether it is a method claim.

(5) Points of judgment by the courts are classified into following 6 categories:

① Cases in which there was a distinct difference between the composing elements described in claim and the defendant's product.

② Cases in which the invention was restrictively interpreted considering the detailed description of the invention and known literatures because of indefinite or vague expression of claim.

③ Cases in which the invention was restrictively interpreted exclusively based on the literal expression of claim (because there was no supporting description to be considered or because there was no need of considering such description).

④ Cases in which doctrine of equivalents was applied to the descriprtion of claim.

⑤ Cases in which doctrine of equivalents was not applied to the description of claim.

⑥ Cases in which composing elements of claim were admitted as they were.

2. Analysis of trend in the judgments:

(1) Percentage by industrial category: see Table II-1

(2) Percentage by natural person proprietor, overseas proprietor, and juridical person proprietor: see Table II-2

(3) Percentage of method patent: see Table II-3

(4) Percentage of proprietor's win or loss:

① Percentage of win or loss of all proprietors : see Table II-4

② Percentage of win or loss of domestic proprietors: see Table II-5

③ Percentage of win or loss of overseas proprietors: see Table II-6

(5) Percentage of win or loss by industrial field:

① Percentage of proprietor's win or loss in the field of material and chemical industries: see Table II-7

② Percentage of proprietor's win or loss in the field of mechanical industry: see Table II-8

(6) Point of the judgment given by the court in association with the description of claim: see Table II-9

(7) Summary

Matters to be noted from the above-described analysis are as follows:

① Actually it is presumed that a large number of cases were settled in the form of compromise without resulting in a judgment by court. Such cases as compromised in the course of proceedings are not reflected in the analysis herein.

② It is presumed that most of claims being subject to the analysis herein were prepared and filed on the principle of "one application for one invention" enforced up to 1988. As a result, it may be said that any judgment by court given after the introduction of multiplicity of claims is not reflected in the analysis herein.

③ Most of the juridical precedents are of mechanical field. This is because mechanical invention is easy to recognize visually and therefore easy to find an infringement. It is, however, to be noted that there are a large number of cases in which proprietor

lost his suit. This is because there might be certain cases in which courts tend to interprete the scope of the invention more restrictively than the literal expression of calim in their judgment. For example, in the case that an alledgedly infringing party has exhibited any prior art in the legal proceedings, since substantially one claim disclosing one invention was permitted to be described at that time, it might be necessary for the court to interprete the claim excluding therefrom what was disclosed in the prior art.

④ Percentage of proprietor's win is high in the field of chemical and material industries. It is necessary to review and study this trend by analyzing every case of juridical precedent in more detail. It may be said, however, that, in the judgments by the courts, the composing elements of the invention in these industrial categories tend to be interpreted a little broadly as compared with those of the mechanical field in which invention is easy to recognize visually.

⑤ In Japanese courts, the doctrine of equivalents is merely treated as just one of a number of theories, and therefore it is generally understood that there may be a case to which this doctrine is exceptionally applied if circumstances require. Thus, there is no case at all in which the doctrine of equivalents is positively adopted in the judgment of infringement suit. In fact, there is only one case in past three years in which the doctrine of equivalents is asserted by a proprietor and adopted by the court.

Ⅲ. Analysis in detail of the cases worthy of note

Case: The Tokyo High Court H6.2.3 3(ネ)1627
"Endless Slide Ball Spline Bearing"

1. Outline of the case

(1) History of the case

The appellant THK Corp. filed an infringement suit before the Tokyo District Court based on their Patent No.999139 ("Endless Slide Ball Spline Bearing", the Patent Publication (examined) No.53-22208) against TSUBAKIMOTO SEIKO CO., demanding an injunction order to discontinue act of such infringement and so on. The demand was, however, dismissed. (S58.(7)12677) This case shown below is an appeal filed by THK Corp. before the Tokyo High Court demanding a revocation of the original judgment.

(2) Gist of the patent

Composing elements are summarized below, and drawings of a preferred embodiment are also shown.

Element A [in association with the outer cylinder 1];

- A load ball guide groove 6 of U-shape in section for transmission of torque, and a no-load ball guide groove 5 are alternately formed axially on the inner surface.
- A circumferential groove 7 of the same depth as deep groove is formed on two ends.

Element B [in association with a retainer 2];

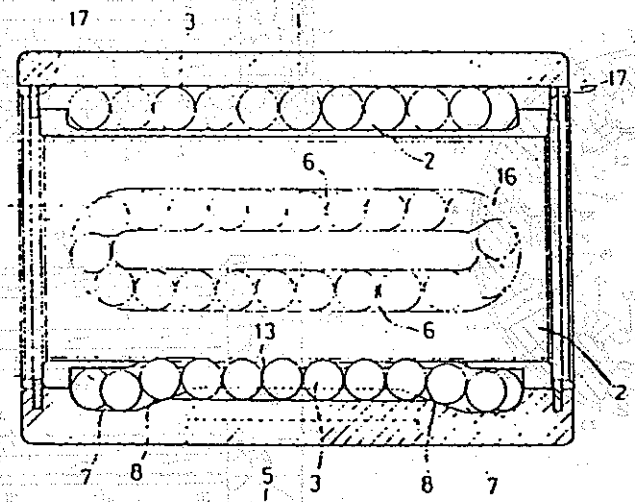
- Thin parts 12, thick parts 11, and an endless track groove are formed.
- By this endless track groove, balls are movable smoothly into through holes 6 each provided through a boundary wall located between the thin part and the thick part as well as into a no-load ball groove 15 provided in the thick part.

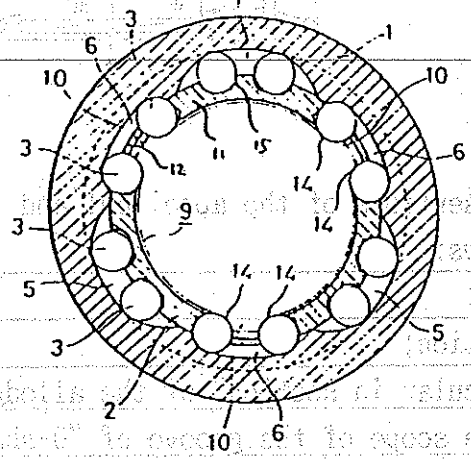
Element C [in association with a spline shaft 9];

- A plurality of convexes 10 are axially formed so as to mate with a plurality of concaves formed by the retainer and the ball in the outer cylinder.

Element D [in association with the entire construction];

· The outer cylinder, the retainer, and the spline shaft are assembled by combining and mating one another to form a complete unit.

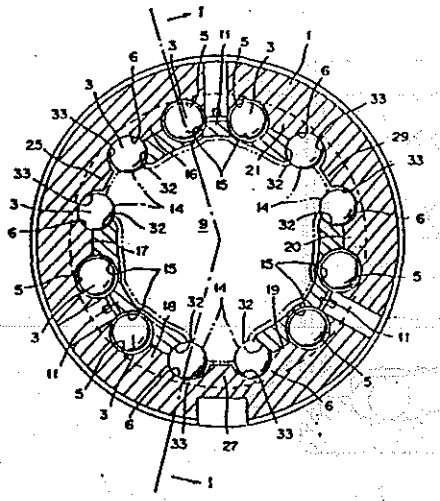


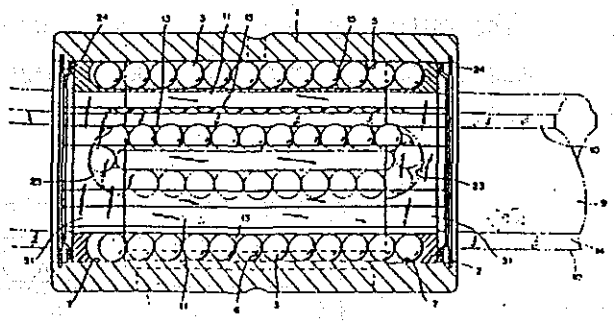


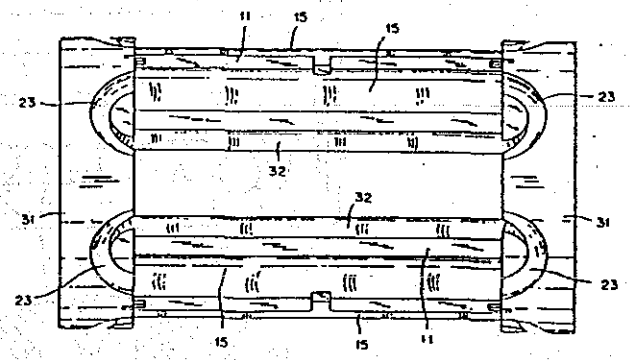
(3) Gist of the alledgedly infringing product (worked by the respondent):

The following drawings show a product which was commercially manufactured and sold by the respondent (alledgedly infringing product) from January, 1983 to October, 1988.

(Reference numerals: outer cylinder 1, retainer 2, spline shaft 9, load ball guide groove 5 for transmission of torque, no-load ball guide groove 6 for transmission of torque, plate-like member 11, annular member 31, projecting parts 25, 27, 29, slit 13, no-load ball groove 15)







2. Point at issue

Main points in the assertions of the appellant and the respondent are respectively as follows:

Concerning the Element A:
Appellant (THK)'s assertion;
(1) The groove "semicircular in section" of the alledgedly nfringing product fall within the scope of the groove of "U-shape in section". · As far as the thin part can be accommodated and disposed in the center portion of the U-shaped groove, shape of the groove has no technical significance. · There is no difference between the two grooves in the aspect of function because both of them serve as a groove having a rolling surface to accommodate a pair of load balls in the two grooves. (2) The "circumferential part 7" of the alledgedly infringing product falls within the scope of the "circumferential groove". · The "circumferential groove" is intended to provide a place where balls can turn smoothly to a reverse direction for circulation, as a result of cutting through the top wall of axial branch zone circumferentially on both ends of the outer cylinder. · The step of about 50 micron provided in the alledgedly infringing product is in the range of "normal difference in depth" and therefore falls within the scope of "the same depth".

Respondent (TSUBAKIMOTO)'s assertion;

(1) The groove of the allegedly infringing product does not fall within the scope of the groove of "U-shape in section".

· In the written reply to the opposition, the appellant (opponent) expressed that the groove of "U-shape in section" was an essential element under the recognition that the groove "semicircular in section" was known. Therefore, the appellant's assertion mentioned in above (1) is against the doctrine of estoppel.

· The projecting parts formed between the grooves "semicircular in section" operate actively to retain the balls, and such operation cannot be performed if forming the groove of U-shape in section.

(2) The alledgedly infringing product does not fall within the scope of "circumferential groove".

· Generally a groove is a structure having side walls on their both sides, and there is no such a groove in the outer cylinder of the alledgedly infringing product.

· The "circumferential part 7" has a no-load ball guide groove and a step, and performs only a function of securing the return cap 31 without any function in association with turning of the ball to the reverse direction.

Concerning the element B:

Appellant (THK)'s assertion;

(1) The "plate-like member", "annular member", and "projecting parts" of the alledgedly infringing product are equivalent to the element B.

· In the alledgedly infringing product, a mounting member corresponding to the thickness of the thin part for mounting the upper end of the projecting part is provided in the idle portion of the center part of the U-shaped groove. Such a modification was already disclosed in U.S. Patent No.3398999 and U.S. Patent No. 3360308 and, therefore, the "U-shaped groove and thin parts" can be easily substituted by the "pair of semicircular grooves and the projecting parts between the two grooves".

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Respondent (TSUBAKIMOTO)'s assertion
(1) The "plate-like memnber", "annular member", and "projecting parts" of the alledgedly infringing product are not equivalent to the element B. · There is no counter-argument as to the existence of possibility of substitusion. · In view of the fact that a direction convertor comprising the retainer and the return cap incorporated in the alledgedly infringing product is a patented technique, it is clear that there is neither easiness of substitution nor obviousness.

3. Judgment

"The original judgment is revoked." In effect, it was judged by the Tokyo High Court that the alledgedly infringing product falls within the technical scope of the patented invention.

Reasons for the judgment are shown below:

(1) Concerning the element A;

① The grooves "senicircular in section" falls within the scope of the grooves of "U-shape in section".

〔Reason〕

· The groove "semicircular in section" of the alledgedly infringing product is simply provided with the projecting parts on the bottom face of the groove of "U-shape in section", which has no technical significance at all. Therefore, it is reasonable to acknowledge that shape of the groove is substantially the same in both products.

· Concerning the applicability of the doctrine of estoppel, it is difficult to find in the written reply of the appellant any descirption that the shape of groove "semicircular in section" was deliberately excluded to define it to the "U-shape" in view of the known arts in the belief that the invention is characterized by such U-shape. Consequently, the respondent's assertion that the appellant is against the doctrine of estoppel cannot be admitted.

② The "circumferential part (cylindrical part)" falls within the technical scope of the "circumferencial groove" of the invention.

〔Reason〕

· The step of about 50 micron can be said approximately the same level as 40 micron which is a work error in the normal cutting work, and therefore cannot be a reason enough to explain any difference in the aspect of technical idea.

· Directional conversion, i.e., turning of the ball is performed by the endless track groove comprising the through hole and the no-load ball guide groove, and there is no description at all in the specification of the invention suggesting that the "circumferential part" is an essential composing element therefor. Consequently, it is reasonable to acknowledge that the cylindrical part of the alledgedly infringing product is substantially the same as the "circumferential groove" of the invention from the technical point of view.

(2) Concerning the element B;

In the case that the alledgedly infringing product performs all of the important functions and effects of the pantented invention, while any particular technical significance such as remarkable advantage being not provided by a partially different composing element of the alledgedly infringing product, and that it is possible to easily substitute a composing element of the patented invention by such a partially different composing element based on the state of art at the time of filing the application of the patented invention, it will be reasonable to understand that the alledgedly infringing product falls within the technical scope of the patented invention, resulting in infringement of the patent.

① It should be said that the alledgedly infringing product performs all of the important functions and effects of the invention. Thus, there no is difference between the alledgedly infringing product and the patented invention in the aspect of basic technical problem to be solved and technical idea forming a base thereof.

② Substitution can be easily achieved.

〔Reason〕

· It will be very easy for a person with ordinary skill in the art to substitute the thin part of the retainer in the invention by the projecting part of the outer cylinder based on what is disclosed in

the specification of the U.S. Patent No. 3398999.

· It will be easy for a person with ordinary skill in the art to substitute the construction of the retainer in the invention by that of the plate-like member and the return cap based on what is disclosed in the specification of the U.S. Patent No. 3360608.

· The respondent asserts that there is no easiness of substitution or obviousness in view of the fact that the construction of the direction convertor is a patented art. This patented art, however, is an invention related to a passage for turning the direction of ball by a retainer and a return cap, and does not relate to the projecting parts of the outer cylinder which is a subject matter of the mentioned easy substitution. Consequently, the respondent's assertion is not admitted.

4. Points to be aimed and matters to be kept in mind:

We tried to prepare a virtual claim as shown below so as to be interpreted by the court that the respondent's product literally infringes the invention, keeping the following points in mind:

① Concerning the element A;

As for the circumferential groove on the two ends, a minimum requirement of the composing element is satisfiedjust claiming the function of preventing the balls from getting out and the "projecting parts" which is at least required for performing such function, and it is not necessary to define the shape of the circumferential groove.

② Concerning the element B;

A minimum requirement of the composing element is satisfied just by claiming the open portion for bringing the ball in the load ball guide groove for transmission of torque in contact with the spline shaft, and the existence of the closed protion for preventing the no-load ball guide groove for transmission of torque from contacting the spline shaft.

5. Example of claim prepared in accordance with the points to be aimed and matters to be kept in mind:

<u>Element A</u> [in association with the outer cylinder];

· A load ball guide grooves for transmission of torque and a little

deeper no-load ball guide groove for transmission of torque are alternately formed axially on the inner surface.

· Projecting parts for preventing a ball from getting out are formed on two ends.

Element B (in association with a retaining member);

· An open portion opposing to the load ball guide groove for transmission of torque, and a closed portion for covering the no-load ball guide groove are formed.

· A no-load ball groove opposing to the no-load ball guide groove for transmission of torque, and an endless track groove for allowing the ball to move smoothly into the no-load ball groove are formed.

Element C (in association with the spline shaft);

· A plurality of convexes are axially formed so as to mate with a plurality of concaves formed between the retainer and the ball in the outer cylinder.

Element D (in association with the entire construction);

· The outer cylinder, retainer, and the spline shaft are assembled by combining one another to form a complete unit.

It may be difficult to prepare such a claim as described above at the time of filing an application. It will be, however, necessary to claim an invention in the form of the highest concept for covering any evading technique by competitors, and at the same time, subclaim preferable specific form of the invention actually worked, if the invention is definitely important from the viewpoint of business activities developed in the future.

6. Others (process of judging infringement on the ground of the doctrine of equivalents)

As mentioned above, in Japan, the judgment of infringement on the ground of the doctrine of equivalents depends upon whether or not the following requirements are satisfied:

① There is no difference between the patented invention and the alledgedly infringing product in the aspect of basic technical problem to be solved and technical idea forming a base thereof, and the alledgedly infringing product performs all of the important functions and effects of the patented invention.

② Any particular technical significance such as remarkable advantage is not achieved by a partially different composing element.

③ It is possible to substitute a composing element of the patented invention by such a partially different composing element based on the state of art at the time of filing the application of the patented invention.

④ The substitution is easy.

On the other hand, in the United States, a so-called "3-parts test" is conducted in the judgment process as employed in Graver Tank. More specifically, "in the case that substantially the same funciton is performed by substantially the same method, whereby substantially the same result is obtained", then existence of infringement is to be acknowledged on the ground of the doctrine of equivalents.

It seems that this appeal case of infringement suit satisfies the requirements of the 3-parts test. Furthermore, in the United States, another judgment process called "virtual claim approach" has been also introduced for judging the equivalency since Wilson Golf Ball. In this doctrine, a virtual claim is prepared so as to contain literally an allegedly infringing product. Thus, in the case that the virtual claim has a patentability over prior arts, it is judged that the product infringes the patent on the ground of the doctrine of equivalents. In other words, it may be said that the doctrine of equivalents should not be applied unless there is a patentability in the virtual claim. It is interesting to discuss in detail whether or not the virtual claim proposed above has a patentability over the prior arts U.S. Patent No. 3398999 and No.3306308. Such a discussion or study will be left to the opportunity in the future.

In addition, this case was further appealed before the Supreme Court by the respondent TSUBAKIMOTO SEIKO CO.

Case: The Tokyo District Court H5.1.21 1(ワ)6095
"Binoculars"

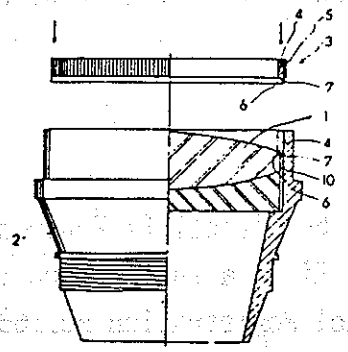
1. Outline of the case

(1) History of the case

This is a case in which the plaintiffs Kuniyoshi MARUYAMA and TOEI OPTICAL INDUSTRY CO., LTD. filed a suit before the TOKYO District Court based on their Utility Model Registration No.1667334 ("Binoculars") against the defendent PULSE OPTICALMACHINERY CO., LTD., demanding "a payment of Five Million Yen and interest thereon calculated starting from October 21, 1988 to the payment date at the rate of 5% per year".

(2) Gist of the utility model and the alledgedly infringing product:

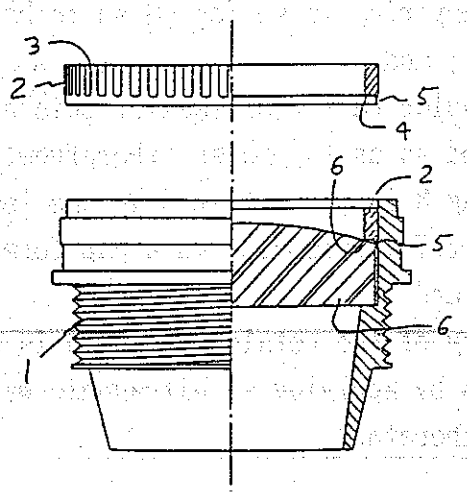
〈Gist of the utility model〉
Binoculars in which: ① a lens tube 2 and a retaining ring 3 are formed of synthetic resin; ② said retaining ring is formed into a cylindrical annular body of small length; (a) notches 5 are provided on the outer periphery of the retaining ring 3 to form a corrugated surface; (b) convexes of said corrugated surface are so formed as to have an external diameter to be press-fitted in the inner wall of the lens tube 2; ③ in the bottom part of the retaining ring 3; (a) a step 6 is provided on the inner periphery side; (b) an outer periphery ring is so formed as to have a diameter smaller than the annular body; and (c) an extending annular part 7 of smaller thickness than the annular body is solidly formed so as to project therefrom; ④ said retaining ring 3 is press-fitted in the lens tube so that said extending annular part 7 is disposed in a gap formed between a lens 1 and the lens tube 2; and ⑤ the outer periphery of the retaining ring 3 is welded to the inner wall of the lens tube by applying an ultrasonic wave or a high-frequency vibration thereto.



〈Gist of the alledgedly infringing product〉

Binoculars in which:

a lens tube 1 and a retaining ring 2 are formed of synthetic resin; notches are provided on the outer periphery of the retaininig ring 2 to form a corrugated surface; convexes of said corrugated surface are so formed as to have an external diameter to be press-fitted in the inner wall of the lens tube 1; in the bottom part of the retaining ring 2, a step is provided on the inner periphery side; an outer periphery ring is so formed as to have a diameter smaller than the annular body; an extending annular part 5 of smaller thickness than the annular body is solidly formed so as to project therefrom, and; the extending annular part 5 is press-fitted in the lens tube and, at the same time, an ultrasonic wave or a high-frequency vibration is applied, whereby the outer periphery of the retaining ring 2 is welded to the inner wall of the lens tube.



2. Point at issue

Whether the word "and" described in claim means a passage of time in the assembling process, i.e., "then", or means a mere enumeration of matters.

3. Judgment(Reason)

The word "and" described in claim means "then". Consequently, the alledgedly infringing product does not fall within the scope of the claimed utility model.

〈Reason〉

(1) It is described in claim of the registered utility model that "in the bottom part of the retaining ring 3, a step 6 is provided on the inner periphery side, an outer periphery ring is so formed as to have a diameter smaller than the annular body, and an extending part 7 of smaller thickness than the annular body is solidly formed so as to project therefrom", whereby configuration of the extending annular part formed on the bottom part of the retaining ring is defined. Besides, it is further described in the element ④ that "said retaining ring 3 is press-fitted in the lens tube so that the extending annular part is disposed in a gap formed between a lens and the lens tube", which may be said a description of a process for assembling the retaining ring into the lens tube. It is furthermore described that "and the outer periphery of the retaining ring is welded to the inner wall of the lens tube by applying an ultrasonic wave or a high-frequency vibration thereto". Thus, it is understood that this description shows a process after disposing the extending annular part in a gap between the lens and the lens tube and, therefore, the meaning of "and" should be interpreted "then".

(2) At the time of publication of application (examination), description of claim was "the retaining ring is press-fitted in the lens tube and, at the same time, an ultrasonic wave or a high-frequency vibration is applied, whereby ···". However, a decision of refusal was given thereafter by the examiner, and to meet this decision of refusal, claim was amended by adding the wording "and", and the detailed description of the invitation was also amended by adding a further problem to be solved by the invention indicating that "when applying an ultrasonic vibration while applying a pressure from above to the retaining ring,

there arises a problem in that a lens is displaced due to the ultrasonic vibration and cannot obtain an appropriate optical axis".

(3) Interpretation of the meaning of "and" described in claim as "then" in process order results in that a manufacturing method becomes one of the composing element. However, even in the case that a manufacturing method for accomplishing a specific shape or construction of an article is described in claim, as far as the description of such a method is an essential composing element of the device, the description of such a method must be taken into consideration as an element for specifying a final shape or construction of the article, at the time of finally acknowledging a scope of the claimed utility model.

4. Points to be aimed and matters to be kept in mind at the time of preparing a specification

The judgment of not falling within the scope of the claimed utility model was given unfavorably to the plaintiffs because of the amendment of claim filed in the course of the trial against examiner's decision of refusal, apart from whether it is reasonable or not to take the description of a method into consideration for acknowledging a scope of the claimed utility model when such a method is described in claim.

It is certainly disclosed in the Patent Publication (examined) No. 49-3848 cited as a known art that a ring for retaining lens is press-fitted in a gap formed between the lens and lens tube and, at the same time, the ring for retaining the lens is molten by means of an ultrasonic heating system, whereby the lens, the ring for retaining the lens, and the lens tube are welded one another. But any specific form of the retaining ring 3 (in the bottom part of which a step 6 is provided on the inner periphery side, an outer periphery ring is so formed as to have a diameter smaller than the annular body, and an extending annular part 7 of smaller thickness than the annular body is solidly formed so as to project downward) and any specific form of disposing the extending annular part 7 of the retaining presser in a gap formed between the lens 1 and the lens tube 2 both described in the registered utility model, are not disclosed in the cited known art. Consequently, claim should have been prepared keeping these points in mind.

5. Example of claim prepared in accordance with the points be aimed and matters to be kept in mind is as follows:

Binoculars in which:

① a lens tube and a retaining ring are formed of a synthetic resin;

② said retaining ring is formed into a cylindrical annular body of small length; and in which;

(a) notches are provided on the outer periphery of the retaining ring to form a corrugated surface;

(b) convexes of said corrugated surface are so formed as to have an external diameter to be press-fitted in the inner wall of the lens tube tube;

③ in the bottom part of the retainer ring;

(a) a step is provided on the inner periphery side;

(b) an outer periphery ring is so formed as to have a diameter smaller than the annular body; and

(c) an extending annular part of smaller thickness than the annular body is solidly formed so as to project therefrom; and

④ said extending annular part of the retaining ring is welded in a gap formed between a lens and the lens tube by applying an ultrasonic wave or a high-frequency vibration thereto.

Case: The Tokyo District Court H5.3.19 4(ワ)23205,
"Tape holder with cutting device"

1. Outline of the case

(1) History of the case

The plaintiff Kenji SHINOZUKA filed a suit against RICOH COMPANY, LTD. based on his Patent No.978602 ("Tape holder with cutting device"; Patent Publication (examined) No.47-1919), demanding a payment equivalent to a reasonable royalty, but the demand was dismissed.

(2) Gist of the patent

What is claimed in the Patent Publication (examined) No.47-1919 is as follows:

"A holder with cutting device comprising a body 1 for holding a tape or the like rolled thereon, a drawing port 3 formed on said body and having a stationary cutting edge 2 and a movable cutting edge 4 rotatably provided for shearing a drawn tape T or the like, characterized in that a cutting edge 7 for cutting a width is fixed to a loose support shaft 8 of the movable cutting edge 4 having an operating knob 9, and a pair of guide rollers 5, 6 are disposed between the shaft 8 and the drawing part 3."

(3) Gist of the alledgedly infringing products

The following defendent's products, each being a copying machine, are the alledgedly infringing products:

Defendent's product "A": Trade name "RICOH PPC900 & BA CHANGER"
Defendent's product "B": Trade name "RICOH PPC900 & CENTER SLITTER"
Defendent's product "C": Trade name "RICOPY PL5000 AUTO"

In the judgment, construction, operation, function and effect of the entire copying machine being a rather intricated machine are described, and since they are partially involved in this case, the construction involved in this case is hereinafter described.

Description of the construction (see Figs.4 and 5):

(1) A holding plate 24 of a roll paper (copying paper) "c" for transferring a tonar image formed on a photosensitive dram "d" is

detachably mounted on the lower part of a main body "a" of the copying machine so as to be drawn in and out by a pull 25, and the holding plate 24 is provided with a stationary cutting edge 21 and a rotatable cutting edge 22 for cutting the roll paper (copying paper) "c" at a desired length.

(2) The main body "a" of the copying machine is further provided with a conveyor roller 23 for conveying the roll paper (copying paper) "c", a belt 30 mounted on belt conveyer pulleys 29, and a dispenser roller 32. A width cutting section "b" for cutting the roll paper (copying paper) to a required width and a dispenser tray 33 are provided on the outside of the main body "a" of the copying machine.

(3) An operating knob 40 is mounted on the side of the width cutting section "b" for cutting the roll paper (copying paper) "c", and a cam 41 and a cam 50 are respectively mounted on a shaft 43 supporting the knob 40.

A shaft 44, being supported by a bearing 47 so as to be movable verically, supports rotatably an adjusting screw 52 for fixedly supporting a rotatable lower cutting edge 48 and a spring 54. The rotatable lower cutting edge 48 is movable horizontally by forming a slit 53 on a slide plate 51 having a projection 51a to be engaged with the lower cutting edge 48. The slide plate 51 is also provided with a projection 51a to be engaged with cam 50 so that the lower cutting edge 48 may be secured by a screw 59 to a board 58 fixed to a side plate body 57. A width of the roll paper (copying paper) "c" conveyed through a guide plate 46, a lower roller 55 and upper roller 56 for conveying the roll paper "c" is cut by a rotatable upper cutting edge 49, and this rotatable upper cutting edge 49 is mounted on a shaft 45.

(4) The shafts 44 and 45 for supporting these rotatable lower cutting edge 48 and upper cutting edge 49, and the shafts of the lower roller 55 and upper roller 56 for conveying the copying papers get their turning force from a drive motor 42 disposed on the lower part of the side plate body 57 through the sprocket and chain (not illustrated) disposed on one side end outside the side plate 57, and rotates at all times during the operation of the copying machine.

2. Point at issue

There is no controversy between the parties in the aspect of a

composing element that "a cutting edge 7 for cutting a width is fixed to a loose support shaft 8 of the movable cutting edge 4 having an operating knob 9".

The plaintiff's assertion against the defendant's product "A" is as follows:
(The plaintiff's assertions against the defendant's products "B" and "C" are omitted herein because they are based on the same ground as the defendant's product "A".)

Assertion 1 : The "rotatable lower cutting edge 48 and upper cutting edge 49 serving as a cutter in the device for cutting a width of the roll paper c" in defendant's product "A" comes under the "cutting edge 7 for cutting a width" of the registered device. And the "shaft 45 supported loosely and provided with the rotatable upper cutting edge 49 and rotating at all times during the operation" and the "shaft 44 supported loosely and provided with the rotatable lower cutting edge 48 and rotating at all times and movable vertically" in the defendant's product "A" come under the "shaft 8" of the registered device.

Assertion 2: The "loose support shaft 8" of the registered device includes a loose support shaft 8 to which the cutting edge 7 for cutting a width is fixed and a different loose support shaft 8 to which the movable cutting edge 4 is fixed.

The defendant's defense against the above plaintiff's assertion was not shown in the judgment.

3. Judgment (Reason)

Because the defendant's product "A" is clearly out of the technical scope of the registered device, the plaintiff has no reason for his demand, without need of determing the remaining points at issue.

Reason:

Judgment on the plaintiff's assertion 1:

The "shaft 8" of the registered device is a "loose support shaft 8

of the movable cutting edge 4 having an operating knob 9" and the "the movable cutting edge 4" is a "movable cutting edge 4 for shearing a drawn tape T or the like". On the other hand, the "shaft 45" and the "shaft 44" respectively mounted on the "rotatable upper cutting edge 49" and the "rotatable lower cutting edge 48" of the defendant's product "A" are different shafts from those of the "stationary cutting edge 21 and rotatable cutting edge 22 for cutting the roll paper (copying paper) "c" to a desired length" serving as a length cutting section. Consequently, it is not admitted that the construction of the defendant's product "A" includes the composing element that "a cutting edge 7 for cutting a width is fixed to a loose support shaft 8 of the movable cutting edge 4 having an operating knob 9".

Judgment on the plaintiff's assertion 2:

The composing element of the registered device that "a cutting edge 7 for cutting a width is fixed to a loose support shaft 8 of the movable cutting edge 4 having an operating knob 9" is a definite composing element without any other meaning, and after examining every evidence including the specification and drawings annexed to the appliction document, it is impossible to find out any reason for admitting the plaintiff's assertion on the "loose support shaft 8".

Thereafter, this case was appealed before the Tokyo High Court by SHINOZUKA. The appellant raised a new assertion. The new assertion was based on the ground that "registered device comprising a shaft to which a cutter for cutting a width is fixed and by which a cutter for cutting a length is loosely supported" and the "product comprising a shaft on which a cutter for cutting a tape width is mounted and a different shaft on which a cutter for cutting a paper length is mounted" are both based on an identical technical idea, and the same function and effect as the registered device are performed by the respondent's product "A" and, consequently, the difference in the aspect of construction between the registered device and the respondent's product "A" is an ignorable design difference or a mere design change.

The Tokyo High Court judged that there was no reason in the appellant's assertion.

SHINOZUKA further appealed this case before the Supreme Court, and

the Supreme Court sustained the original judgment.

4. Points to be aimed and matters to be kept in mind at the time of preparing claim

In the specification of the Patent Publication (examined) No.47-1919, following two inventions are found:

① An invention of a structure comprising two types of cutter, i.e., the cutter 7 for cutting a width and the cutter 4 for cutting a length, each cutter being operated by a separate drive section. By this invention, a tape can be cut to a required width or length.

② Another invention in which the cutter 7 for cutting a width is fixed to the loose support shaft 8 having an operating knob 9. By this invention, a tape can be cut in a required direction by turning the operating knob.

③ As for the arrangement of "disposing a pair of guide rollers 5, 6 between the shaft 8 and the drawing port 3", there is no description about the technical effect of such arrangement and, therefore, this arrangement does not seem to be an essential composing element.

Considering the invention as mentioned above, the two types of cutters may be coaxially supported by a common shaft, but it is not necessary to define claim to such an arrangement. Furthermore, since the mentioned two inventions ① and ② are independent, it is not always necessary to take the two inventions for a combined invention as is claimed in the Patent Publicaiton (examined) No.47-1919.

5. Example of claim prepared according to the points to be aimed and matters to be kept in mind

What is claimed is:

A holder with cutting device comprising a body 1 for holding a tape or the like rolled thereon, a drawing port 3 formed on said body and having a stationary cutting edge 2 and a movable cutting edge 4 rotatably provided for shearing a drawn tape T or the like, characterized in that a cutting edge 7 for cutting a width is fixed to a shaft having an operating knob.

FIG.1

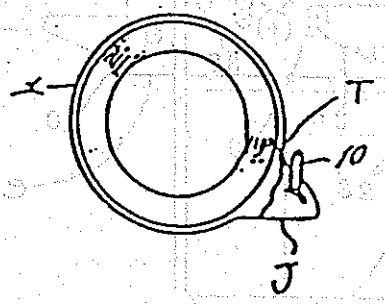


FIG. 2

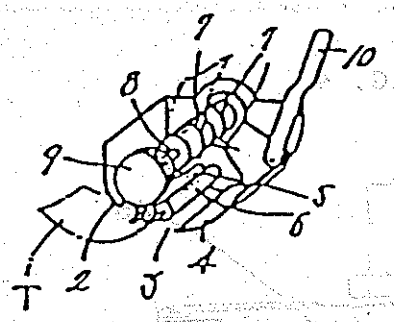
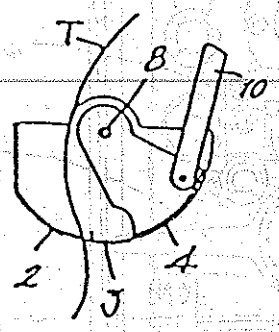
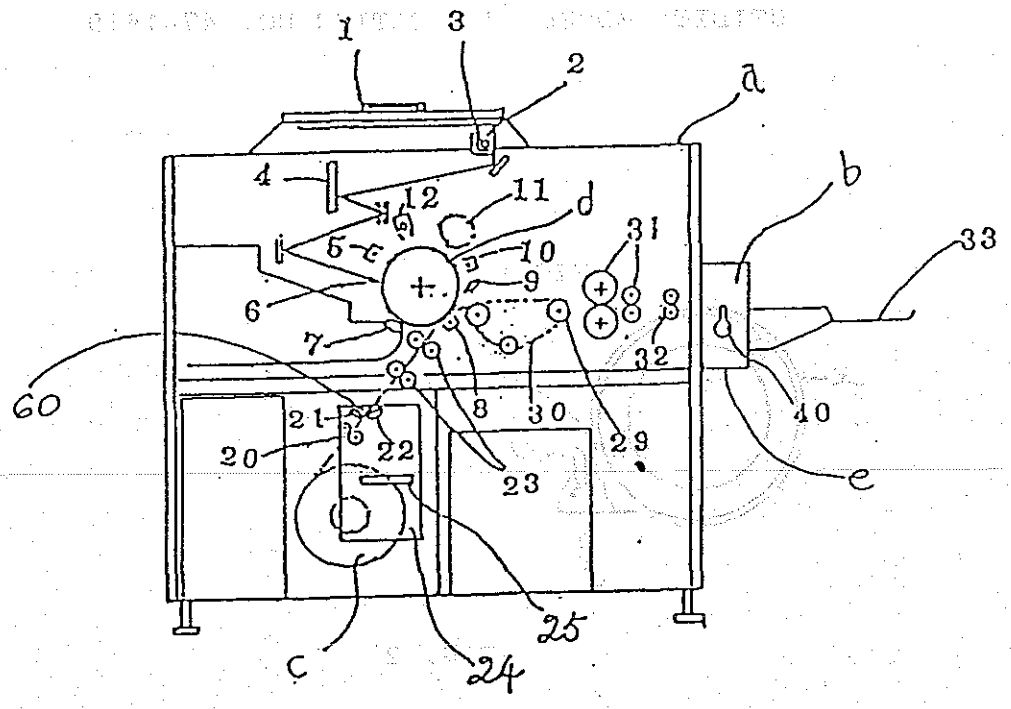


FIG. 3




1
3
2
a
4
12
11
d
b
5
10
31
33
6
9
7
32
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8
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21
22
29
20
23
e
25
c
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FIG. 4

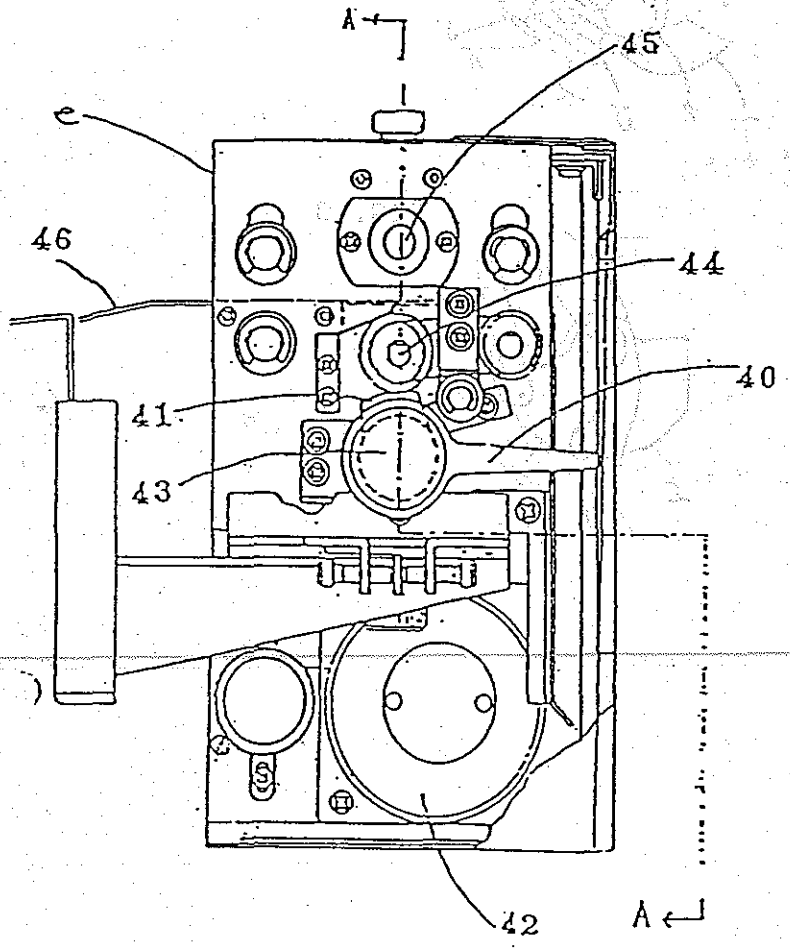

A
45
e
46
44
40
41
43
42
A

FIG. 5

IV. Matters to be kept in mind at the time of preparing a specification

In view of the mentioned analysis, matters to be kept in mind at the time of preparing a specification are hereinafter discussed. It is certain that most of the following description may be a repetition of the matters already pointed out in various articles and the like, but we would like to hereinafter review the matters as a guideline extracted from the actual judgments in lawsuit.

(1) Definition of any composing element of claim with some vague or indefinite wording does not bring any broad interpretation of the claim. In the case that any composing element of claim is indefinite, it is a recent trend that the court interprets restrictively the composing element of claim with reference to relative descriptions in the specification and other reference data. Accordingly, in the case that it is unavoidable to define a composing element with indefinite wording or to describe the composing element with a functional expression, it is important to keep in mind that preferred embodiments as many as possible are described in the specification by seizing the invention from various aspects, so that claim is prevented from the restrictive interpretation due to the description of the specification.

(2) It is important to grasp an invention in the form of the highest concept and to establish a series of multi-stage claims covering an entire scope from the highest concept to the level of preferred embodiment. This is a guideline to be kept in mind not only at the time of filing an application but also at the time of amendment of the specification to overcome the references cited in the examination stage. In other words, it should be avoided in amendment of claim that claim is excessively defined to the level of preferred embodiment due to an easygoing way of thinking. It is important to compare differences existing between the invention and the cited references from various aspects so as to ascertain which is the most favorable difference enabling an argument against the cited references without negatively affecting the subject matter of the invention and without unnecessary restriction on claim.

(3) In the case that two or more ideas are contained, claims should be separately prepared so that each claim aims at each individual idea. In other words, it is not desirable to prepare only one claim in combination with those ideas. In the case of plural ideas combined

organically one another, it is necessary to conceive claims as many as combination of those ideas, and to put those claims one by one in preferential order considering their importance, whereby there will be no omission in composing the invention and it becomes possible to clearly classify those claims recognizing which is the highest rank claim.

V. Conclusion

In this article, cases in which point at issue was interpretation of what is described in claim or specification have been picked up from among the infringement suits of which judgments were given in the past three years, and essential points of those judgments have been analyzed in association with the description in the specification. Matters to be kept in mind at the time of preparing a specification have been also discussed by picking up three cases of which judgments were recently given.

However, matters to be kept in mind at the time of preparing claim may vary case by case, and it is certain that the three cases discussed in detail hereinabove do not always represent every possible case. It is therefore necessary to study juridical precendents and relative data as many as possible in order to accomplish more accurate analysis. Recently, there is an indication toward the revision of the Patent Law §70 which provides a guideline for interpretation of technical scope of the patented invention, and there is also a possibility that the trend in judgments of count varies in the future. Accordingly, it is definitely necessary for us to pay our attention to the future revision of laws as well as to the trend in judgments.

We should feel grateful, if this article proves helpful to every PIPA member company for carrying out practice in the future.

TABLE II-1 PERCENTAGE BY INDUSTRIAL CATEGORY

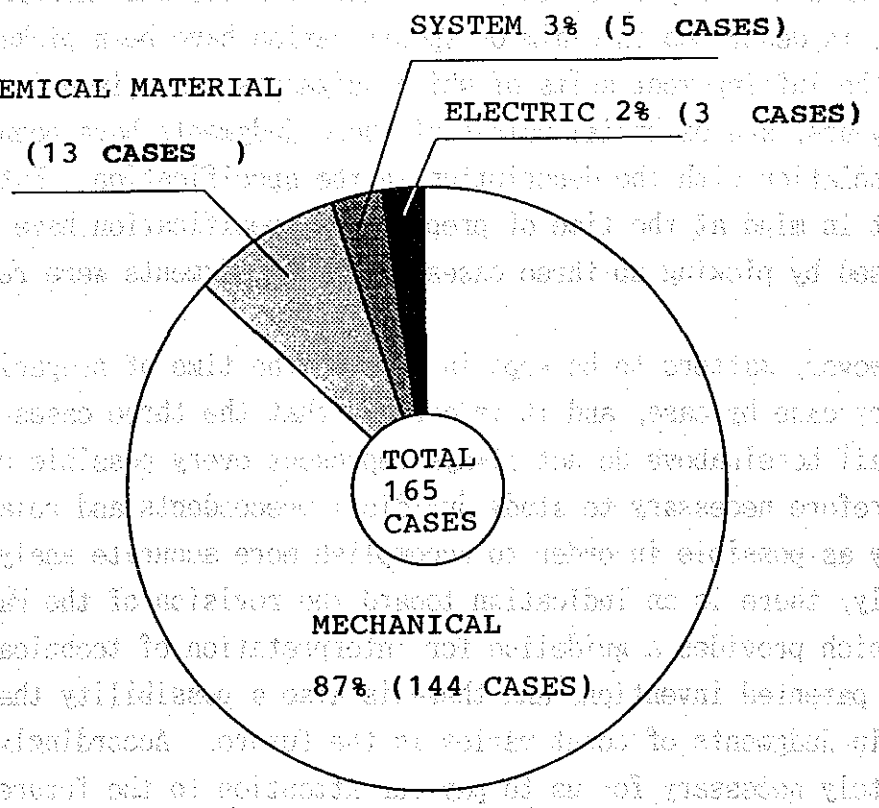
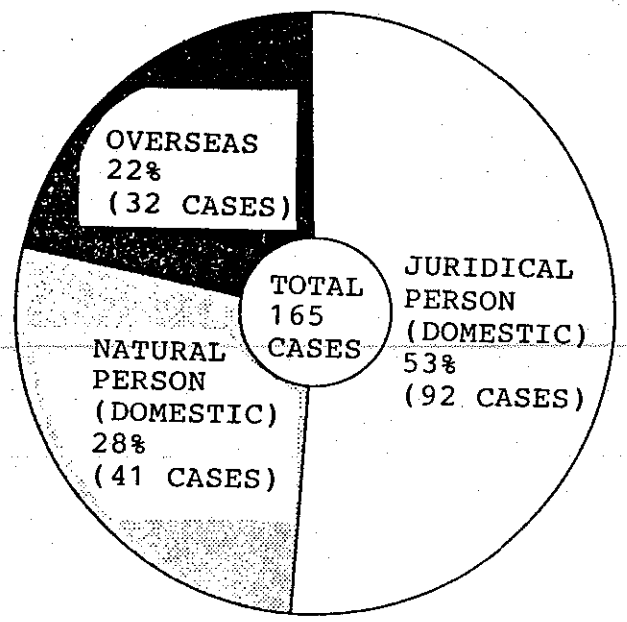


TABLE II-2 PERCENTAGE BY NATURAL PERSON PROPRIETOR
OVERSEAS PROPRIETOR, AND JURIDICAL PERSON PROPRIETOR



NOTE: ALL OF THE OVERSEAS PROPRIETORS ARE JURIDICAL PERSONS.

TABLE II-3 PERCENTAGE OF METHO PATENT

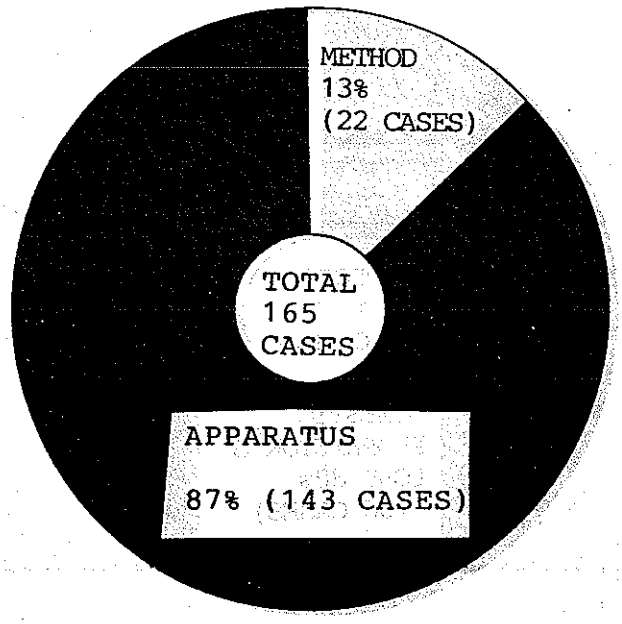


TABLE II-4 PERCENTAGE OF ALL PROPRIETOR'S WIN OR LOSS

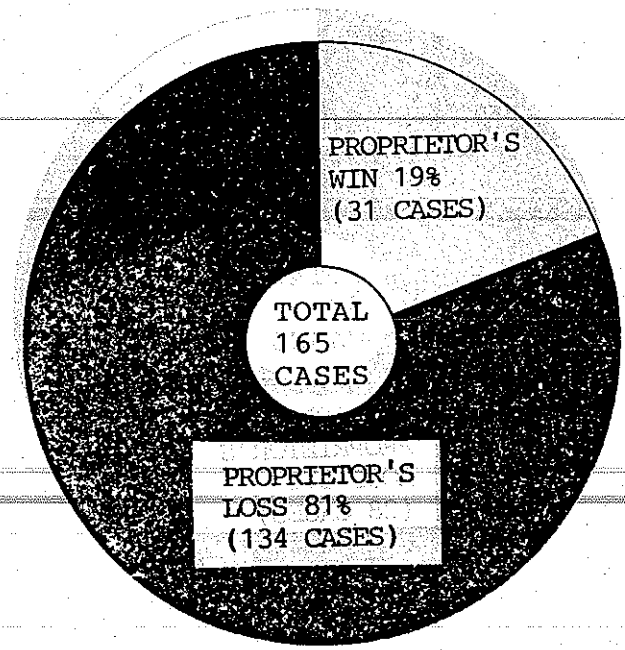


TABLE II-5 PERCENTAGE OF DOMESTIC PROPRIETOR'S WIN OR LOSS

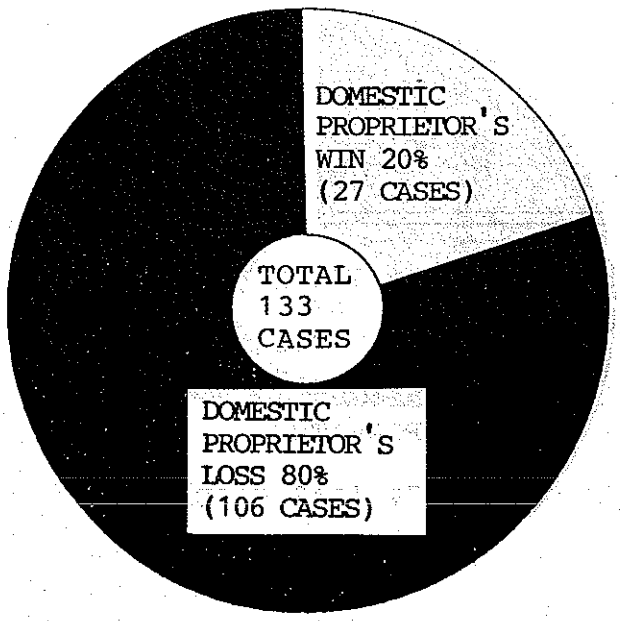


TABLE II-6 PERCENTAGE OF OVERSEAS PROPRIETOR'S WIN OR LOSS

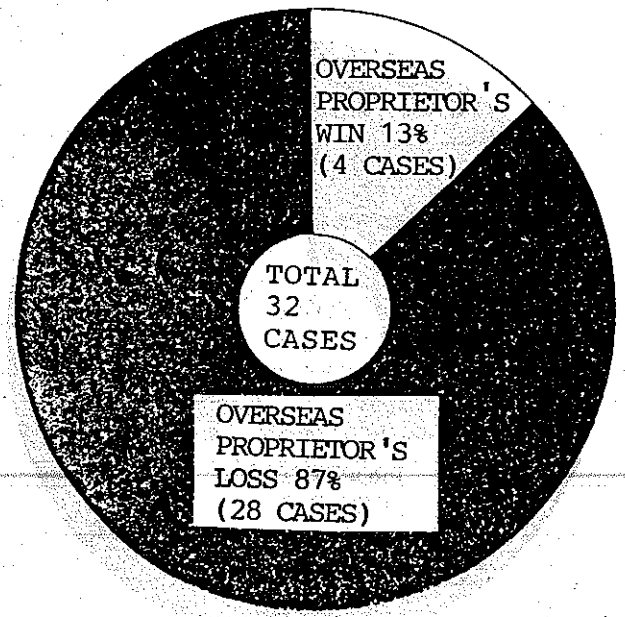


TABLE II-7 PERCENTAGE OF PROPRIETOR'S WIN OR LOSS IN MATERIAL AND CHEMICAL FIELDS

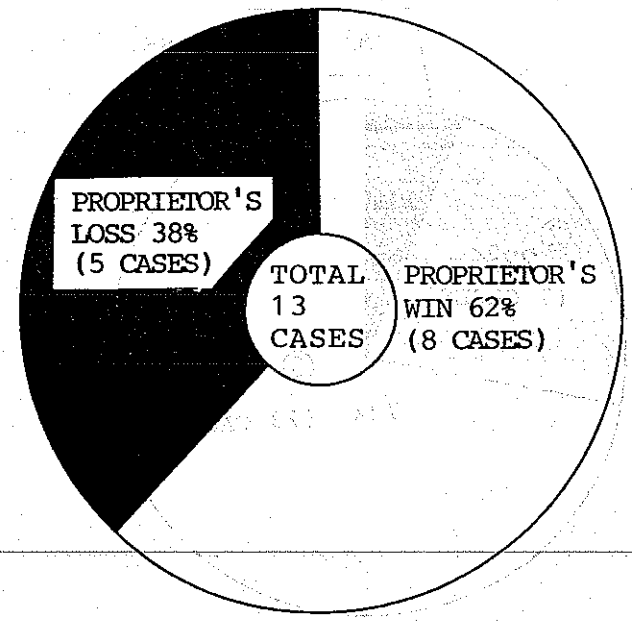


TABLE II-8 PERCENTAGE OF PROPRIETOR'S WIN OR LOSS IN MECHANICAL FIELD

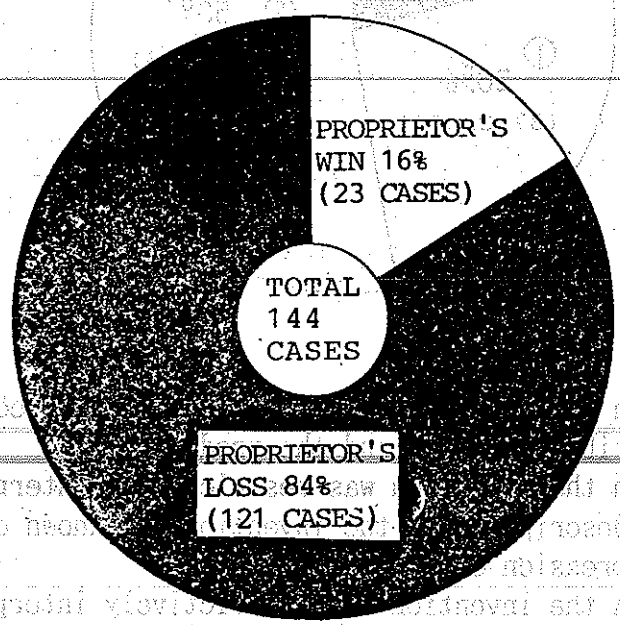
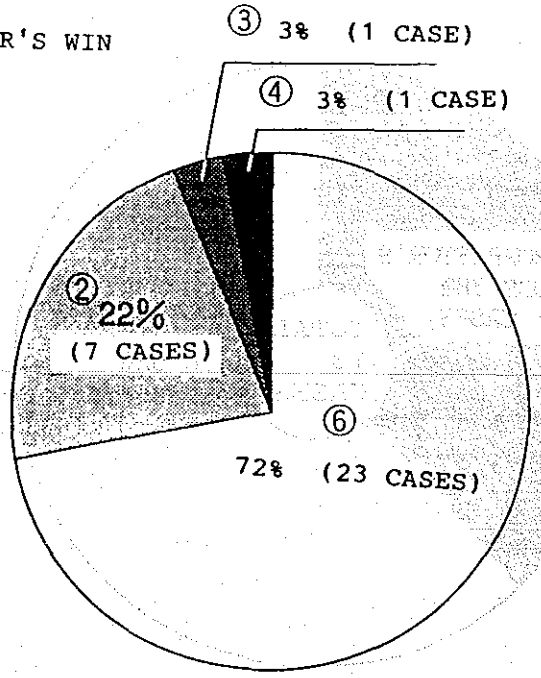
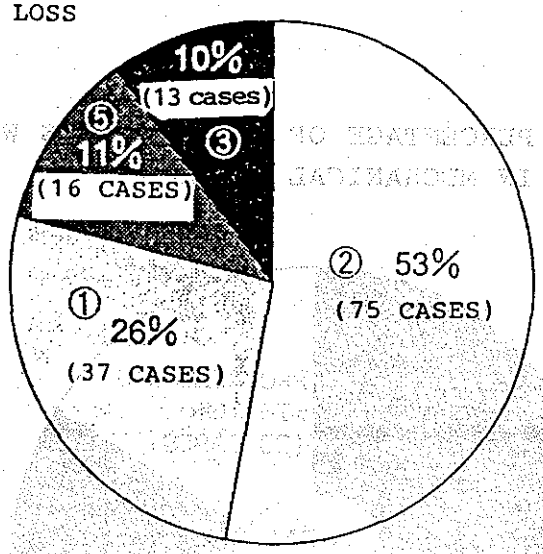


TABLE II-9 POINT OF JUDGMENT BY COURT IN ASSOCIATION WITH DESCRIPTION OF CLAIM

PROPRIETOR'S WIN



PROPRIETOR'S LOSS



① Cases in which there was a distinct difference between the composing elements described in claim and the product.
② Cases in which the invention was restrictively interpreted considering the detailed description of the invention and known data because of indefinite expression of claim.
③ Cases in which the invention was restrictively interpreted exclusively based on the literal expression of claim.
④ Cases in which doctrine of equivalents was applied to the descriprtion of claim.
⑤ Cases in which doctrine of equivalents was not applied to the description of claim.
⑥ Cases in which composing elements of claim were admitted as they were.

SURVEY OF EUROPEAN UNION INTELLECTUAL PROPERTY LEGISLATION

25TH INTERNATIONAL CONGRESS

PACIFIC INTELLECTUAL PROPERTY ASSOCIATION

HAMAMATSU, JAPAN

OCTOBER 18-21, 1994

WILLIAM T. ELLIS

COUNSEL

IBM CORPORATION

ARLINGTON, VIRGINIA

FORWARD

THE PRESENT ARTICLE IS INTENDED TO BE USED AS A QUICK REFERENCE FOR PROPOSED AND /OR ADOPTED INTELLECTUAL PROPERTY DIRECTIVES AND REGULATIONS IN THE EUROPEAN UNION. ONLY SELECTED ARTICLES IN THE VARIOUS DIRECTIVES AND REGULATIONS ARE DISCUSSED IN DETAIL.

IT IS ESSENTIAL THAT REFERENCE BE MADE TO THE FULL TEXT OF THE PERTINENT DIRECTIVE/REGULATION WHEN PROVIDING ADVICE.

AS YOU PERUSE THE ARTICLE YOU MIGHT NOTE A DISTURBING TREND TOWARD DISCRIMINATION AGAINST FOREIGN WORKS, TYPICALLY THROUGH A FAILURE TO GRANT FOREIGN WORKS NATIONAL TREATMENT. PARTICULAR ITEMS TO NOTE IN THIS REGARD ARE THE DIRECTIVE HARMONIZING COPYRIGHT TERM, THE PROPOSED DATABASE DIRECTIVE, THE PROPOSED AUDIO-VISUAL LEVIES

DIRECTIVE, AND THE TELEVISION BROADCASTING DIRECTIVE. ALSO TROUBLING ARE THE COMPULSORY LICENSE BY-DEFAULT PROVISIONS SET OUT IN THE UNDERTAKING FOR THE EUROPEAN TELECOMMUNICATIONS STANDARDS INSTITUTE.

AS A FINAL POINT, NOTE THAT THE COST STRUCTURE FOR FULL PATENT PROTECTION IN EUROPE IS SIGNIFICANTLY OUT-OF-LINE WITH THE PATENT COST STRUCTURES OF THE UNITED STATES AND JAPAN AND COULD BE VIEWED AS A TRADE BARRIER.

TABLE OF CONTENTS

ITEM

PATENT FEE COMPARISON

The following chart compares the patent fee amounts charged over the life of a patent for protection in the United States ($7,500), Japan ($11,384), and five countries in Europe ($55,348). It is clear from the chart that the patent fees charged in Europe for patent protection, even when limited to the five major industrial countries *, is significantly out of line with that charged by the U.S. and Japan. Various industry associations are beginning to raise this fee differential between the regions as an issue.

* Note that missing from the chart are the patent fees for Belgium, Ireland, Luxembourg, Austria, Denmark, Spain, Portugal, Norway, Sweden, Finland, Greece, Switzerland, and the former Eastern Block countries (Poland, Czech Republic, Slovenia, Romania, Bulgaria, Russia, etc.)

COMPARISON OF PATENT FEE AMOUNTS

	Ave. Exchange Rate	Fee in Foreign Currency	Fee in U.S. Dollars
U.S. Patent and Trademark Office			
Filing Fee - Large Entity			710
Issue Fee - Large Entity			1,170
Maintenance Fees - Large Entity			5,620
TOTAL - USPTO			**$7,500**
Japanese Patent Office			
Filing Fee	110.7300	21,000	190
Examination Fee	110.7300	89,700	810
Renewal Fees	110.7300	1,149,900	10,385
TOTAL - JPO			**$11,384**
European Patent Office			
Filing Fee	1.4883	600	403
Search Fee	1.4883	2,400	1,613
Examination Fee	1.4883	2,800	1,881
Grant Fee	1.4883	1,400	941
Designation Fee	1.4883	1,750	1,176
Year 3 EPO Maint. Fee	1.4883	750	504
Renewal Fees - Germany	1.4883	22,275	14,967
Renewal Fees - U.K.	0.5777	3,870	6,699
Renewal Fees - France	5.0805	29,545	5,815
Renewal Fees - Italy	1,328.8150	10,870,000	8,180
Renewal Fees - Netherlands	1.6737	22,040	13,169
TOTAL - EPO			**$55,348**

NOTES

1) The exchange rates used were derived by averaging the rates published in the 9/1/92 and 7/28/94 Wall Street Journal.
2) The USPTO maintenance fees include the 3.5, 7.5, and 11.5 year payments.
3) All of the JPO fees are based on a patent application with two claims. The JPO renewal fees include payments for years one through fifteen.
4) The EPO renewal fees include payments for years four through twenty for the five member nations listed. The designation fee is 350 deutsche marks per country designated.

Agreement Relating to Community Patents Done at Luxembourg on 15 December 1989 (89/695/EEC)

Convention for the European Patent for the Common Market (Community Patent Convention)

At this time only Spain, Ireland and Denmark have not ratified the Community Patent Convention.

Single Community Patent - Article 2 creates a single Community Patent which applies throughout the 12 Member States and may only be granted, revoked or allowed to lapse in respect of the entire E.C.

Patent Rights - Articles 25 and 26 set forth the standard patent rights to prevent all third parties from making, offering, putting on the market, or using a product or a process, as well as rights regarding contributory infringement.

Translation into all E.C. Languages - Articles 29 and 30 require that the claims and patent specification respectively, be translated into the official

language of each of the Contracting States. If this is not done, the Community patent shall be deemed void ab initio. **THE HEAVY COST OF THIS TRANSLATION REQUIREMENT MAY LIMIT THE WIDESPREAD USE OF THE COMMUNITY PATENT.** Note that where a full set of translations is not submitted, a patent may still be obtained in those E.C. countries where a timely translation has been filed.

Revocation Procedure - Article 8 sets up a special Revocation Division to hear nullity proceedings.

Designation of New Courts of 1st and 2nd Instance - Article 1 of the "Protocol on the Settlement of Litigation Concerning the Infringement and Validity of Community Patents" requires Contracting States to designate in their territories a limited number of national courts of first and second instance - referred to as Community Patent Courts.

Exclusive Infringement/Validity Jurisdiction - Article 15 of this Protocol states that the designated Community Patent Courts of First Instance shall have exclusive jurisdiction over infringement actions and counterclaims for revocation. Accordingly, both infringement and validity issues can be dealt with in a single court proceeding.

First Level of Appeals - Article 21 of the Protocol states that the first level of appeal is to the designated Community Patent Court of Second Instance.

Common Appeal Court - Article 2 of the Protocol requires the establishment of a Common Appeal Court and Article 22 of the Protocol gives that Court exclusive jurisdiction to determine infringement and validity issues on appeal. The Common Appeal Court will also decide on appeals from decisions of the Revocation Division and the Patent Administration Division of the European Patent Office, per Article 28 of the Protocol. Accordingly, this Court will hopefully ensure some uniformity in the European Union regarding infringement and validity decisions.

PATENT LICENSING BLOCK EXEMPTION

Proposed European Technology Transfer Regulation

The Commission has proposed a European Technology Regulation to replace the Patent Licensing Block Exemption, which will expire in December 1994. The Patent Licensing Block Exemption Regulation currently in force sets out a first list of licensing provisions (Article 1) which are declared not to violate competition Article 85(1) when only two companies are involved so that there is no need to notify the license to Brussels. The Regulation includes a second list of licensing terms (Article 2) which may be justified in appropriate fact situations. Finally, the Regulation includes a third list of licensing provisions that would rarely, if ever, pass muster under Article 85(1).

The proposed Regulation would replace both the Patent Licensing Regulation and the Know-How Licensing Regulation and would take effect on January 1 1995.

A significant concern to industry is that the proposed exemption for exclusive licenses will only apply if the licensee has no more than 40% of the entire market for the licensed product and provided the licensee is not operating on an oligopolistic market. For certain other listed license restrictions, the exemption will apply only where the licensee has a market share of no more than 20%.

Additionally, there is some ambiguity regarding whether these market share tests will be applied only at the time the agreement is entered into, or whether they will be applied on an ongoing basis. Problems will also arise in determining what constitutes the relevant market that is to be measured and what products will be considered equivalent to the licensed product for purposes of the measurement.

According to the Regulation, Improvement grantback clauses are permitted, provided they are not exclusive and provided the licensor agrees to license its own improvements to the licensee.

Also, clauses requiring the licensee to procure goods or services from the licensor or from an undertaking designated by the licensor are acceptable provided those goods or services are necessary for a technically satisfactory exploitation of the licensed technology or are necessary to ensure that the product of the licensee conforms to specified quality standards.

BIOTECHNOLOGY PATENTS (Proposed)

European Union Directive on Biotechnology Patents of 17 December 1993

The Directive sets out a common criteria for patenting biotechnology inventions.

Opposing adoption of the Directive are European ecologists, church groups and farming groups on both ethical and economic grounds. The draft directive has not yet had its second reading.

SOFTWARE

Council Directive of 14 May 1991 On The Legal Protection of Computer Programs (91/250/EEC)

The Directive harmonizes and strengthens copyright protection for computer programs across the European Union.

Literary Work Protection - Article 1.1 requires all Member States to protect computer programs by copyright as literary works within the meaning of the Berne Convention.

Originality Only - Article 1.3 requires that a program be protected if it is original in the sense that it is the author's own intellectual creation. This provision requires Germany to lower and harmonize its unreasonably high copyright eligibility criteria for computer programs.

Exclusive Rights - Article 4 harmonizes and provides a minimum set of exclusive rights for copyright that must be granted by the Member States.

Limited Decompilation - Article 6 permits a narrow decompilation right for purposes of achieving the interoperability of an independently created computer program with a target program under strict conditions where the interoperability information is not otherwise available, and provided it is not "used in a manner which unreasonably prejudices the rightholder's legitimate interests or conflicts with a normal exploitation of the computer program."

Copy-Protect Mechanism - Article 7 requires Member States to outlaw equipment, "the sole intended purpose of which is to facilitate the unauthorized removal or circumvention of any technical device which may have been applied to protect a computer program."

European Telecommunications Standards Institute Undertaking Adopted March 18, 1993

The European Telecommunications Standards Institute, an E.C. chartered, standards-setting organization used to establish E.C. standards in the telecommunications arena, adopted an Intellectual Property Rights ("IPRs") Policy and Undertaking ("Undertaking") on March 18, 1993. If the Undertaking had been implemented fully, companies would have been excluded from the European telecommunications market (and potentially other markets using ETSI's standards) unless they had agreed to license their telecommunication related IPRs through an unfair and confiscatory compulsory licensing scheme.

The ETSI Undertaking, as envisioned, was a binding agreement required to be signed by all ETSI members to prospectively license patents through a compulsory license by-default scheme. Under the agreement signatories must allow ETSI standards to be based on their proprietary technology and must license all related IPR's to other signatories, unless they identify and withdraw specific patents within 180 days after a 6-line summary describing a prospective area to be standardized has been approved. No notice is provided to IPR right holders that their specific patents are being considered for incorporation into an ETSI standard. Thus, the fundamental objection to

the Undertaking is that the compulsory licensing scheme, through this failure to provide notice to the IPR rightholder, deprives the IPR rightholder of its right not to license its technology where that is in its business interest. The Undertaking also limits the rightholder's right to negotiate terms and remuneration for the IPR licensed under the scheme. Also, license terms and remuneration are subject to binding compulsory arbitration. The Undertaking's compulsory licensing scheme applies not only in the E.C., but potentially world-wide, including the United States and Japan.

The compulsion for joining ETSI is that only members are assured of licenses in intellectual property rights (IPR's) incorporated into the organization's standards that will then be used throughout the European Union. And only members are permitted to participate in the standards-setting technical committees which determine which IPR's are incorporated into the ETSI standards and which receive early information on what technologies are being considered for standards.

The ETSI Undertaking was brought before the E.C. Commission as a violation of the European competition laws (Articles 85/86) pursuant to a June 1993 complaint. ETSI members recently voted to withdraw the Undertaking.

DATABASE PROTECTION (PROPOSED)

Council Directive _____

of _____

On The Legal Protection of Databases

The proposed directive is designed to protect only databases "stored and accessed by electronic means, and the materials necessary for the operation of the database such as its thesaurus, index or system for obtaining or presenting information; it shall not apply to any computer programs." The current draft was completed on October 4, 1993 based on a June 23, 1993 opinion of the European Parliament.

The rationale for the draft Directive is to harmonize the protection of electronic databases throughout the E.C., while at the same time reducing the risk that the contents of a database may be downloaded and rearranged electronically without authorization to produce a database of identical content, but which does not infringe the copyright in the arrangement of the database (WHEREAS Clause 27).

TWO TIER PROTECTION

Copyright Protection - Article 2(1) clarifies that the original selection or arrangement of the database is protected by copyright under Berne Article 2(5).

Sue Generis Unfair Extraction Right - Article 10 creates a sui generis right "to prevent the unauthorized extraction or re-utilization, from that database, of its contents, in whole or in substantial part, for commercial purposes."

This unfair extraction right applies irrespective of the eligibility of that database for copyright protection, i.e., it covers the database whether or not there is original selection or arrangement. However, it does not apply to the contents of a database where these are works already protected by copyright or neighboring rights.

Unfair Extraction Right Compulsory License - Article 11 states that "if the works or materials contained in a database which is made publicly available cannot be independently created, collected or obtained from any other source, the right to extract and re-utilize...for commercial purposes, that are not for reasons such as economy of time, effort or financial investment, shall be licensed on fair and non-discriminatory terms."

The lawful user may also extract and re-utilize "insubstantial parts of works or materials from a database for commercial purposes."

Term of Protection - Article 12 clarifies that the term of protection for the unfair extraction right is 15 years from the date it is first made available to the public. However, a fresh period of protection will begin if there is any "substantial change" to the database. "Substantial change" is defined to mean "the successive accumulation of insubstantial additions, deletions or alterations in respect of the contents of a database resulting in substantial modification to all or part of a database."

Area of Concern:

No National Treatment - Article 13(3) states that the right to prevent unauthorized extraction may only be obtained by an act of Council based on a proposal from the Commission, for databases produced in countries outside of the E.C. by non-E.C. nationals, or by companies which are not formed in accordance with the legislation of an E.C. member state and have their registered office, central administration or principal place of business within the Community. WHEREAS Clause 38 clarifies that the unfair extraction right will only be extended if the third countries involved "offer comparable protection to databases produced by nationals of the Member States or habitual residents of the Community." This is a failure to grant national treatment.

Other Legal Rights: - Article 15(1) states that this Directive shall be without prejudice to copyright, or any other right subsisting in the works or materials incorporated into a database.

Retroactivity - Article 15(2) states that the provisions of the Directive shall be effective for databases created prior to the date of publication of the Directive.

Effective Date - Article 16 - 1 January 1995

Council Directive 93/98/EEC of 29 October 1993 Harmonizing the Term of Protection of Copyright and Certain Related Rights

On October 29, 1993, the European Community Council adopted a Directive that harmonizes copyright term among E.C. member states. The rationale for the Directive is to avoid differences in member state copyright terms that would impede the free movement of goods and thereby distort competition.

Highlights:

Literary Works - Article 1 requires that all E.C. member states must harmonize their copyright terms for literary and artistic works to life of the author plus 70 years. For legal persons and for collective works, the term runs for 70 years after the work is first made available to the public.

Computer Programs - Article 11 clarifies that the computer program term and the term for the rental right is governed by this Directive.

Retroactivity - Article 10 states that this Directive applies to copyrights which have not expired on or before 1 July 1995.

Area of Concern:

Non-E.C. Works - Article 7 states that the copyright term for works originating outside the European Community, where the author of the work is not a Community national, will be limited to the copyright term in the country of origin. This is again a failure to grant national treatment and a discrimination against foreign works.

Note that Berne Convention Article 7(8) appears to permit this type of discrimination against non-Community nationals.

AUDIO & VISUAL RENTAL

E.C. Council Directive 92/100 EEC of November 19, 1992, on Rental Right Lending Right and on Certain Rights Related to Copyright in the Field of Intellectual Property

The Directive requires Member States to provide authors, performing artists in respect of fixations of the performance, phonogram producers, and producers of the first fixations of cinematographic works a right to authorize or prohibit rental and lending of originals and copies of copyrighted works. The Directive is without prejudice to the provisions of the E.C. Software

Directive. Each of the rightholders has the right to an adequate part of the remuneration, which right cannot be waived, but its administration may be assigned.

Whether aspects of the Directive may be applicable to U.S. authors is a matter of debate and will depend on individual Member State implementations of the Directive.

The Directive must be implemented by the Member States by 1 July 1994.

AUDIO-VIDEO TAPE LEVIES (PROPOSED)

Proposed E.C. Council Directive On the Coordination of Certain Rules Of the Law of Copyright and Related Rights Applicable to Private Copying

The draft Directive imposes a harmonized private copying levy on blank video and audio recording media and video and audio recording apparatus (Article 3(4)). The purpose of the levy is to compensate authors for the private copying of works fixed on a phonogram or on film. No mention is made of paper or paper copier devices.

Collecting Societies - Articles 8 and 3(3) clarify that the levies will be collected by collecting societies and distributed to natural person authors to

compensate for private copying. The collecting societies will determine how the collected levies are to be apportioned among the authors.

Inalienability - Article 3(2) states that the author's right to levy remuneration is inalienable and may not be renounced.

Computer Programs - Article 1(3) clarifies that the Directive does not apply to computer programs.

Digital Copy-Protect - Article 12 requires Member States to take appropriate measures in their national laws to prevent the putting on the market or the stocking for commercial purposes of any means whose sole aim is to facilitate the unauthorized suppression or neutralization of any technical device fitted to prevent or limit digital copying according to IEC 958.

Area of Concern:

Non Community Authors - Article 4(6) states that non-Community physical or legal persons are not recipients for purposes of remuneration within the meaning of this Directive. This failure to accord national treatment to non-Community authors will permit Member States and collecting societies to refuse to distribute remuneration to non-Community authors to compensate for the private copying of their works taking place within the Community.

Effective Date - Article 16 sets the effective date for the Directive as 31 December 1994.

Council Directive 93/13/EEC
of 5 April 1993
On Unfair Terms in Consumer Contracts

On April 5, 1993, the European Community Council adopted a Directive that voids "unfair terms" in standard form contracts between a seller or a supplier and a consumer, where those "unfair contractual" terms have not been individually negotiated. An "unfair term" is one which causes a significant imbalance in the parties' rights and obligations to the detriment of the consumer.

Non-Negotiated Terms - Article 3, which is of particular interest, reads as follows:

1. "A contractual term which has not been individually negotiated shall be regarded as unfair if, contrary to the requirement of good faith, it causes a significant imbalance in the parties' rights and obligations arising under the contract, to the detriment of the consumer."

2. "A term shall always be regarded as not individually negotiated where it has been drafted in advance and the consumer has therefore not been able to influence the substance of the term, particularly in the context of a pre-formulated standard contract."

"The fact that certain aspects of a term or one specific term have been individually negotiated shall not exclude the application of this Article to the rest of a contract if an overall assessment of the contract indicates that it is nevertheless a pre-formulated standard contract."

"Where any seller or supplier claims that a standard term has been individually negotiated, the burden of proof in this respect shall be incumbent on him."

3. "The Annex shall contain an indicative and non-exhaustive list of the terms which may be regarded as unfair."

Price Terms - Article 4 clarifies that price terms cannot be viewed as unfair, in and of themselves.

Consumer-Favored Interpretation - Article 5 requires that all terms be in plain intelligible language and states that where there is doubt regarding the meaning of a term, then the interpretation most favorable to the consumer shall prevail.

Choice of Law - Article 6 clarifies that, if possible, the contract shall continue to bind the parties, with the "unfair terms" stripped out. The Article also states that the provisions of the Directive may not be nullified by using choice of law provisions in the contract.

Effective Date - Article 10 make the Directive applicable to all contracts concluded after 31 December 1994.

CONSUMER WARRANTIES

Green Paper on Guarantees For Consumer Goods and After Sales Services COM(93) 509 Final

The Commission has issued a Green Paper covering express and implied warranties for consumer goods and after-sales service. The paper includes a detailed survey of warranty laws among the Member States.

Consumer warranties may be the next area of attention for the Commission. Specific issues that will probably be addressed are the creation of a Community-wide legal guarantee which will arise as a matter of law irrespective of the sales contract, potentially harmonizing laws on express warranties, and putting laws into place to facilitate the offering of Community-wide guarantees.

Proposal of A Council Regulation (EEC) Laying Down Measures to Prohibit the Release for Free Circulation, Export or Transit of Counterfeit and Pirated Goods

93/C 238/15

Submitted by the Commission on 16 August 1993

The proposed customs regulation would take the place of Council Regulation (EEC) No. 3842/86 of 1 December 1986, but would expand the scope of customs to cover not only "counterfeit goods," which are defined as goods bearing an unauthorized trademark, but would also cover "pirated goods", which are defined as goods made without the consent of a copyright holder.

Trademark Registration - Article 2(a) requires that the trademark be validly registered in respect of the same type of goods that are being imported or exported.

Separate Trademark Logos/Tools, Moulds/Packaging - The Article 2(a) definition for "counterfeit goods" specifically includes trademark logos presented separately, as well as the tools and moulds used for the manufacture of the counterfeit trademark, and packaging material bearing the trademark.

Copyrighted Works - Article 2(b) clarifies that the copyright need not be registered under national law in order to stop copyrighted goods at the border.

Parallel Importation/Exportation - Article 2(3) states that the Regulation does not apply to goods which bear a trademark with the consent of the owner or which include a work protected by copyright and made with the consent of the holder of the right, which are entered for import or export without the owner's or holder's consent.

Suspension Application/Security - Article 3 states that an owner may lodge an application to suspend the release into free circulation or for export of counterfeit or pirated goods. A security bond may be required.

Penalties - Article 7 requires both the destruction or disposal of the counterfeit/pirated goods outside of the channels of commerce, and other measures necessary to deprive those responsible for this importation/exportation of the economic benefits of the transaction. Also, Members States shall impose penalties to discourage further transactions of the same kind. Such penalties must have an adequate deterrent effect.

Names of Importer/Exporter - Article 7(3) requires the Customs Office to inform the rightholder, upon request, of the name and address of the consignor, importer or exporter, the manufacturer and the consignee of goods found to be counterfeit or pirated.

E.C. Directive
Television Without Frontiers 89/552
Adopted 3 October 1989

The Directive states that after broadcast licensing permission is granted in a single Member State, a television channel may be broadcast to all other Member States.

Area of Concern:

Note that the Directive requires that a majority of broadcast programming time be reserved for European works. If that majority programming requirement is not practicable, then the proportion of European works should at least equal the national average for European works. In view of the convergence of audio-visual and telecommunications technologies and the projected increase in multimedia products and services, this restriction presents a significant trade barrier.

E.C. Directive on Satellite Broadcasting and Cable Retransmissions Adopted 27 September 1993

The Directive states that approval for a satellite broadcast must be obtained from the copyright owners in the country where the broadcast signal is to originate. The laws of the country of broadcast origin control the transaction. Thus, a broadcaster may clear all rights granted to authors, performers, etc., of copyrighted works via the laws of the Member State where they broadcast.

TRADEMARKS

Community Trademarks Regulation (40/94/EEC) of 14 March 1994

The Regulation provides that a trademark holder may file a single application in a single language for a trademark registration covering all 12 E.C. Member States (Article 115). The European Union will translate the application into the other 8 languages at E.U. expense (Article 116).

Effect Throughout the Community - The Community trademark is obtained by registration. Article 1 states that the Community trademark shall have equal effect throughout the Community, and must be registered, transferred, surrendered, revoked, or invalidated with respect to the entire Community.

Likelihood for Confusion - Article 8 clarifies that in an opposition, a trademark registration application will be refused if it is identical to or similar to an earlier mark for identical or similar goods or services and there exists a likelihood of confusion in the territory where the earlier mark is protected.

Exclusive Rights in the Community - Article 9 confers a variety of exclusive rights covering the use of identical trademarks on goods or services identical to that for which the Community trademark is registered, and also extends a right to prevent the use of marks that are identical to or similar to the Community trademark on goods or services that are identical to or similar to the goods or services covered by the Community trademark, where there exists a likelihood of confusion on the part of the public.

Famous Marks - Article 9 also grants an exclusive right over the use of a mark which is identical to or similar to a Community Trademark in relation to goods or services which are not similar to those for which the Community trademark is registered, where the Community trademark has a reputation in the Community and where the use of the mark causes unfair advantage, or is detrimental to the distinctive character or the repute of the Community trademark.

Exhaustion - Article 13 clarifies that, in general, there will be Community-wide exhaustion, once the goods have been put on the market in the Community by the proprietor or with his consent.

Licensing - Article 22 states that the Community trademark may be licensed for some or all of the goods or services for which it is registered and for the whole or a part of the Community.

Term - Article 46 states that the registration is for a period of 10 years from the date of filing of the application, renewable for further periods of 10 years.

Conversion to National Application - Article 108 permits an applicant for, or a proprietor of, a Community Trademark to request the conversion of his Community trademark application or Community trademark into a national trademark application to the extent that the Community trademark application is refused, withdrawn, or deemed to be withdrawn, or to the extent that the Community trademark ceases to have effect.

Courts of First and Second Instance - Article 91 requires Member States to designate in their territories national courts of First and Second Instance and Article 92 grants those courts exclusive jurisdiction for all infringement actions, for actions for declarations of non-infringement, if permitted, and for actions for revocation or for declarations of invalidity.

TRADEMARKS

Council Directive 89/104/EEC
Harmonizing Trademark Protection
Adopted December 1988

The Directive harmonizes the laws of the Member States regarding the definition of a trademark, what marks may be registrable, the exclusive rights granted by the individual Member State registrations, and the limitations that may be placed on those exclusive rights.

INDUSTRIAL DESIGNS (PROPOSAL)

Proposal for a European Parliament and Council Directive on the Legal Protection of Designs
(3 December 1993)

The proposed Directive would harmonize the national design protection regimes of the Member States and would allow the co-existence of these national design protection regimes with the Community design right.

Harmonized Definition - Article 1 states that "design" means the appearance of the whole or a part of a product resulting from the specific

features of the lines, contours, colors, shape and/or materials of the product and/or its ornamentation.

Computer Programs - Article 1 expressly excludes computer programs from protection under the Directive.

Registration - Article 2 states that the Directive only applies to design rights registered in one or more Member States. Unregistered designs are not covered.

New/Individual Character - Article 3 states that a design is eligible for protection to the extent that it is new and has an individual character. A design is considered to have individual character "if the overall impression it produces on the informed user differs significantly from the overall impression produced on such a user by any design" designated as prior art. (Article 5)

Technical Function - Article 7 clarifies that if a technical function leaves no freedom as regards arbitrary features of appearance, then there shall be no protection for that feature.

Mechanical Assembly - Article 7 also clarifies that a design right shall not subsist in a design to the extent that it must necessarily be reproduced in its exact form and dimensions in order to permit a product in which the design is incorporated to be mechanically assembled.

Exclusive Rights - Article 12 requires a set of minimum exclusive rights including an exclusive right of use.

Scope of Protection - Article 9 clarifies that the design right covers any design "which produces on the informed user a significantly similar overall impression". The degree of freedom of the designer in developing his design shall be taken into consideration in assessing scope.

Term of Protection - Article 10 sets out a term of protection of 5 years, renewable for periods of 5 years each, up to a total term of 25 years from the filing date.

Invalidity - Article 11 harmonizes the potential grounds for invalidating the design right.

Repair of Complex Product - Article 14 prevents the design right from being exercised after 3 years against third parties when the design is incorporated in a repair part necessary to restore the original appearance of a complex product.

Cumulative Protection - Article 18 clarifies that the cumulative application of copyright law and design protection law is mandatory if the design fulfills the conditions required under such national copyright law.

Proposal For A European Parliament and Council Regulation on the Community Design (3 December 1993)

This proposed Regulation is intended to provide a single design registration that grants protection across the entire Community.

Two-Tier Protection - Article 1.2 sets up a two-tier protection system. The first tier is an Unregistered Community Design and requires no formalities.

The second tier is a Registered Community Design, which is based on a Community registration.

Community-Wide Effect - Article 1.3 states that the Community Design shall have effect throughout the Community, and must be registered, transferred, surrendered or invalidated with respect to the entire Community.

Design Definition - Article 3 states that "design" means the appearance of the whole or a part of product resulting from the specific features of the lines, contours, colors, shapes and/or materials of the product or its ornamentations.

Computer Programs/Semiconductors Excluded - Article 3 expressly excludes computer programs and semiconductors from the definition of "product." However, the notes appear to leave open the possibility of protecting specific graphic designs such as icons or menus, provided the normal design requirements are met.

New/Individual Character - Articles 4-6 require that a design be eligible for protection if it is new and has an "individual character". A design is considered to have an individual character "if the overall impression it produces on the informed user differs significantly from the overall impression produced on such user by a design" in the prior art.

Grace Period - Article 8 provides a 12 month grace period for Registered Community designs with respect to disclosures made to the public by the designer.

Technical Function - Article 9.1 clarifies that if a technical function leaves no freedom as regards arbitrary features of appearance, then there shall be no protection.

Mechanical Assembly - Article 9.2 states that a design right shall not subsist in a design to the extent that it must "necessarily be reproduced in its exact form and dimensions in order to permit the product in which the design is incorporated or to which it is applied to be mechanically assembled."

Scope of Protection - Article 11 clarifies that the design right covers any designs "which produce on the informed user a significantly similar overall impression." The degree of freedom of the designer in developing the design shall be taken into account in assessing scope.

Term for Unregistered Community Design - Article 12 provides a term of 3 years from the date made available to the public for an unregistered Community Design.

Term for Registered Community Design - Article 13 provides a term of 5 years from the date of filing for a registered Community Design, which term is renewable for periods of 5 years each up to a total term of 25 years (Article 53).

Right Conferred by Unregistered Community Design - Article 20 states that the right conferred by the Unregistered Community Design is protection against reproduction only.

Rights Conferred by a Registered Community Design - Article 21.1 states that the rightholder of the Registered Community Design has an exclusive right as regards the use of the design and can enforce that right against any similar design, even where the infringing design has been developed in good faith, provided that the Registered Design has been published.

Repair of Complex Product - Article 23 prevents the design right from being exercised after 3 years from first marketing against third parties when the design is incorporated in a repair part necessary to restore the original appearance of a complex product.

Exhaustion - Article 24 creates a Community-wide exhaustion of the right for an individual product that has been put on the market in the Community by the rightholder or with his consent.

Invalidity - Article 27 harmonizes the potential grounds for invalidating the design right.

Licensing - Article 34 clarifies that a Community Design may be licensed for the whole or a part of the Community.

Publication Deferment - Article 52 permits applicants for a Registered Community Design to defer publication for up to 30 months from the date of filing.

Courts of First and Second Instance - Article 84 requires Member States to designate in their territories national courts of First and Second Instance, and Article 85 grants those courts exclusive jurisdiction for infringement actions, and actions for declarations of non-infringement, actions for declarations of invalidity, and for counterclaims for a declaration of invalidity.

Cumulative National & Community Protection - Article 99 permits rightholders to maintain for the same design parallel protection consisting of a Community Design and one or several national registered design rights.

Copyright and Other Protection - Article 100 requires Member States to grant copyright protection for a design if it meets the normal conditions for copyright protection set by the Member State. Registration under this Regulation does not prevent actions for patent, trademark infringement, unfair competition, etc.

SEMICONDUCTOR CHIPS

Council Directive 87/54/EEC on the Legal Protection of Topographies of Semiconductor Products 27 January 1987

This 1987 Directives requires the Member States to protect the topographies of semiconductor chip products.

Semiconductor Products - Articles 1 and 2 limit protection to products including a layer of semiconductor material and which are intended to perform an electrical function.

Registration May Be Required - Article 4 clarifies that Member States may require registration before protection is accorded.

Reproduction/Commercial Exploitation - Article 5 defines the minimum exclusive rights to include the right of reproduction and the right of commercial exploitation or importation.

10-Year Term - Article 7 provides for a 10 year term of protection.

EUROPEAN INFORMATION INFRASTRUCTURE (PROPOSED)

The European Commission has indicated that it will be preparing in the coming months a Green Paper covering intellectual property used in the European Information Infrastructure, with publication projected for early 1995. The Green Paper will identify gaps in intellectual property rights that may inhibit the rightholders of videos, music and software from uploading their works onto the information highway network in Europe. For the European information highway to be successful, laws and technology must be in place to ensure that only properly authorized consumers upload or download works on the network, and to ensure that appropriate compensation flows back to rightholders who use the network to conduct transactions. It is expected that some form of transmission right will be explicitly added to European copyright law and that technology to circumvent encryption and copy-protect mechanisms that are used by rightholders to protect their works will be outlawed. A separate Green Paper on the legal protection of encrypted broadcasts may be prepared.

(1) Title:

Distinctiveness of Trademarks
-- Problems in Japan Concerning Common Names, Customarily Used marks and Descriptive Terms --

(2) Date:

October 1994 (25th International Congress at Hamamatsu)

(3) Source:

1) Source: PIPA
2) Group: Japan
3) Committee: #1

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(5) Keywords:

Limitations on effects of third party's trademark right; registered but nondistinctive trademarks.

(6) Statutory Provisions:

(Principally) Sections 3 and 26 of Trademark Law.

(7) Abstract:

The trademark, as it relates to the common name, customarily used mark and descriptive terms, of goods is a problem always generated in connection with determination of appropriateness of its display in advertisements and other media, measures for prevention of major trademarks from losing distinctiveness, and other corporate business activities. Nevertheless, a number of judgment criteria complicatedly involved in it makes it impossible to deal with that issue uniformly, thus constituting an annoying matter to trademark managers. In addition, nothing has been done, since 1959 when the Trademark Law now in force was adopted, with respect to administration of the system at issue. The system, as it is, does not seem always to be compatible with the prevailing market situation. In this thesis, we have tried to find out, using a questionnaire form, how our member companies are dealing with this particular issue, in the hope of identifying a desirable administration system to cope with the present situation. Also, with respect to the current trademark system, controversies have been made from the viewpoint of prevention of trademarks from loss of distinctiveness. For this reason, we will offer a few proposals in an attempt to discuss whether trademark rights which have lost distinctiveness should be left as they are or not.

CONTENTS

I. Introduction

Exact criteria for judgment on whether a given name of a commodity is a common name, customarily used mark, or descriptive terms, have significant bearing on administration of the trademark system, particularly in granting an registration, making judgment on dominant portion, and validity, of a trademark. Individual use of trademarks requires judgment on not only appropriateness of the relation between a given commodity and a particular, proposed mark but time and circumstances of the use on a case-by-case basis. For this reason, the judgment formed by a trademark manager will vary with his accumulated experience as such. Also, for example, with respect to the prevention of a trademark from losing distinctiveness which requires monitoring and control of the manner in which it is actually used, a trademark manager essentially has limits beyond which he cannot personally and successfully manage it. Thus, this issue embraces a number of difficult areas which trademark managers face on a day-to-day transactions.

Recently, as merchandise terminologies have rapidly been diversified and applications for registration of trademarks filed in a mass, rights of applicants and owners of trademarks have become so complicated as to be beyond comparison with those in the past. Also, popularization of mass media has speeded up conveyance of

information to consumers and made it easier to change trademarks to common names. I am sure, therefore, that representatives present here from the member companies are well aware that trademark managers now find it even more difficult to successfully manage the trademarks than in the past.

In addition, some 170,000 trademark applications are filed annually, with the result of chronic indigestion in examination processes of the Patent Office and of some trademarks registered when they should have been rejected at the examination level. Also, as will be discussed hereinafter, opportunities in Japan to get rid of certain disqualified registered trademarks are rather restricted. While we appreciate that the restricted system is intended to serve the purpose of stability of trademark rights once acquired, we are afraid the current system is outdated because of the number of trademarks applied for and registered and of in creasing commodity terminologies which are disproportionate to those of 1959 when the Trademark Law was adopted.

In this thesis, we will discuss the system of the trademark law and its administration as well as policies of some of major businesses in this country, with respect to the name, and display of, features of the commodities.

In April 1992, Japan introduced registration of service marks. Our discussion here will, however, be restricted to commodity trademarks, because court precedents and other case data are not enough for us to discuss the service marks, and also because the service mark is somewhat different from the commodity trademark in the sense of the mode of display.

II. Distinctiveness of a Trademark under Japanese Law

1. Registerability:

The Trademark Law provides in Section 3 Subsection 1 (i)-(iii) that any such common name, customarily used, or merely descriptive terms, of a commodity, as is not distinctive from those of others is not eligible for registration. These marks are necessary for trading goods in the market, and are not eligible for personal monopoly, with the exception of descriptive terms which have become distinctive, by way of use, from those of others and may then be

registered as to that commodity involved. (See Sec.3 Subsec. 3 (ii).)

A trademark applied for registration, if decided by the examiner (see Sec. 14) as being falling under any one of (i)-(vi) of Subsec. 1, Sec. 3, will be rejected (see Sec. 15). If decided to have no grounds of rejection (Note: The grounds are not limited to (i)-(vi) as stated above. See Sec. 15.), the application will be published (see Sec. 16). In the absence of any opposition (see Sec. 55 of Patent Law, as applied mutatis mutandis under Sec. 17 of Trademark Law) or decision against any opposition filed, which negates grounds for rejection, decision will be made for registration and, upon payment of the registration fee (see Sec. 40), registration will be effected whereupon the trademark right will come into existence (see Sec. 18).

Any lack of distinctiveness of a trademark at the time of renewal does not constitute a ground for rejection of the renewal. Hence, no trademark which has become no longer distinctive at any time after it was registered or which, at the time of examination of the application, was not distinctive and should have properly been rejected may be rejected for renewal on that ground.

2. Validity of Trademark Right:

Upon registration of a trademark, its owner will have an exclusive right to its use (Sec. 25). Also, in order to protect that exclusive right, the trademark owner has the right of injunction against infringers and of removal of use by others of use of similar trademarks on similar goods/services (Secs. 36 and 37). Infringements are presumed to have been made negligently (Sec. 103 of Pat. Law as applied under Sec. 39 of Trademark Law), and the trademark owner is entitled to damages, if any sustained (although there is no specific provision in the Trademark Law to that effect but it is generally held that Sec. 709 of the Civil Code applies to it). The amount of damages sustained by the trademark owner is presumed (Sec. 38).

In addition to pursuance of infringements in terms of civil means, a penal provision is available and the offense of infringement is subject to imprisonment with labor or a fine (Sec. 78). Penal provisions of the Trademark Law are subject to the

General Provisions of the Civil Code, it being always required that knowingness and willfulness be present as one of requirements of a crime (Sec. 38 Subsec. 1). Attempted or negligent offenses are not subject to penalty.

Registered trademarks have the validity as outlined above. Thus, whether a trademark falls under a common name, customarily used mark or descriptive term is a serious problem from the standpoint of its user as to whether he could lawfully use it or whether his use could constitute an infringement of rights of others.

For your information, an infringement of a well-known or famous trademark could give rise to an injunction, claim for damages, and application of penalties under the Unfair Competition Prevention Law, regardless of whether the trademark as to the commodity for which it is used is registered (or pending registration). It will be worthwhile to note the above as well as the provision of the Law that a trademark, if famous or well known, may be created because of its famousness or being well known. (Here, we will not go into details of the Unfair Competition Prevention Law.)

3. Measures Available under Current Law to Challenge Applications for or Registration of Nondistinctive Trademarks:

(1) An opposition to a trademark application may be filed after the application is laid open for inspection, but prior to registration pursuant to Section 3 (Sec. 55 of Patent Law, as applied mutatis mutandis under Sec. 17 of Trademark Law). The trademark application will be rejected if the opposition against registration thereof is deemed to have sufficient grounds to support it (Sec. 15).

(2) A demand for a trial for invalidation of trademark registration may be filed with respect to any trademark registered in contravention of Section 3, (Sec. 46). It is, however, subject to a 5-year limitation with respect to filing of a demand for trial (Sec. 47), barring any trademarks which have been in effect for 5 years after its registration from being subjected to a demand for invalidation, for stability of trademark rights once secured. Trademarks which have lost distinctiveness after they were registered are not subject to a demand for invalidation, on the

ground that they were not registered by mistake.

Grounds enumerated for rejection of renewal of trademarks do not include lack of distinctiveness. Trademark rights continue to be valid on a semipermanent basis, as long as the trademarks are in use (or, more specifically, unless they fall under (i) or (ii) of Subsec. 2 of Section 19).

(3) Trademarks which are not in use for 3 or more consecutive years by any qualified holder thereof are subject, under Section 50, to a demand for cancellation thereof because of nonuse. If the demand is granted, the trademark right barring use of that trademark will be removed. In that the cancellation of the trademark so effected is essentially different from the invalidation of the trademark under Section 3, it will not serve to solve the problem completely. The registration of a trademark so impeding use thereof by others may be canceled. Still, another application for the identical trademark, if filed by somebody else, will bring about another problem.

Another means available would be a trial for cancellation of trademarks in unlawful use (Sec. 51 and 53). It is, however, restricted to certain extraordinary cases(see note * below) in which the owner of a trademark right intentionally, or any licensee thereof, uses a trademark identical with the registered trademark for goods similar to those registered in connection with that registered trademark, or a trademark similar to the registered trademark for goods identical with those registered in connection with that registered trademark, or a trademark similar to the registered trademark for goods similar to those registered in connection with that registered trademark, in a way which may be misleading as to qualities of the goods/services.

(*) For example, a trademark, "XX Masamune," which is one registered as being applicable to "Seishu" (a refined "Sake") is applied to "Shochu" (a locally brewed "Sake") instead, or a trademark, "XX," which is one registered as being applicable to "Shochu," is expressed as "XX Masamune" instead. (The term, "Masamune," is a customarily used mark for the refined "Sake.")

(4) On the other hand, Section 26 Subsection 1 (ii)- (iv) provides that validity of trademarks extends neither to certain trademarks

which indicate, "in a common way," common names or descriptive terms nor to "customarily used." Thus, with respect to trademarks of others which were registered in contravention of Section 3, and the 5-year limitation of which has elapsed or which, after registered, have become a common name, the above provision of Section 26 may be sought as the grounds on which the way in which the given trademark is indicated is valid.

Whether a given case qualifies for the requirements under Section 3 will be examined and decided by the Patent Office. The decision of whether a trademark may avoid exercise of trademark rights by its owner by virtue of the provisions of Section 26 may be sought objectively at a forum of justice for infringements, or at the Patent Office for interpretation as to validity thereof (Section 28 Sub sec. 1).

The interpretation by the Patent Office, however, is held not to be legally binding but simply an expert opinion. Its actual use is almost nil.

As discussed above, the facts that (i) the terminology used in a trademark is a common name, descriptive term, or customarily used trademark and (ii) with respect to common names or descriptive terms it is indicated "in a common way," are the requirements for eligibility under Section 26. The judgment on whether the requirements under Section 26 are met or not should vary with individual cases, depending on, among other things, the nature, and mode of use of, the trademark in question.

In the day-to-day practice, trademark users judge whether given trademarks satisfy the above requirements and decide whether to use them or not as well as the mode of use.

III. "Distinctiveness" of Trademarks

1. Trademarks Lacking Distinctiveness:

The Japanese Trademark Law defines (in Sec. 3 Subsec. 1 of Trademark Law) the "trademarks lacking distinctiveness of own goods from the others" as being ineligible for registration, as cited follows:

(i) Common names of goods

(ii) Customarily used trademarks

(iii) Descriptive marks indicating qualities of goods ("descriptive terms" in this thesis)

(iv) Commonplace surnames or names of legal entities

(v) Very simple and commonplace marks

(vi) Those other trademarks which do not enable consumers to recognize the goods as being connected with a certain person's business

2. Judgment on when Distinctiveness should be Present:

A rule has been established that the distinctiveness of own trademark from others should be judged on the basis of its status at the time of registration (Decisions S34.10.15 No. S33-4). The Trademark Examination Standards provide that the distinctiveness will be judged at the time of decision for registration of the trademark. Thus, whether a given trademark provides the distinctiveness at the time of the decision for registration will determine whether its registration may be invalidated. As will be discussed later, trademarks which were distinctive and registered but subsequently became nondistinctive may not be examined at a later date for invalidation, and, under the current version of the law, may only be available for use as any of such trademarks specified in Section 26 against which the trademark right shall not be enforceable.

3. Trademarks which have Acquired Distinctiveness through Use thereof (Secondary Meaning):

In this section, we will discuss those certain trademarks which were initially not distinctive but, as the result of use thereof by a certain person, has subsequently been recognized as being connected with his business, being capable of distinguishing goods of that certain person from those of others. Subsection 2, Section 3 of the Trademark Law provides that those trademarks falling under any of (iii)-(v) (of which we will discuss only (iii) here) of the preceding subsection, with which, as the result of use thereof, consumers have become able to recognize the goods involved as being connected with a certain person's business shall be entitled to the trademark registration, notwithstanding the preceding subsection what is called provision of "secondary earing".

Some of trademarks consisting solely of such descriptive terms,

commonplace surnames or names of legal entities, or very simple and commonplace marks, as fall under any of (iii)-(v), may become distinctive, unless used by somebody else. Conversely, any of those trademarks which, as the result of exclusive use thereof by a specific person, becomes distinctive still remains an descriptive term, commonplace surname or name of legal entity, or very simple and commonplace mark. For this reason, Subsection 2 is added to Section 3 to provide that registration may be obtained, notwithstanding the provision of Subsection 1, with respect to those trademarks which fall under any of (i)-(v) but have become distinctive as the result of use.

Whether a trademark has become distinctive is judged in the day-to-day practice, based on criteria provided for in the Trademark Examination Standards. In order for a trademark under reference to be registrable, trial precedents appear to require facts evidencing that it has become "well-known or famous" and "recognizable as goods as being connected with a certain person's business" by "dealers and consumers" as the result of "exclusive" "use" "over a long period of time" "on specific goods" or of "widespread publicity or advertisement activities." Also, the fact that the trademark is connected with a certain person's business need not be recognized by consumers. As long as the trademark is known as being pertaining to a commodity connected with a certain business of a certain person, the name or corporate name of that certain person need not be identified.

Items (i), (ii) and (vi) of Subsection 1 of Section 1 are not referred to in Subsection 2 of that Section. It is because the trademark no longer falls under (i), (ii) or (vi) as soon as it has become distinctive as the result of use and it needs to be covered in Subsection 2 of Section 3.

The scope of goods on which distinctiveness as the result of use may be recognized should properly be restricted to those which have acquired distinctiveness as the result of use. The exclusive right to use the trademark after it is registered may not be extended to any other similar goods (Tokyo High Court Feb. 24, 1955). The bar to registration obtained in terms of Section 3 Subsection 2, however, extends to goods similar to designated goods.

Cases to which Section 3 Subsection 2 was applied include the following:

"Paster" (pharmaceutical)(Supreme Court, Apr. 10, 1928; 1947 (o) 1093).

"Milk doughnuts" (Doughnuts)(Tokyo High Court, Sept. 17, 1974; 1972 (gyo ke) 68) K.K. Nishiki Bakery.

"Eversoft" (Soft rubber product)(Tokyo High Court, Jan. 5, 1957; Appealed 1953 #786) Bridgestone Tire.

"Tokyo Rope" (Rope, string, code)(Tokyo High Court, Jan. 9, 1975; Appealed 1977, #287) Tokyo Kako K.K.

"Push-phone" (Push-button dial telephone)(Tokyo High Court, Oct. 28, 1974; Trial 1973, #2459) Nippon Telegraph and Telephone Public Corporation (currently N.T.T.)

4. Trademarks which have lost Distinctiveness:

Those trademarks which are distinctive and used to identify a certain person, if not under reasonable control of the trademark owner, may lose distinctiveness as the result of use among dealers as designation of goods themselves or of quality, performance, etc. of goods. In particular, the more attractive trademarks are, the more favorably competitors tend to use them. Thus, those trademarks are likely to become customarily used names or common names.

They are subject to restriction as to validity of the trademark.

In order to say a certain trademark have lost distinctiveness or have become a common name, a trademark must be objectively recognized as being no longer capable of serving as identification mark. The recognition requires that not only in the trade but in general consumers as well and even actual use as common name among dealers of that commodity. Mere use of a trademark, as if a common name, in dictionaries, other general publications, or technical literature is held not to suffice.

Nondistinctive trademarks must be discussed differently for each of two categories, as discussed below, be cause of difference in dealing with them under the law.

One will be those trademarks which have lost distinctiveness by the time of the decision for registration thereof. They must be rejected at the examination level.

Any nondistinctive trademarks registered without being rejected or opposed are in contravention of Section 3 and, as provided for in Section 46, voidable by trial. In that event, the claimant must produce evidence that the registered trademark was in use as common name etc. prior to the registration.

The 5-year limitation is provided in Section 47 with respect to certain grounds for invalidation of trademarks which include contraventions of Section 3. As a result, no demand for invalidation of a trademark may be filed on the ground of contravention of Section 3, with respect to trademarks which are more than 5 years since their respective dates of registration.

Section 26, Subsection 1, (ii)-(iv), provides, on the other hand, that the trademark right is not enforceable against those trademarks which indicate a common name or descriptive term and customarily used marks for goods. Absence of, or inability to make, a claim for invalidation of trademark does not necessarily bar use of that trademark by third parties.

The other category is the trademarks which have lost distinctiveness or, more precisely, which were distinctive at the time of decision for registration, with no defects prohibiting registration thereat.

Therefore, the trademarks falling under this category may not be invalidated by the trial under Section 46. The trademark right is not enforceable only with respect to those mode of use falling under (ii)-(iv) of Subsection 1, Section 26.

In other words, only those trademarks which have been nondistinctive since before the decision for registration thereof may be invalidated by trial, provided the demand for the invalidation is filed within 5 years of the registration. In that event, evidence produced by the claimant must relate to the status of the trademark which existed prior to the decision for registration.

Under the present law, no registration of trademarks nondistinctive at the present moment are void or voidable on the basis of status of the trademarks up to the present moment, regardless of whether they become no longer distinctive before or after the decision for registration thereof.

It follows that those trademarks falling under the first category which are more than 5 years since they were registered and those falling under the second category which fall under (ii)-(iv) may only be used within the framework to which the trademark right is not enforceable.

Present law does not have a provision which make nondistinctive trademarks void even if they were distinctive at the time of the decision for registration and validly registered. So that registrants who use their registered trademarks have the benefit of continued, exclusive use of their registered trademarks. From the standpoint of third party users of nondistinctive trademarks, however, a trademark which is objectively no longer serving as such will remain vested forever in registrant, with expressions unfit for his exclusive use incorporated in it, unless some appropriate measures are made available for cancellation thereof as at the time it ceases to be distinctive. Excessive emphasis on stability of the trademark right could work against interests of business society.

The provisions of Section 26 that will be discussed in the subsequent section put certain restrictions on validity of the trademark right within certain limits, with the objective of balancing the stability of the right with the public interests.

5. Limits of Validity of Trademark Right:

The Trademark Law provides that registrant have no right to seek injunction against use by third parties of any trademarks used in a common way, such as common names, descriptive terms or customarily used marks, under Section 26 with the aim at balancing stability of trademark right with public interests by means of minimizing disadvantages resulting from learning nondistinctive trademarks in effect.

As discussed previously, a trial for invalidation of a trademark which is no longer distinctive must be filed within 5 years of registration thereof and also requires that it has lost distinctiveness by the time of registration. Thus, evidence required for that trial as pertaining to nondistinctive expressions must refer to the status prior to the registration and can rarely be produced.

Also, judgment on distinctiveness of a trademark is formed, as

a whole, on the basis of the trademark as shown in a sample attached to the trademark application. Thus, a trademark which, even if not distinctive in part, is judged as a whole to be distinctive because it is a trademark created by combination of distinctive words or figures or a separate concept created by combination of nondistinctive words, does not fall under exceptions cited under Section 3 and thus is not invalid.

Section 26 of the Trademark Law, therefore, provides in its Subsection 1 (ii)-(iv) that common names and descriptive terms, as long as they are used in a common way, or customarily used marks, of goods are not subject to enforcement of registered trademarks, so that registered trademarks seemingly enforceable against the common names etc. of goods, if any present, will not unduly restrict use of the common names etc. by dealers of those goods.

In order that registered trademarks of others which are nondistinctive may be used as being qualified under Section 26, they must be (1) common names, descriptive terms or customarily used marks, of the goods involved and (2) with respect to the common names and descriptive terms, indicated in a common way. The condition under (2), "in a common way," is not spelled out in respect of the customarily used marks because, in order that a trademark may be said to be customarily used, it must be used in a way common to its use with the goods to which it is applied.

The requirement (1) relates to the judgment on whether a given trademark employs the common name etc., in the same manner as on the question of whether it qualifies for exceptions provided in Section 3. While Section 3 relates to the question of whether a given trademark is registrable and is judged simply on the basis of the relationship between the sample trademark and the designated goods, Section 26 relates to the question of use and, therefore, is judged on particular modes, and actual circumstances, of use by third parties, in addition to the relationship between the registered trademark and the designated goods.

In the day-to-day practice, those two requirements are likely to be given a judgment from an overall standpoint, rather than scrutinized separately, in the sense that, insofar as within a certain range of modes of use, a certain mark would not be

recognized as a distinctive mark.

The requirement (2), requiring the trademark in question to be "indicated in a common way," relates to the mode of use. A common name or descriptive which, as it relates to goods involved, is within such scope of mode of use as would be adopted in a common way as such is not subject to enforcement of the trademark right. Any such common name or expression of qualities which exceeds the scope of modes in which a common name or expression of qualities would be used in a common way could be subject to enforcement of the trademark right.

Specifically speaking, given that a certain word or combination of words is a common name or descriptive term, any such word or combination of words descriptively used in such a manner that it is submerged in expressions of a sentence would be less subject to enforcement of the trademark right. Users should be required careful study if they indicate marks in a mode which distinguish certain goods from others. To what extent of the mode the careful study is required will depend on the extent of distinctiveness of the word or combination of words used.

Common names, if used for goods denoted by them, are very unlikely to be distinctive. Supposing that a registered trademark in effect has the designated goods which include printers, and further that the word, "printers," as specified in the logo designated in the registration, is used by somebody else in his trademark, as the result of which his trademark as a whole is indicated in a distinctive manner on the printers themselves or a catalog thereof because of the manner in which it is used, dealers and consumers would not take the word, "printers," itself so shown in the designated logo as serving as a trademark. Thus, it will be difficult for the owner of the trademark specifying the lettering of the word, "printers," in a designated logo, to invoke the injunction against the subsequent user of it.

Nevertheless, the descriptive terms, i.e. those falling under Section 3 Subsection 1 (iii), would be differently evaluated as to the extent of distinctiveness, depending on how they are used in the business society.

Specifically, any fact that a certain word is actually used

among a substantial number of dealers to show qualities of a commodity, would give sufficient room for them to use it as a descriptive term, expanding the scope of the mode of use on a descriptive basis. Conversely, if it is not used in such manner of expression as is generally used among traders, the question of whether it could be called descriptive term will be more strictly examined, possibly often resulting in room for use, if any, in which it will be restricted to "descriptive use" of expression of a sentence in a strict sense. In particular, if used easily, a trademark which has been in use by the registrant or licensee, and, in result, well known to an appreciable extent may well develop into an infringement case, however nondistinctive it may originally be.

As discussed earlier, judgment under Section 26 is affected by the mode of its actual use and circumstances of the business society in which it is used. It must, therefore, be formed from an overall standpoint, with due consideration for whether the commodity itself to which the trademark is to be applied is also indicated, the place in sales brochures at which the trademark is shown, size, thickness, style, coloring and whether it is intended as a trademark or simply as a description, whether it is an expression widely used in the field of the commodity involved, whether it may be said to be a generally prevailing mode of use, and other similar elements, in addition to extent of distinctiveness of the trademark.

The question of whether a given trademark qualifies for the requirements provided in Section 26 may be referred to the Patent Office for its interpretation under Section 27. Different from the decision granted in infringement cases, however, the interpretation so given is not binding. The interpretation cases so brought to the Patent Office for its clarification appear to be negligible in number. Except for those in dispute in infringement proceedings such as injunctions, practically all such interpretations are seemingly given case by case by trademark managers of respective business firms.

IV. Questions of Trademark System of Japan

Concerning Nondistinctive Trademarks; Comparison of Same with those of Other Countries

We will compare the Japanese trademark system with that of the following countries in this chapter: Australia, Benelux, Canada, China, France, Germany, Hong Kong, India, Italy, South Korea, Singapore, Spain, Taiwan, Thai, U.K. and U.S.A.

1. Examination at the Time of Renewal:

The Japanese Trademark Law provides that the term of a trademark may be renewed upon application for renewal there of pursuant to the provision of Section 19 Subsection 2, except where the trademark falls under (i) or (ii) thereof in which event the renewal will be barred. Grounds for rejection of the renewal relating to eligibility for registration are restricted to such grounds prohibiting registration for public interests purposes as fall under Section 4, Subsection 1 (i)-(iii), (v), (vii) or (xvi). There is no provision prohibiting renewal with respect to those registered trademarks which are no longer distinctive, i.e. those falling under any one of Section 3 Subsection 1 (i)- (vi).

The term, "trademarks which are no longer distinctive," about renewability of which we discuss here include those which have lost distinctiveness after they were registered, in addition to those registered in contravention of the provision of Section 3 at the time of decision for registration.

According to our survey, no countries require examination of distinctiveness of trademarks at the time of renewal, except for South Korea in which any trademarks renewed in contravention of requirements of law are voidable.

It may be said, therefore, that distinctiveness of trademarks are not examined for renewal as a general trend as far as our study made as aforesaid is concerned.

2. Limitation Applicable to Claim for Invalidation of Trademarks:

A trial may be demanded for invalidation of trademark registration with respect to any trademark falling under any of the grounds for invalidation as provided for in Section 46 Subsection 1 of the Trademark Law, the grounds specifically including contravention of Section 3. Section 46 Subsection 2 provides that the trial under Subsection 1 may be demanded as well after the trademark right has extinguished. Section 47, however, provides for limitation with respect to trial for invalidation of trademarks and,

with respect to those grounds for invalidation of trademarks as provided for in Section 47 which include contravention of Section 3, no demand may be filed after 5 years have elapsed from the date of registration of the creation of the trademark right.

As the reason for the limitation so provided, a commentary issued by the Patent Office states that trademarks registered by mistake, if any, are considered as being cured as to the defective registration after a certain period of time has elapsed peacefully without any claim for invalidation having been filed against it, disallowing claims for a judgment for invalidation of a trial on that ground. It further states that the criterion for application of the limitation depends on whether the alleged grounds for invalidation are such as to require, from the viewpoint of public interests, to make a trademark invalidated even by overturning the existing legal status.

The above undoubtedly leads to a legal approach in which the bad effects of nondistinctive trademarks made available exclusively to their owners and licensees are more favorably accepted than those bad effects of changing existing legal status. Needless to say, the existing legal status, i.e. "registered trademarks," includes those in use and those out of use.

Law provisions of the foreign countries mostly include the nondistinctiveness in their grounds for cancellation of registered trademarks. With respect to the limitation, except for China in which it is one year and Hong Kong and Singapore which follow English law and in which it is 7 years only for Division A registration (to obtain incontestability in 7 years of registration), no limitation is generally provided where nondistinctiveness is made a ground for invalidation or cancellation of trademarks.

3. Disclaimer:

The disclaimer in the trademark registration is a system under which a trademark otherwise unregistrable because of nondistinctiveness of its component elements but as a whole distinctiveness as a trademark may be registered on the premise that the trademark owner disclaims those component elements which are not distinctive. As a result, the trademark owner may not hold liable

as trademark infringers third parties who use a trademark identical with or similar to those component elements so disclaimed by it.

The above provision was contained Section 2 Subsection 2 of the former Trademark Law, but is discontinued in the current version of the Law because it was difficult to construe and time consuming to examine "those portions likely to be recognizable as being elements of a trademark." Under the current law provisions, decision should remain to be made as to distinctiveness, with respect to those portions which are likely to be recognized as elements of a trademark, to examine likelihood of confusion. Thus, are different examiners not making varied judgments case by case?

The disclaimers are provided in Australia, Canada, Hong Kong, India, Singapore, Thai, U.K., and U.S.A., most of which follow English law.

V. Business Climate and Trademark Administration as they are

Substantial amendments were made to the Trademark Law of this country in 1959. Thereafter, to cope with changes in the commercial society, a number of amendments were made to date, including one in 1970 principally for intensifying obligations of users of trademarks (burden of proof on trademark owners in the trial case for cancellation of registered but unused trademarks, obligation to state the profession/occupation of the applicant in the trademark application, obligation to file a certificate of use of trademark as a requirement for renewal of registration thereof), and another one in 1992 for introduction of the service mark registration system. With respect to the system relating to distinctiveness of trademarks discussed in the two preceding chapters, nevertheless, almost no amendment has been made to the Trademark Law during the last 35 years.

I. Latest Business Climate as they are:

(1) Changeover in Industrial Structure -- Flood of New Technological and Merchandise Terminologies:

During the highly developing economic stage in the 1960s, advanced mass production systems, employing the latest technology available, were established in such basic materials industries as steel, aluminum refining, petrochemical, cement, paper and pulp

industries. And, the basic materials industries of Japan made a remarkable progress. It was when Japan just approached the developing economic stage that the current version of the Law was adopted to revise the Law of 1916 to cope with the postwar economic restoration.

Through the two oil crises experienced in the 1970s, the industrial structure of Japan, then centering in the mass production in raw materials industries, further developed into highly advanced processing industries, seeking for highly added values. How to develop goods with highly added values from restricted raw materials to cope with rise in costs of raw materials and fuels was an urgent task of researches. As the result of technological renovation and merge of technologies between different industries, new kinds of goods, using electronics (information, semiconductors, telecommunication and mechatronics technologies), new raw materials technologies and biotechnology, came out one after another, flooding in the market a mass of newly generated terminologies.

Such rapid change in the industries should not have been expected at the time of revision of the Law.

(2) Speeded up Diffusion of Information and Severer Advertising Competitions -- Increased Possibilities of More Common Names:

Trademarks are said to become common names generally because of lack of effective control by their owners. When the market of a commodity is under the control of a single company or when a commodity of a company is much more favorably received by consumers than similar products of its competitors are and, as a result, the trademark of that commodity becomes overwhelmingly well known, however, that trademark may well become a common name for all careful controlling measures adopted to prevent it. For example, the term, "Laser Disc," the common name of optical video disks nowadays used to be the registered trademark of Pioneer, a Japanese audio visual equipment maker, initial official commodity name of which was "Laser Vision." Pioneer succeeded in commercialization of that optical video disk in 1981 for the first time in the industry, using the "Laser Disk" trademark in its family-use players and discs for domestic sale. Those products became famous in the market as epoch-making goods and widespread within a surprisingly short period

of time, eventually known in the name of "Laser Disk" to consumers as a stable common name. In November 1989, at the request of an association of the industry, Pioneer declared grant to subsequent participants in the market of free use of that registered trademark of its own, as a common name of similar products (The Nihon Keizai Shimbun, morning issue, dated November 10, 1989).

News like the above are often reported in Japan, probably because information is diffused much more quickly and advertisement competitions are much keener, than in the past.

According to statistics in 1991 on TV broadcasting and newspapers which are the core of the present mass communication media, a TV receiving set is owned by 99.0% households, or almost a set for each house hold, and circulation of daily newspapers per 1000 of population is 589 copies, being the top in the world, thus serving to convey information of equal quality in masses and speedily to every corner of the country. (See Appendix 1.) Particularly with respect to the TV receiving sets, in 1960, immediately after the Law was revised, each of 50.8% households, but in 1980, 98.2% households, showing a rapid spread. TVs which convey information in both sound and images at the same time gives greater impact on their audience without restricting audience to which they may access, being unrivaled in information conveyance media. (See Appendix 2.) In the future, CATV, videotex and other new electronic media will be much different from those available now.

With respect to advertising activities of business firms, according to a survey on advertising costs made by Dentsu Inc., advertising costs in the national aggregate figures have not been reduced below those of the preceding year until 1991 when they finally reached 5,726 billion yen, the highest record reached ever since 1947 when Dentsu started the survey. Advertising expense for TVs and news papers represents always more than 50% of the aggregate adverting expenses, definitely indicating approaches of business firms to advertisement activities by use of those two media for more prompt and more widespread conveyance of information on goods. (See Appendix 3.)

When a product is familiarized in too fast a speed among consumers, the trademark on it is likely to be spread out in a sense

like a pronoun for similar products, before it becomes generally known as being applicable to a particular product made by a particular business firm. In recent markets, distinctiveness level of a trademark seems to change in an extremely short cycle, as illustrated by a case in which a trademark on a product just put on sale became a common name in less than 6 months.

(3) Other Sales Strategic Problem -- Flood of Trademarks with Weak Distinctiveness

Trademarks are basically intended for distinguishing goods for which they are used from competitive goods. Thus, it is the common practice in the market not to select a trademark which is not sufficiently distinctive enough. There are, however, exceptions to this rule. They are those industries which traditionally tend to use less distinctive trademarks. A typical example of them would be the food industry, with respect to which it is said that what is required by consumers first of all in respect of foods which are essential for maintenance of our lives is the possibility of clearly judging effects, tastes, purposes, etc. of a given food from outside appearance, such as packages or containers, thereof. Thus, for the purpose of use in the food industry, trademarks which emphasize features, or are more indicative, of qualities of goods for which they are used are preferred and are likely to be expressed in a large size on the surface of packages or containers. Present time is called the age of satiation. Needs of consumers are diversified and extremely fluid. The fact that food makers must announce new foods one after another to satisfy needs of consumers accelerates rush of new products. As a bad effect, trademarks distinctiveness of which is ambiguous flood in the market, and troubles arising out of those trademarks are frequently reported in the newspapers.

It will be worthwhile to note that, as the result of consumers as a whole having become more selective of goods because of the prevailing depression, not only the food industry but the financial circle as a whole tends to prefer those trademarks in which use and effects of goods are easier to comprehend. Thus, trademarks with less distinctiveness seem to have increased recently.

3. Trademark Administration as it is -- Increased Burden on Patent Office:

Let us compare the data on trademark examination by Patent Office at the time the current Trademark Law was initially adopted with that during the recent years.

A review of data on trademark examination during 3 years immediately before adoption of the current Trademark Law shows that annually 30,000 applications were filed, 20,000 trademarks were registered, and 250,000 registered trademarks in the aggregate were in effect, while average annual figures over a few latest years show 170,000, 110,000 and 1,170,000 respectively, showing remarkable increases. Now, as many applications as 6 times those at the time of the revision of the Law are filed with Patent Office annually, and valid trademark rights well in excess of 1 million are being. (See Appendix 4.)

Trademark applications doubled in number temporarily in 1992 when transit measures were adopted for introduction of the service mark registration and shift of the classification system in force to the international classification system. Without consideration of the above provisional phenomena, the recent average number of 170,000 applications annually filed is still too many. The trademark applications filed in each of 1992 and 1991 with Japanese Patent Office are more than those of any other single country of the world. Also, those of the trademark applications filed with Japanese Patent Office by applicants which were not domiciled in Japan represented 7.3% for 1992 and 11.2% for 1991 of the total applications filed, representing the lowest percentages among countries in which more than 30,000 trademark applications are annually filed. In other words, Japanese applicants, almost all of which is Japanese business firms, seem to be filing masses of trademark applications. (See Appendix 5.) These figures appear to reflect common recognition among Japanese business firms that they are unable under the present economic situation to fully evaluate their brand names as to whether or not names of their own goods have sufficient level of distinctiveness worth protection as trademarks. In other words, we are under the impression that the trademark management policy of Japanese business firms, requiring, for safety

of use of their own trademarks in Japan, "filing of applications with respect to any trademarks of which validity they are not confident," has created filing of masses of trademark applications, mixing up good and bad together, leading further to recognition of the necessity for keeping on hand a sufficient number of "enforceable -- registered -- trademarks," as those masses of the applications delay the examination of these applications by Patent Office, thus ending up with a vicious circle of more applications and further delay in examination of the applications.

Setup of Patent Office, with the present number of examiners, for examination of those applications seem to be overtasked in absorbing them. The trademark applications filed with Patent Office are, in round terms, assigned to examiners at the rate of 2000 applications per examiner a year, which, if divided by the number of actual working days, means that an examiner is assigned 15-20 additional applications a day. (See Appendix 6.) Still, chronic delay of the Patent Office in the examination requiring an average of 2-1/2 years for examination of an application has been pointed out as a long pending problem. Assuming that 469,598 trademark applications pending examination as of the end of 1993 are to be examined over 10 years to come while 170,000 additional applications are filed year after year, an examiner will have to examine at least 2,500 applications annually.

For the past several years, we have found not a few trademark applications published when they should have been rather rejected under Section 3 of the Trademark Law and industrial organizations have requested Patent Office for more careful examination. Market situation has, however, been such that, as new terminologies and additional trademarks were brought into existence rapidly and extremely many trademarks became common names too soon. It should have been almost impossible for Patent Office to be fully acquainted with all of them. From this point of view, Patent Office should be allowed an excuse for it. Would it not result in excessive burden on examiners, creating additional distortions somewhere, to require both of more prompt examination and strict examination in terms of Section 3 of Patent Office with its personnel setup as it is?

VI. Day-to-day Practice of Business Firms with Respect to Trademarks under the Present System

In this chapter, we will discuss, based on the results of a questionnaire completed by PIPA members, the trademark administration carried on by them under the present trademark system. Incidentally, the questionnaire form was distributed to and completed by only PIPA member companies and no statistical modifications of whatsoever nature have been made.

1. Contents of Questionnaire

This questionnaire was distributed with the aim of feeling out their attitudes toward, and consciousness of, those trademark which are likely to be descriptive and, as a result, distinctiveness of which is doutful (or weak or seemingly lacking).

Questions 1-5 are designed to question their attitudes to and consciousness of adoption of trademarks, Questions 6-8 to question attitudes and consciousness of trademark owners, and Question 9 to question their consciousness of the trademark system, as it is.

Questions 1, 2, 3 and 8 sought answers with respect to each of "use as trademark" and "use as description," as differentiated. The term, "use as trademark," refers to the use of their own trademarks to distinguish them from those of others. The term, "use as description," refers to the use of those trademarks, distinctiveness of which is not strong enough, in a common way, as a description of name or qualities of goods. The questionnaire form was so designed as to be multiple-choice.

The questionnaire was distributed to 86 member companies of PIPA Japan, of which 71 companies provided us with completed forms.

2. Adoption of Trademarks (refer to the "Trademarks" boxes in the questionnaire form):

As discussed earlier, rights of interested parties in trademarks of weaker distinctiveness are complicated. From the viewpoint of holding of a trademark after sale of goods, the best way would be not to adopt as a trademark a trademark of weak distinctiveness from the beginning. Many of goods actually in the market are named for performance and/or process. Also, very few answers were received to affirm the answer, "E. Have experienced no problem so far, as to whether to search trademarks or

descriptions which are seemingly descriptive," under Question 1, and another answer, "F. Avoid use of descriptive trademarks." The above would indicate that, in reality, business firms cannot but adopt trademarks of weak distinctiveness depending on circumstances.

(1) Search of Seemingly Descriptive (= Nondistinctive) Trademarks:

With respect to Question 1, 72% of responders said in A, "Yes, always [they make trademark search]." In that a large number of business firms have affirmatively marked this Section A in addition to some of other Sections B-D, the "Yes, always" response appears to be their "basic principle of approach to the question" rather than "the practice that they always follow."

Answers to Question 6 show that some 70% of the responders have registered trademarks which are likely to be descriptive, as cited under A, B, C and/or E. We would presume that, based on their experience, they know that they have many of those registered but descriptive trademarks.

Except for those trademarks which are clearly descriptive, it will be generally wise to make trademark search.

(2) If, as the result of investigation of prior trademark applications, you find any which are likely to be descriptive, what do you do?

Trademarks which are a nuisance to those other than the rightful owners thereof may be classified into A, B and/or E of Question 6.

As discussed in Chapter II, 5, validity of registered but descriptive trademarks must be decided with care.

Under Question 2, "A. Do not use it at all" represents 73% of all responders. Also, "I. Use it with supporting evidence that it is descriptive, on hand." represents 30%, a fairly high percentage, of all responders.

Under Question 9, the answer, "D. Existence of registered but descrptive trademarks would be of no particular importance because of the provision of Section 26 Subsection 1 (ii), (iii) and (iv)," is affirmatively marked by 35% of the responders. The foregoing would not necessarily mean that they are actually prepared for use if supporting evidence that the registered trademark in question is descriptive is on hand. Because of the absence of the disclaimer

system, there seems to be a necessity behind to individually decide what portion of the prior trademark is distinctive.

The trial for invalidation of trademark registration is not widely made use of probably because it is time-consuming (from filing of demand until decision), it is difficult to prove the facts (which must be proven retroactively at the time of decision for registration), mental resistance, resultant disclosure of merchandising plans, and inability to invalidate a registration like "house mark + description of name or qualities of goods" because of the absence of the disclaimer system.

3. Use of Trademarks as Descriptions of Qualities or Names of Goods (refer to "Description" boxes):

Again, a careful study must be made of individual cases, in order to avoid a trademark infringement pursuant to the provision of Section 26 Subsection 1 of the Trademark Law. Under Question 1, only 17% of the responders stated without reservation that they would "use it without trademark search," even when they were conscious of use as expression of qualities.

On the other hand, 41% of the responders say that their merchandising departments occasionally fail to request for an trademark search. Not necessarily the name of commodity itself but a little description given on a package, a catch-phrase printed on a brochure, and things like these, even when not intended for a trademark, may well be given warnings of trademark infringement by its owner. It would be difficult for merchandising department to make proper judgment of whether a proposed terminology constitutes use of a trademark. To prevent useless disputes also, the trademark manager should make himself fully familiar with any new merchandise, including packages and advertising and publicity activities.

4. Exclusion of Registered Trademarks distinctiveness of which is questionable:

Positive measures with which to cope with existing trademarks of others distinctiveness of which is questionable and which are a nuisance to you when you are going to adopt a trademark of your own, include among other things (i) retarding registration of those marks of others, and (ii) invalidating them at a trial for invalidation of registered trademarks.

(i) Retarding Registration of Competitive Trademarks:

According to responses to Question 4, some 70% of responders are taking some sort of measures to regard registration of trademarks of their competitors which would otherwise be disadvantageous to them:

- Watching Trademark Gazette and Filing Notice of Opposition:

  It is the most popular way for business firms to watch the Trademark Gazette and, whenever any trademark distinctiveness of which is questionable is published, to file notice of opposition. Responses to Question 4 show that 63% of the responders are following this practice. In addition to filing notice of opposition in the name of individual companies, they seem to file notice of opposition through organizations which are involved in the given trademark or exchange evidence within their industry. In such instances, it takes time before the final conclusion is reached, fees for agents are costly, names of the opponents will be known to the party against whom the opposition is filed, any opponent who is morally or financially obligated to the party against whom the opposition is filed will be rather hesitant in doing so, and so on.

- Watching of Trademark Gazette and Trademark Application Report; Provision of Information to Patent Office:

  The Trademark Application Report is an announcement of trademark applications filed, which is issued by Japan Industrial Design Promotion Organization (JIDPO), Japan General Merchandise Promotion Center, and Japan Foods Patent Center (JFPC). It is generally called "provision of information" to provide examiners unofficially, personally or via mail, with information on those trademarks which shall not be registered. Different from that on patents, the provision of information on trademarks is not institutionalized and has no legal grounds. Trademarks published may be rejected by the authority of the examiner. Rejection of trademarks application by the examiner, based upon the information so provided, is not so time-consuming as is the case with rejection of trademark applications based upon notice of opposition filed and, in addition, does not officially identify the provider of the

information. Thus, the provision of information appears to be easily utilized. Partly because it is not an institutionalized system and, as a result, not fully reliable, and partly because lack of familiarity with examiners makes it somewhat hesitant to make a visit to them for the provision of information, however, it does not seem to be fully utilized for its easy use (see Question 4).

- Apply for Registration before Others Do:

Many applications like this result in a nuisance to other applicants. To cope with not a few trademarks, distinctiveness of which is questionable, having been registered, applicants tend to apply for registration of trademarks with terminologies likely to be adopted as a trademark or a description, to prevent them from being used in trademark applications from their competitors. Or, oftentimes, some of applications are filed purposely in expectation of being rejected, for the sole purpose of verifying that they are not distinctive. Under the existing system, those measures would be unavoidable to some extent, however.

(ii) Trial for Invalidation of Trademark Registration:

A trial for invalidation of registration may be demanded within 5 years of registration on the ground of contravention of Section 3 with respect to any trademark application which is not rejected as the result of notice of opposition filed or of any trademark, after registered, becoming a nuisance. This system is not widely used.

Problem areas in this system will be discussed in detail in the next chapter.

(iii) Others:

A demand for invalidation of registration may be filed with respect to trademarks out of use 3 years after registration. This system is neither used generally.

5. <u>Keeping Own Trademarks Distinctive:</u>

Responses to Question 7 show that about 90% of the responders have some sort of measures in effect to keep their trademarks distinctive. Among other things, 72% of the responders state that they use "®," "TM," etc. (In Japan, lack of such marks does not

prevent the trademark right from being exercisable.) Other measures in use to prevent trademarks from becoming nondistinctive include the following:

- Display trademarks in a noticeable manner (34%)
- Use trademarks in a designated logo type 45%)
- Distribute a guideline manual within the organization (30%)
- Distribute a guideline manual outside the organization (10%)
- An in-house orientation campaign (1 company)
- Examination of industrial publications and catalogs of competitors (30%)
- Warnings on newspapers (7%)
  * Warnings of this type in Japan are directed toward general readers of the paper rather than specific infringers.
- Warnings toward mass communication media with respect to use of trademarks as common name (1 company)

Question 8 asks what warning measures are taken against activities of others which weaken distinctiveness of own trademark. About 40% of the responders have taken some sort of warning actions. With respect to use of the trademark as such, 18% of the responders state that they have caused the use to be discontinued, being slightly more than 13% which failed to cause the use to be discontinued. Also, 32% in the aggregate, consisting of those which have caused the use to be discontinued and those which have officially granted the license to use, have succeeded in having their right in their own trademarks admitted by the other party, and are far beyond 10% in the aggregate which have failed.

With respect to use of trademarks as descriptions of qualities or names of goods, on the other hand, 6% have succeeded in having them discontinued, while 7% failed in doing so. No licensing arrangements were reported to have been made. Does it mean that, because of the difficulty in enforcing the trademark right against use of the trademarks by others as descriptions, and as long as they still recognize the trademark in question as descriptions in spite of previous warnings from the trademark owner, it is hardly possible

to successfully persuade them to discontinue use of them, overturning their recognition?

VII. Proposal on Future Trademark System

In this chapter, we will discuss such problems inherent in the present trademark system as are pointed out by many business firms in Question 9 in the preceding chapter. As discussed in Chapter IV, when we think of the drastic changes in economic activities and renewed marketing circumstances since 1959 when the current version of the Trademark Law was adopted, would it not be necessary to take some steps with respect to distinctiveness of trademark which should have been seriously affected by those changes and renewed circumstances, particularly the trademark right as it relates to common names, descriptive terms and customarily used marks?

It is for the purpose of securing stability of the trademark right that the current Law does not allow invalidation of registered trademarks after limitation and grounds for rejection of renewal of trademarks do not include lack of distinctiveness. It is said that Section 26 provides for the scope of freedom of use of existing trademark by third parties who are likely to be disadvantaged because of the above features of the current version of the Law and, therefore, serves the balancing purpose. It should be an undeniable fact that, as compared with 35 years ago, it has become extremely difficult nowadays to determine whether a specific expression or mode falls within the scope of the freedom of use against which the trademark right is not enforceable.

With respect to the above problem, it is possible to refer to consultation among experienced trial examiners under the interpretation system. Nevertheless, demands for the interpretation annually total less than 10, showing that in practice the system is almost unused. It is probably because, as discussed in Chapter III, results of the interpretation are weighed no more than an opinion of the Patent Office which, in the case of suit at a later date, could be an influential material but from which res judicata may not be sought, and further because it would normally take at least 3 years before the results of the judgment are known, thus it is not convenient from the practical points of view.

We, as business entities, should adopt thoroughgoing measures for our own business activities. We have no other alternatives but approaching carefully, even more than necessary, with respect to those which have come into being as regisered trademark through administrative disposition, however expressly they might have been recognized as common names or merely descriptive terms as common-sense judgment in the industry. The fact that those registered but nondistinctive trademarks remain to be exclusive trademarks on a semipermanent basis and, in addition, continue to be generated in numbers year after year, is unavoidable. Would such fact as it is, however, not hamper sound development of industries instead and defeat the purpose for which the trademark system is originally implemented?

Needless to say, we are not in a position to make an objection to the day-to-day decision to be made in the light of Section 26 as to whether individual use of trademarks are beyond the scope of enforceability of registered trademarks of others. In the event, however, where, apart from this rule, certain trademarks themselves are not considered capable of distinguishing goods to which they are applied from those other goods to which they are not applied, i.e. only with respect to such trademarks as are applicable to those goods which are substantially free from enforcement of trademark rights, we are of the opinion that the current trademark system may well be amended in part so as to provide users of those trademarks with an opportunity to formally eliminate those hampering trademarks.

From the viewpoint of determining whether given trademarks could be discontinued according to whether they provide distinctiveness as to goods to which they are applied, we would make three different proposals below with discussion about grounds for suggestion thereof that follows. The term, "registered but nondistinctive trademarks," as used hereinafter, with respect to which we propose to provide an opportunity for elimination from the registration, is intended principally to include those trademarks which fall under such common names, customarily used marks or descriptive terms as were taken up in the theme of this thesis. We

see no reason why other registered but nondistinctive trademarks, e.g. those registered trademarks falling under commonplace figures, names, and the like, should be dealt with differently from the three kinds of trademarks as just mentioned and left protected from enforcement of the trademark right. Thus, the authors have extended the term, "registered and nondistinctive trademarks," for the purpose of discussion, to include any and all registered trademarks falling under the nondistinctive trademarks as enumerated under Section 3 Subsection 1 (i)-(vi). Apart from the question of whether we should not have so extended that term, leaving it as restricted, we are sure that our intent will be understood and accepted by many trademark managers.

Proposal 1

Provide an Additional Designation for Rejection of those Found Nondistinctive as at Renewal, and Make Terminable Every 10 Years of Renewal those Registered Trademarks which have not been distinctive:

Both of the examination at renewal and the trial for invalidation of renewal are intended for review and rejection every 10 years of renewal those registered trademarks which no longer qualify for continued protection. Under the current version of the Law, grounds for the rejection are restricted to those which have come into conflict with public interest as at the renewal and those which are left unused for a long period of time. Those registered trademarks which no longer provide distinctiveness -- the most fundamental requirement for the trademark -- should also be disqualified for continued protection of the trademark right.

Discontinuation of trademark rights once granted -- particularly by way of examination -- might be said to be likely to destroy stability of the rights. Users of the trademarks are entitled to get rid of those registered but empty rights on a secure basis and at regular intervals. 32% of the responders are for adoption of this proposed system.

As to the possibilities of adoption of this proposal, there seem to be the following difficulties: The 10 year reviewing cycle may be too long for the recent, increased speed at which some of trademarks become common names and technical and merchandising technologies become out of use. General trend of the Patent Office

is to simplify and speed up the renewal procedure itself, partly as the result of the Trademark Harmonization requirement to discontinue the obligation to provide evidence of use of trademark in connection with renewal of trademarks in Japan.

Proposal 2

Remove the 5 Year Limitation for Invalidation of Registered Trademarks with Respect to Registered but Nondistinctive Trademarks, and Permit Filing of Demand for Trial for Invalidation at any Time:

With respect to those trademarks registered by mistake when they were not distinctive at the time of registration, a trial for invalidation thereof may not be demanded after 5 years of the registration. From the viewpoint that registrations with any illegality should properly be eliminated, a demand for trial therefor should be made readily available. However, negation of any trademark right which, even though registered by mistake, has been in force at peace for 5 or more years, overturns the present legal relations. Also, it will be very difficult to prove the fact that a given trademark became no longer distinctive more than 5 years ago.

In spite of the demerits cited above, 18% of the responders are in favor of removing the limitation, showing the demand therefor in the field of day-to-day practice. It may not be appropriate to flatly negate the demand. In order to implement this proposal, therefore, it will be necessary to give consideration to the possibilities of abuse of the right of claim for a trial for invalidation or of acquisition of distinctiveness through use of the trademark, and to specifically impose a condition that the trademark in question will be subject to an exception if it happens to have aquired distinctiveness after registration.

Proposal 3

Add Registered but Nondistinctive Trademarks as a Ground for Trial for Prospective Cancellation thereof:

Although not included in the questions in the questionnaire form and different from the trial for invalidation as discussed above, this proposal relates to avoidance of a trademark simply based on the fact the trademark, as it is, is no longer distinctive, in disregard of when it became so nondistinctive. This proposal in

which validity on the ground of distinctiveness in the past of the trademark in question is passed over, has a merit in that only the hampering, registered trademark may be got rid of without affecting legal relations created in the past based on its existence. In addition, not only such registrations effected by mistake as were dealt with under Proposal 2 for a trial for invalidation, but those trademarks which became no longer distinctive after registration may be covered for elimination. Also, it would be rather easier to prove nondistinctiveness of trademarks. Based on these reasons, this proposal would appear to be most desirable under the present situation of this country. According to trademark laws of respective countries, the countries in which nondistinctive trademarks may be eliminated by a trial for cancellation (or court proceedings where that trial system is not present), together with those countries in which the cancellation is restricted to common names and descriptive terms, represent a majority of the countries we have studied. Because the present version of Japanese Trademark Law in this respect is in the minority, an approach to this proposal would probably receive international support.

With respect to the question of when the trademark right ceases to exist, the current system of trial for cancellation based on nonuse etc., if applied as it is, will terminate it upon its final trial decision. The trademark should have been no more distinctive when the claimant started preparing for the trial at the latest, leaving a substantial period of time before the trial is finally decided. It will be too uneasy to rely solely on Section 26 as legal ground on which the trademark may be safely used and, as a result, effect of adoption of this proposal may not be sufficiently expected, thus requiring some legal measures to be taken to reasonably restrict exercise of the trademark right during that period. For example, in a trial for invalidation under the Japanese Law, trademarks which become invalid after registration (although, under the present version thereof, occurrences of the grounds for invalidation are restricted to violation of treaties etc., and loss of distinctiveness does not constitute the ground) are regarded as having ceased to exist from the time they fall under any ground on which basis the trademark may be invalidated. Thus, it will be in

order, in the event of a trial for cancellation of a trademark on the ground of loss of distinctiveness as well, to eliminate the trademark as from the time of loss of distinctiveness. It is very difficult to determine when a trademark should be deemed to have lost distinctiveness. Hence, how about eliminate it retroactively from the time the demand for the trial was filed, provided the trial decision is conclusively made for cancellation.

In addition, with respect to those composite marks which, although distinctive as a whole, consist of, say, letters which are distinctive and letters which have the meaning of common names or descriptive terms, it may be necessary to restudy the disclaimer system which 49% of the responding companies have supported, although the purpose is different from that of Proposals 1-3. The disclaimer system has the historical background in which it was terminated after repeated studies when the former Trademark Law was revised. Any decision that disclaimed portion of a trademark is not distinctive is simply as of the moment that decision is made and, unless the disclaimed portion is a common name, may be fluid and possibly at a later date distinctive. Since the disclaimer is in substance an additional examination item to the present trademark system, it will make the examination further complex unless a very simplified system is introduced. Assuming the disclaimer system is adopted, with the understanding of the above matters, we will list below the proposed implementation plans:

Proposal 4

Restore the Disclaimer System. (The system will be simplified in the order of (i) to (iii) but reliability on the descriptions in the Trademark Gazette and trademark register as to the disclaimed portion will be reduced in that order.)

(i) Restore the system as it was under the old Trademark Law under which the examiner required the disclaimer as to specified portions and, unless the applicant complies with it, the trademark will not be registered at all.

(ii) No decision will be made in the examination stage as to any disclaimed portions, unless disclaimer by the trademark applicant is sought by a third party. If, in the event any third party

demands disclaimer by the trademark applicant, the trademark applicant fails to file a rebuttal, that portion alleged by the third party to be disclaimable will be deemed to have been admitted by the trademark applicant and the Trademark Registration Gazette will state accordingly. The examiner will examine appropriateness of the allegedly disclaimable portion, only if the rebuttal is filed by the trademark applicant.

(iii) If the examiner decides that any portion of the trademark applied for registration falls under a common name or descriptive term, he will specify it as his opinion and, if the applicant accepts it, the trademark gazette will reflect the disclaimer being effected while, if the applicant does not accept it, the trademark gazette will indicate only the fact that the examiner has specified it as his opinion. Thus, filing of the application does not affect registration of the trademark applied for.

An answer that the decision by Patent Office is useful represented only 3%. No reference was made in the questionnaire form with respect to whether the decision itself about distinctiveness should hopefully continue to be made and whether it should hopefully be changed, because we intended to restrict discussion to the main themes of this thesis. It will be of significance that an opportunity to confirm an impartial and professional opinion of trial examiners is guaranteed under the law. From the viewpoint of simplification of provisions of the law and of elimination of useless provisions of the law, however, it may be said that a system use of which is extremely limited is not worth protection under the law. At any rate, it is an interesting issue.

References:

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"Explanation on Trademark Examination Standards, Illustrated," written by "Kanji Kudo," published by "Hatsumei Kyokai"

"Trademark - Encyclopedia of Distinctiveness," written by "Harumi Matsuda," published by Patent Japan

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SUMMARY OF RESPONSES TO QUESTIONNAIRE

(Figures under columns without "%" show actual numbers of responses.

Number of companies represented in the questionnaire: 71

1. Prior to using any trademark or description of qualities or name of goods, which is likely to be descriptive, do you make trademark search? Mark each of applicable "Trademark" boxes with respect to use as such and of applicable "Description" boxes with respect to use as description of qualities or name of goods, separately. (Mark as many boxes as are applicable, except when only your answer is for "E.")

			%	
	Trade-marks	Description	Trade-marks	Description
A Yes, always.	51	19	72	27
B Use it without search, provided you have any ground that it is descriptive.	25	29	35	41
C Use it without search.	1	12	1	17
D Merchandising department occasionally fails to request for a search, assuming that it is descriptive.	18	29	25	41
E Have experienced no problem so far, as to whether to search trademarks or descriptions which are seemingly descriptive.	3	5	4	7
F Others: - Depends on distinctiveness present. - Avoid use of nondistinctive (=descriptive) trademarks (2)	3	2	4	3
No response	-	3	0	4

2. What do you do if, as the result of trademark search of any seemingly descriptive trademark or description, you find it registered or an application pending in the name of somebody else? Mark each of applicable "Trademark" boxes with respect to use as such and of applicable "Description" boxes with respect to use as description of qualities or name of goods, separately. (Mark as many boxes as are applicable, except when only your answer is for "N.")

			%	
	Trade-marks	Description	Trade-marks	Description
A Do not use it at all.	52	21	73	30
B Use it regardless of whoever the prior applicant is and of presence of registration in effect.	0	7	0	10
C Use it if application by somebody else is pending registration, but not use it if it is registered.	4	6	6	8
D Use it if application by somebody else is before publication, but not use it if it has been published.	4	5	6	7
E Decide whether to use it, depending on business, trademark policy, etc. of the trademark owner or applicant.	19	22	27	31
F Decide whether to use it, depending on whether the trademark holder uses registered trademarks and mode of use, if any, of its registered trademarks.	16	15	23	21
G Negotiate with the trademark holder about possible licensing arrangements, unchallengeability agreement or assignment.	22	7	31	10
H Refrain from going into licensing negotiations but give prior notice of use to trademark holder.	6	8	8	11
I Use it, keeping on hand supporting evidence that it descriptive.	21	30	30	42
J Use it on the strength of an expert opinion, if available, of a patent attorney that it is descriptive.	14	11	20	15
K Leave the use of it to engineers, merchandising managers, etc. for their decision.	0	1	0	1
L Demand a trial for invalidation of trademark registration.	6	2	8	3
M Devise mode of use so as to avoid any contravention with any prior application or registered trademark.	10	30	27	42
N Have not experienced any such case as is questioned.	2	3	3	4
O Others:	0	0	0	0
No response	0	4	0	6

3. Have you ever used seemingly descriptive trademarks of others in or after 1989 as your trademarks or descriptions of qualities or name of goods and, as a result, been given warnings or otherwise approached by their registered owners? If so, what was the outcome? Mark each of applicable "Trademark" boxes with respect to use as such and of applicable "Descriptions" boxes with respect to use as description of qualities or name of goods, separately. (Mark as many boxes as are applicable, except when only your answer is for "N.")

			%	
	Trade-marks	Description	Trade-marks	Description
A Discontinued use of it.	7	8	10	11
B Mutual understanding was reached as to continued use of it, as the result of negotiations.	6	2	8	3
C Continued use of it with modification as to mode of use.	2	2	3	3
D Continued using it in spite of warnings given, as further pursuits were given up.	4	3	6	4
E Have so far continued using it without consent of the registered owner.	3	1	4	1
F Entered into a license (or assignment) agreement to continue use of it.	3	1	4	1
G Demanded a trial for invalidation of registered trademark and awarded a decision in our favor.	0	0	0	0
H Brought a suit against the registered owner and lost it.	0	0	0	0
I Brought a suit against the registered owner and won it.	0	0	0	0
J Entered into a settlement in the course of proceedings, to continue use of it.	0	0	0	0
K Entered into a settlement in the course of proceedings, eventually to stop use of it.	0	1	0	1
L Still have some in the course of negotiation.	1	1	1	1
M Still have some pending with courts.	0	0	0	0
N Have not been given such warnings as yet.	48	45	68	63
O Others	0	0	0	0
No response	5	9	7	13

4. Do you take measures to prevent any prior applications for seemingly descriptive trademarks of others from being registered? (Mark as many boxes as are applicable, except when only your answer is for "F.")		%
A Watch the Trademark Gazette and file notice of opposition with respect to any trademarks of others about which you feel anxious.	45	63
B Watch the Announcement of Trademarks Application Report and/or Trademark Gazette and provide examiners with information beneficial to us.	11	15
C Positively apply for trademarks of our own in such manner that they may not be taken away by others to our disadvantage.	13	18
D Exchange information within the industry and, in an associated manner, file notice of opposition with Patent Office or provide examiners with information beneficial to our own industry.	13	18
E Notify trade associations, in which name to file notice of opposition with Patent Office or provide examiners with information beneficial to our own industry.	1	1
F Have not done any.	21	30
G Others:	0	0
No response	0	0

5. Have you taken any measures to weaken alleged rights of others in the given seemingly descriptive trademark? (Mark as many boxes as are applicable, except when only your answer is for "F.")		%
A Applied for a trial for invalidation of trademark registration. (On the ground of being "undistinguishable.")	5	7
B Demanded a trial for cancellation of registration. (On the ground of "disuse.")	5	7
C Have tried to use the trademark in such a mode, as descriptions, to weaken the distinctiveness of the trademark.	9	13
E Have not done anything.	52	73
F Others:	0	0
No response	0	0

6. Do you have any such registered trademarks which are likely to be descriptive as are cited below? (Mark as many boxes as are applicable, except when only your answer is for "D.")

		%
A Those terminologies which, at the time of registration, existed as such for the goods involved but were not well known.	30	42
B Those terminologies which had nothing to do with the goods involved but became to be used for the goods involved, riding in a wave of trend which then happened to be generated. Example: "Premium" in the food market.	9	13
C Coined words developed by your own company distinctiveness of which was subsequently weakened. Examples: "Cellophane" and "Escalator."	10	14
D Have no such trademarks.	22	31
E Others: - Trademarks which were nondistinctiveness when registered - Three alphabet letters - Trademarks which, when combined with a common name, become descriptive - Abbreviations	5	7
No response	4	6

7. Do you have any measures in force to keep your trade marks distinctive? (Mark as many boxes as are applicable, except when only your answer is for "I.")		%
A State on goods or in brochures that the given mark is your trademark. Examples: "®," "TM," or "XX is a trademark of YY."	51	72
B Insert an announcement in newspapers and/or magazines, stating something like "XX is a trademark of YY," to draw attention of the public.	5	7
C Display the trademark in a noticeable manner on goods, to emphasize it is your trademark.	24	34
D Use the trademark always in an identical fashion, using it (or causing it to be used) in a designated logo type.	32	45
E Distribute a guideline manual within your company, specifying the mode of use of your trademarks.	21	30
F Distribute a guideline manual among your affiliates, customers, licensees, etc., specifying the mode of use of your trademarks.	7	10
G Aggressively examine industrial newspapers and brochures of your competitors to see if any of your trademarks are used without your knowledge.	21	30
H Doing nothing although we do have trademarks for which measures must be taken to keep them distinctive.	5	7
I Have no trademarks for which measures must be taken to keep them distinctive.	4	5
J Others: - Advised publishing companies in writing to improve their such use of or such comments on our trademarks, as would give impression to the public as if they were common names. - Are instructing our trademark management staff. - Have any unauthorized use of our trademarks corrected whenever it comes to our knowledge.	2	3
No response	0	0

8. Have you ever given warnings or otherwise taken corrective measures in or after 1989 with respect to any unauthorized use by others of your trademarks as their trademarks or descriptions of qualities or names of goods? If you have, what was the outcome? Check each of applicable "Trademark" boxes with respect to use as such and of applicable "Description" boxes with respect to use as descriptions of qualities or names of goods, separately. (Mark as many boxes as are applicable, except when only your answer is for "N.")

			%	
	Trade-marks	Descriptions	Trade-marks	Descriptions
A Have caused their use to be discontinued.	13	4	18	6
B Have agreed to their continued use upon negotiation.	2	3	3	4
C They changed the mode of use to continue their use.	2	2	3	3
D Have given warning letter but not followed it up. They are still using our trademark.	2	0	3	0
E They are still using our trademark without our agreement.	0	0	0	0
F Have given a license, otherwise permitted use of or assigned our trademark.	3	0	4	0
G They have demanded a trial for invalidation of our trademark registration, as the result of which our trademark was invalidated.	0	0	0	0
H Have lost the suit.	0	0	0	0
I Have win the suit.	0	0	0	0
J A settlement was reached in the course of proceedings, as the result of which they continued use our trademark.	1	0	1	0
K A settlement was reached in the course of proceedings, as the result of which they discontinued use of our trademark.	0	0	0	0
L Still have some in the course of negotiation.	0	2	0	3
M Still have some in the course of proceedings.	0	0	0	0
N Have not given any such warnings.	51	48	72	68
O Other: - Made a formal request for correction to a newspaper company in a paper of which an article introducing goods of one of our competitors described our trademark as a common name.	0	1	0	1
No response	4	13	6	18

9. Mark such of the following comments about current provisions of the Trademark Law relating to registered but descriptive trademarks as are the same as or closer to your idea. (Mark as many boxes as are applicable, except when only your answer is for "G.")

		%
A Requirements for rejection of renewal of trade marks should include those enumerated under (i)-(vi) of Subsection 1 of Section 3 of the Law as trademarks ineligible for registration.	23	32
B The 5 year limitation for invalidation of registration should be changed (to years).	13	18
C It is unavoidable for stability of the trademark right that the Law contains the limitation provision and also requirements for rejection of renewal of trademarks do not include those enumerated under (i)-(vi) of Subsection 1 of Section 3.	13	18
D Existence of registered but descriptive trademarks would be of no particular importance because of the provision of Section 26 Subsection 1 (ii), (iii) and (iv).	25	35
E Disclaimer system should be adopted.	35	49
F Interpretation by Patent Office are helpful in use of registered but descriptive trademarks.	2	3
G None applicable.	3	4
H Give below any comments you may have about the current provisions of Trademark Law: - Speed up trials for invalidation of trademarks. - Thoroughly review validity of trademark right. - Fairly many descriptive trademarks are published. - Easy examination. Those terms which are either technical or descriptive abroad should be rejected (2). - The interpretation by Patent Office as to unenforceability of the trademark right to certain trademarks has no significant meaning. - Disclaimer system should be restored because it is difficult to make a judgment as to eligibility under Article 26. - Vague definition of the trademark, as given in the Law, is likely to cause an intendedly simple description of qualities or names of goods, as shown on the package, to be taken as trademark, making it difficult to assert that the given trademark fall under Article 26. - Registered trademarks distinctiveness of which is weak and which are out of use are not worth protection and, therefore, should be made terminable at any time. - Names of goods, as listed in the classifications of goods, mix up those more or less comprehensive with those illustrative, each of which should be specifically separated from the other.	4	6
No response	0	0

		18		38		14		18		8
Lines of business	Medical and pharma-ceutical	13	Chemical and textile	27	Machinery and metals	10	Electric	13	Precision instru-ments	6
	Automobiles	5	Foods	5	Services	2	Others (Researches and investigations)			1
		7		8		3				1

Do you either make or sell goods for general consumers?

Yes	58	No	13
%	82		17

Appendixes
(Chapter V)

Appendix 1: Circulations of daily newspapers of some countries
(from a statistical publication, "Nihon Kokusei Zue", issued by Kokuseisha)

Country	Year	Circulation (unit: 1000)	Subscription ratio (per 1000 citizens)
Japan	1991	72,536	580
Former U.S.S.R.	1988	133,979	474
U.S.A.	1986	62,502	259
China	1988	39,597	36
U.K.	1988	22,730	398
India	1986	21,857	28
Former W. Germany	1987	21,104	347
Former E. Germany	1988	9,706	585
South Korea	1988	10,429	248
Mexico	1988	10,534	124
France	1988	9,328	167
Brazil	1988	7,944	55

"UNESCO Statistical Yearbook", except for Japanese figures for which are from "Survey of the Japan Newspaper Publishers and Editors Association" as of October, 1991.

Appendix 2: Transition of TV Broadcasting, as of the end of fiscal year, "Nihon Kokusei Zue, issued by Kokuseisha.

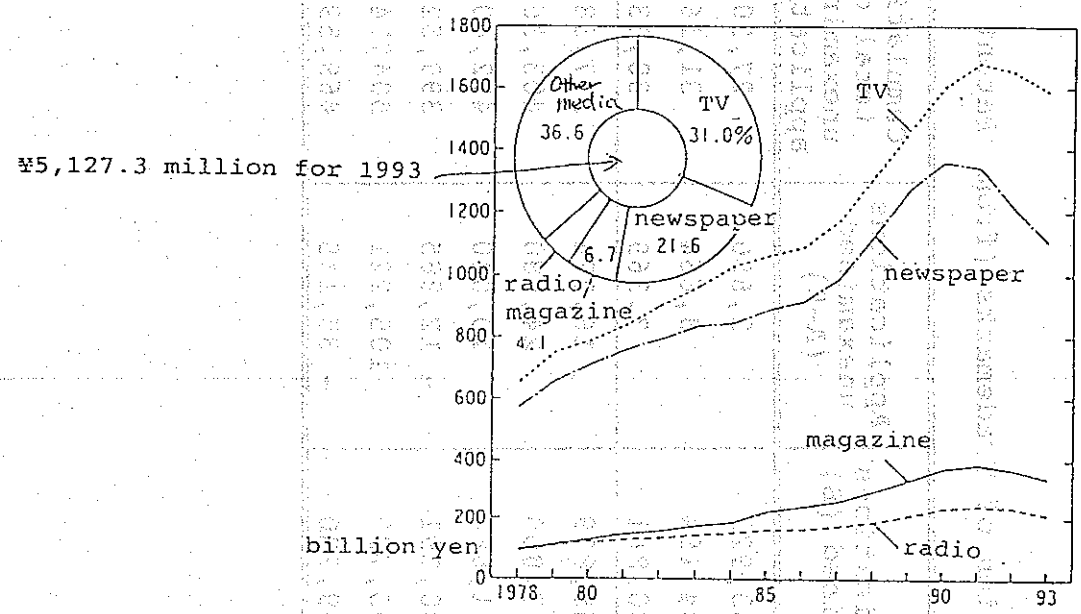
Fiscal Year	1960	1970	1980	1987	1988	1989	1990	1991
Japanese commercial broadcasting companies								
Number of companies	43	81	95	103	103	106	109	116
Number of stations	61	1,097	4,678	6,515	6,591	6,718	6,817	7,065
Average broadcasting hours a day	9:59	16:38	17:17	18:53	19:21	19:42	19:56	20:01
NIPPON HOSO KYOKAI (NHK)								
Number of stations	70	2,448	6,371	6,910	6,904	6,897	6,889	6,901
Average broadcasting hours a day	13:33	18:07	17:41	18:33	20:21	19:03	20:02	19:12
Broadcasting service contracts (per 1000)	6,860	22,819	29,263	32,397	32,839	33,189	33,543	33,937
Ratio of the common use of TV set (%)								
Color TV	—	42.3	98.2	98.7	99.0	99.4	99.3	99.0
Black and white TV	50.8	82.3	20.0	—	—	—	—	—

"NHK Yearbook", issued by NHK and "Trend in household consumption", issued by the Economic Planning Agency

Appendix 3: Transition of Advertisement expense by the type of media, "Nihon Kokusai Zue", issued by Kokuseisha.

Year	Total advertisement expense (billion yen)	Ratio (%)				
		Newspapers	Magazines	Radios	TV	Others
1955	60.9	55.3	5.8	16.1	1.5	21.3
1965	344.0	35.8	5.6	4.7	32.3	21.6
1970	756.0	35.1	5.5	4.6	32.3	22.5
1975	1,237.5	33.1	5.4	4.9	34.0	22.6
1980	2,278.3	31.1	5.6	5.1	34.6	23.6
1985	3,504.9	25.4	6.4	4.6	30.3	33.3
1990	5,564.8	24.4	6.7	4.2	28.9	35.8
1991	5,726.1	23.2	6.8	4.2	29.3	36.2
1992	5,461.1	22.3	6.8	4.3	30.3	36.3
1993	1,127.3	21.6	6.7	4.1	31.0	36.6

"Advertising expenses in Japan", issued by Dentsu Inc., 'Others' includes direct mail, billboard, inserts, etc.



Appendix 4: State of Examination of Trademarks (from "Patent Office Yearbook")

Year/Type	Applications filed (A)	Applications examined (B)	Applications unexamined (A-B)	Cumulative total of unexamined application	Trademarks registered	Trademarks in existence
1957	36,573	33,923	2,650	27,505	21,589	297,531
1958	37,858	34,194	3,664	31,169	23,768	252,373
1959	38,230	30,861	7,369	38,538	18,156	257,129
1988	172,813	155,839	16,974	377,387	119,287	1,050,324
1989	172,780	147,800	24,980	403,367	119,598	1,094,230
1990	171,726	161,686	10,040	412,407	117,219	1,140,933
1991	167,906	180,791	- 12,885	399,522	95,329	1,176,499
1992	311,011	205,790	105,221	504,743	156,040	1,278,369
1993	174,585	209,730	- 35,145	469,598	121,100	1,322,982

Appendix 5: Number of Trademark applications in foreign countries (from "Industrial Property Statistics 1992/1993").

Country	Total (A)		Non-residents (B)		B/A (%)	
	1992	1991	1992	1991	1992	1991
Japan	311,011	167,906	22,654	18,743	7.3	11.2
USA	127,837	123,319	17,766	18,268	13.9	14.9
China	90,795	67,604	10,958	8,480	12.1	12.5
France	74,519	84,483	24,112	24,528	32.4	29.0
Spain	61,704	67,090	7,631	7,628	12.4	11.4
S. Korea	45,124	46,612	11,961	13,144	26.5	28.1
Germany	44,518	44,901	-	-	-	-
U.K.	35,968	34,983	19,154	18,969	53.3	54.2
Chile	32,517	29,624	8,400	7,641	25.8	25.8

Covered in the above are 9 countries in each of which is more than 30,000 trademark applications were filed in 1992. Figures are extracted from "Industrial Property Statistics 1992", Supplement to 'WIPO Industrial Property No. 5/1994' and "Industrial Property Statistics 1992", Supplement to 'WIPO Industrial Property No. 2/1993'.

Appendix 6: Number of Trademark applications filed (only those received by Trademark Section of Patent Office) and Examiners allocated arranged by technical fields

Technical field	Classifications for examination		Applications filed (A)	Ratio of Applications	Number of examiners (B)	A/B
Chemicals	Chemicals, pharmaceutical, cosmetics	1, 2, 3, 4, 5	26,927	12.8	11	2,447.9
Foods	Confectionery, foods, beverages	29, 30, 31, 32, 33	33,156	15.7	14	2,368.2
Machinery	Base metals, base metal products, sharpened implements, tools	6, 8, 19	7,627	3.6	22	1,808.7
	Machines, electric machines, vehicles/vessels	7, 9, 10, 11, 12, 13	32,168	15.2		
Sundries	Furniture, carpets, kitchen tools	20, 21, 26, 27	10,539	5.0	13	2,672.9
	Musical instruments, toys, sporting goods, cigarettes	15, 28, 34	9,898	4.9		
	Paper, stationary, printed matter	16	10,068	4.8		
	Rubber, plastic materials	17	4,243	2.0		
Textiles	Textiles, textile materials, shoes	22, 23, 24, 25, 26	20,188	9.6	10	2,673.6
	Jewelry, watches/clocks, baggages	14, 18	6,548	3.1		
Services		35, 36, 37, 38, 39, 40, 41, 42	49,796	23.6	41	1,214.5
Total			211,155	100 %	111	1,902.3

Figures shown under 'Applications field' represent those received by the Trademark Section of Patent Office. Partly because those applying for registration in multiple classifications are counted in duplication for each of the classifications for which the application is filed. The total of the 'Applications filed' as shown above exceed the actual number of the applications filed. Source data are "Patent Office Yearbook for 1993" published in July 6, 1994. "Number of examiner" excludes assistant examiners, and is based on the staff list of the Patent Office as February 28, 1994, as shown in "Patent News" dated February 28, 1994 issued by Research Institute of International Trade & Industry.

(1) Title : **Means Plus Function Claims in the United States after *In re Donaldson* and *In re Alappat***

(2) Date : October 19, 1994

(3) Source :

1) Source :PIPA
2) Group :US
3) Committee : No. 1

(4) Authors : Jack E. Haken, U.S. Philips Corporation

(5) Keywords : Means plus function, Equivalents, Software patents

(6) Statutory provisions: 35 USC 112, 35 USC 101

(7) Abstract :

This report summarizes the new examination practice for means plus function claims which has been established following the decision of the Court of Appeals for the Federal Circuit in the *Donaldson* and *Alappat* cases. Arguments and tests for determining whether or not prior art structures are equivalent to claimed elements are discussed with particular attention to equivalence of hardware elements and software implementations.

Means Plus Function Claims in the United States after *In re Donaldson* and *In re Alappat*

The statutory requirements for claims in United States patents are set forth in Section 112 of title 35 of the U.S. Code. (35 USC 112) If an invention is claimed as a combination of structural elements or process steps, the final paragraph of §112 allows functional claiming of one or more of the elements.. In short hand notation these claims are referred to as *means plus function* claims.

It has been said that patent claims serve two purposes: (1) to define the invention for the purpose of determining patentability and (2) then to serve as a basis for determining if the patent has been infringed. When an invention has been claimed using means plus function form, in compliance with the final paragraph of §112, the statute instructs that the claim shall be construed to cover the corresponding structure, material or acts described in the patent specification and equivalents thereof.

Means plus functions have been problematic for several reasons. For many years the Patent Office had construed means plus function claims broadly for purposes of examination while courts had construed the same claims more narrowly for purposes of determining infringement. There has also been confusion as to how equivalents of the structure, materials and acts described in the patent specification should be determined.

Recent precedential cases decided by the U.S. Court of Appeals to the Federal Circuit have addressed these problems. It is now clear that the Patent Office may not use its old criteria for determining patentability of means plus function claims. The Federal Circuit has also provided some guidance for determining §112 equivalence, particularly in the area of software implementations of hardware elements.

THE OLD PATENT OFFICE APPROACH

The past practice of the U.S. Patent Office was to examine means plus function claim elements for novelty and obviousness by giving them a "broadest reasonable interpretation". This meant interpreting the functional language as reading on any prior art structure or step which performed the function specified in the claim element without regard for whether the prior art structure or step was equivalent to the corresponding elements described in the specification of the patent application.

In February 1994, in *In re Donaldson* (29 USPQ2d 1845, CAFC 1994), the Federal Circuit sitting *en banc* held that the old Patent Office approach did not comply with the statutory requirements. The Court held that the interpretation which an examiner may give to means plus function language when making a patentability determination is mandated by §112 and that the Patent Office may not disregard the structure disclosed in the specification which corresponds to the means plus function claim element.

CURRENT PATENT OFFICE PRACTICE

On April 20, 1994 the U. S. Patent Office issued new examination guidelines intended to bring its practice into compliance with the *Donaldson* decision.

The Patent Office says that the *Donaldson* decision will not change the scope of the prior art search made by patent examiners. Both before and after *Donaldson*, examiners search for a prior art structure or step which performs the same function specified in the means plus function claim element. However, once an examiner has identified a prior art function which is identical to the claimed function, *Donaldson* requires that the examiner must now initially establish that the prior art structure or step is also equivalent to the structure or process step in the specification which supports the claimed means or step plus function. If the claim limitation is explicitly defined in the specification, the examiner must conform to that definition and cannot go beyond the specification to come up with a "broad reasonable interpretation".

The Patent Office policy now says that once the examiner finds a prior art structure or step which performs the function specified in the means plus function claim element and determines that the prior art element is not explicitly excluded by the description in the specification, the burden then shifts to the applicant to establish that the prior art cited by the examiner is not an equivalent of the claimed element. For example, the applicant can establish that the prior art structures or steps cited by the examiner are not equivalents by 1) demonstrating that the specification teaches that the cited structures or steps are not equivalents, 2) demonstrating that the prior art itself shows that they are not equivalents, or 3) introducing evidence of facts to show that they are not equivalents (as by a Rule 132 affidavit of an expert).

Reliance on the specification to exclude prior art from being equivalent to the claimed element can be a double edged sword. The examiners have been cautioned that a disclosure which is written broadly enough to include any and all structures, materials or steps for performing the function must be read accordingly when determining novelty and obviousness .

OTHER CONSIDERATIONS

There is no requirement that claims which fall under the last paragraph of §112 specifically use the words "means" or "function". However it must be clear that an element in the claim is described in terms of its function rather than in terms of its structure.

The final paragraph of §112 only applies to means plus function language in an *element* of a *combination claim*. It is improper to draw a claim to only a single means plus function. The Federal Circuit has held that a claim directed to only a single means plus function would cover every conceivable means for achieving the desired result, while the patent specification can only disclose the means which are known to the inventor. Single means plus function claims are, therefore, rejected as lacking sufficient enabling disclosure under the first paragraph of §112. (*In re Hyatt* 218 USPQ

195, CAFC 1983)

Donaldson does not affect the interpretation of elements of a claimed combination which are described in structural terms, nor does it affect the interpretation of language in the introduction to a means plus function claim.

If functionally disclosed means and their equivalents are so broad as to cover each and every means for performing a function then the burden shifts to the applicant to demonstrate that they are drawn to specific apparatus as distinct from other apparatus for performing the function. (*In re Swinehart* 169 USPQ 226 CCPA 1971). If the specification lacks any description of supporting structure, then it can reasonably concluded that the claims are nothing more than process claims in the guise of apparatus claims. (*In re Alappat* USPQ, CAFC 1994 distinguishing claims in *In re Abele*, *In re Pardo* and *In re Walter*)

FACTORS WHICH CAN SERVE AS TESTS FOR EQUIVALENCE

- If an element does not perform the identical function as is specified in the claim it cannot be a §112 equivalent. (*Pennwalt Corp. v Durand-Wayland* 4 USPQ2d 1737 CAFC 1987)

An argument that an element shown in the prior art is not equivalent to the element described in the specification can be formulated by looking at the following questions.

- Does the element found in the prior art performs the same function specified in the claim in the same manner as the corresponding structure described in the specification? (*Lockheed Aircraft v. United States* 193 USPQ 449 Ct. Cl. 1977)

- Would a person of ordinary skill in the art recognize the element shown in the prior art to be interchangeable with the corresponding element described in the specification? (*Dataline Corp v Micro Technologies Inc.* 1 USPQ2d 2052 CAFC 1987)

- Does the element disclosed in the specification represent a substantial change from the element shown in the prior art? (*Valmont Industries v Reinke Mfg Co.* 25 USPQ2d 1451 CAFC 1993)

- The scope of equivalents is a question of fact. As an aid for ascertaining the breadth of equivalents under §112 a number of factors may be considered: the patent specification, the prosecution history, other claims in the patent and expert testimony. (*King Instrument Corp. v Otari* 226 USPQ 402, 408 CAFC 1985, *cert denied* 475 U.S. 1016)

Equivalence of elements under the last paragraph of §112 is not the same principle as the *Doctrine of Equivalence* which is sometimes applied to determine infringement. Care should be taken that these concepts are not confused.

ANTICIPATION and OBVIOUSNESS

If the prior art is identical either to the corresponding structure described in the specification or to one of its equivalents, an examiner can properly formulate a rejection of the means plus function claim based on anticipation under 35 USC 102. However, even if these tests are not met, the examiner can still reject the claim under 35 USC 103 if he can demonstrate that the difference between an equivalent structure and the prior art would have been obvious to as person skilled in the art at the time the application was filed.

MEANS PLUS FUNCTION CLAIMS APPLIED TO SOFTWARE IMPLEMENTATIONS

In July 1994 in *In re Alappat*, the Federal Circuit considered claims directed to a digital oscilloscope anti-aliasing system which was claimed as a combination of apparatus elements in means plus function form. The claims had been rejected as directed to unpatentable subject matter under 35 USC 101. Alappat had also claimed the invention as a method. In the Patent Office, a special board had taken the position that the apparatus claimed was indistinguishable from the method and that the examiner was, therefore, not required to interpret the scope of the claims as limited to the hardware embodiments described in Alappat's specification and their equivalents. The Court found that each of the elements of the combination had a corresponding hardware structure described in the specification and overruled the rejection which had been based on a "broadest reasonable interpretation" of the claim limitations. In *Alappat*, the Patent Office had also contended (and Alappat agreed) that the structures described in the specification were equivalent to similar functions programmed on a general purpose digital computer. The Patent Office felt that this, alone, was sufficient to treat the means plus function claim as if it were drawn to a method for solving an algorithm and that the equivalent hardware was the common prior art circuits of a digital computer.

The Federal Circuit agreed that a software implementation which performed the functions described in Alappat's claims was the equivalent of the dedicated hardware described in the specification of his patent application, but the court dismissed the Patent Office's argument that Alappat's claims were therefore indistinguishable from a method for solving an algorithm. Instead, the Court affirmed that a general purpose computer which operates in accordance with novel programming is a new machine. This principle was again affirmed by the Court in *In re Wammerdam* (slip opinion Appeal 93-1294 August 11, 1994 CAFC).

Theme: Study on Change of Scope of Amendment According to Amended Law

Date: October 1994 (25th Hamamatsu Convention)

Committee: The First Committee of the Japan Block of PIPA

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Sections of the Patent Law: Section 17(2) and Section 17bis(2)(ii)

INDEX

5-1: Results of the Study

5-1-1: Claim(s)

5-1-2: Specification

6: Ideal Specification

6-1: Claim(s)

6-2: Prior Art

6-3: Problem to be Solved in the Invention

6-4: Means for Solving the Problem

6-5: Operation

6-6: Example

6-7: Effect of the Invention

6-8: Drawing(s)

7: Problem

8: Conclusion

9: Reference Materials

1. Theme: Study on Change of Scope of Amendment According to Amended Law

2. Introduction

Amended Japanese Patent Law came into force on January 1, 1994.

This amendment aims at shortening the examination time period (3 to 4 years on average), from the request for examination to patenting, to an equivalent of the average examination time period in foreign countries.

The amendment of the Patent Law is intended to achieve the two points: (1) "realization of proper scope of amendment" and (2) "simplification of trial system" both leading to facilitation and simplification of examination/trial examination procedures.

The "realization of scope of amendment" substantially restricts the scope of amendment with two main points being effected:

(1) prohibition of addition of new matter, and

(2) restriction of amendment of claim(s).

Specifically, when an applicant for a patent application files a response to an Official Action, an amendment must be made without greatly departing from the technical scope of the originally filed or initial specification. The scope of amendment by the applicant is thus limited, thereby facilitating and simplifying the examination and preventing problems due to defective applications.

With respect to the above points (1) and (2), Case Study on

Amendment to Specification and Drawing edited by the Japanese Patent Office, which is a guide line on "restrictive reduction in scope of claim(s)", was published by Hatsumei Kyokai (Japan Institute of Invention and Innovation). In this case, 48 cases are introduced with respect to point (1) and 25 cases are mentioned with respect to point (2). However, since no practical judgment by the JPO is shown, applicants are unable to understand the allowable scope of amendment. In fact, the applicants must wait for actions from the Patent Office.

As regards point (1), since new matter is judged on the basis of the contents of the original specification, particular attention is paid to the allowable scope of an amendment under the Amended Patent Law.

Under the Old Law, an amendment could be freely made even if it departed from the scope of the original specification, unless the amendment involved "change of the gist of the specification."

The gist of the specification is a technical matter recited in the claim. Under the Old Law, unless the gist of the specification is altered thereby, the addition of descriptions, deletion of descriptions and rewrites of descriptions were allowed. In other words, an amendment for addition of matter, whether or not it was new matter, was accepted unless the amendment changes the gist of the originally filed specification.

If an amendment for changing the gist of the specification is made within the scope of the features disclosed in the originally filed specification or drawing(s), such an amendment is not deemed to change the gist of the specification (Section 41 of the Old Law). Amendments allowed under the Old Law include

changing of claim(s); replacement of prior art; addition, change or deletion of the purpose of an invention; addition, change or deletion of the effect of an invention; addition of well-known art; correction of error(s); and clarification of ambiguous descriptions.

Of these amendments, an amendment which is deemed "not to change the gist of the specification" may possibly be regarded as an amendment for "addition of new matter." It appears difficult to clearly distinguish the amendment "not to change the gist of the specification" and the amendment for "addition of new matter" on the basis of the aforementioned book by the JPO.

In the present paper, it will be studied whether or not an amendment, which was deemed "not to change the gist" in a trial against a ruling to decline an amendment, can be rejected on the basis of the provision of point (1) "prohibition of addition of new matter", and some examples of case study will be introduced. We hope that our study will contribute to the judgment of whether or not an amendment "not to change the gist of the specification" corresponds to an amendment for "addition of new matter" and to preparing more desirable patent specifications.

3. Proper Scope of Amendment

As mentioned above, the scope of amendment has been restricted under the Amended Law. In connection with this, we will now discuss the "prohibition of addition of new matter."

3-1. Matter which can be Amended

According to the "Guideline for Amendment to Specification and Drawings", the "matters described in the originally filed

specification or drawings" stipulated in Section 17(2) and Section 17bis(2) include 1) the matters per se described in the originally filed specification, etc. and 2) matters which can be derived directly and definitively from the originally filed specification, etc. by a person skilled in the art.

3-2. New Matter

"New matter" is a matter which a person skilled in the art cannot derive directly and definitively from the matters described in the originally filed specification, etc. This also applies to the "new matter" after the decision of publication (KOKOKU), although the specification to be considered differs.

3-3. Directly and Definitively

A matter which can be derived "directly" from the originally filed specification, etc. is:

1) An amended matter, which can be derived on the basis of only the originally filed specification, etc.

2) In the case where an amended matter relates to well-known or common art, the amended matter which clearly and unambiguously corresponds to an associated matter described in the originally filed art.

A matter which can be derived "definitively" is:

A matter other than a matter which is described in the originally filed specification, etc., and which can be ambiguously interpreted in two or more ways.

3-4. Specific Application to Specification or Drawing(s)

3-4-1. Claim(s)

(1) Change of "generic concept" to "specific concept"

Even if a certain concept is described in the originally

filed specification, if a specific concept thereof is not described in the originally filed specification, addition of the specific concept is deemed to be an addition of new matter unless the specific concept can be derived directly and definitively.

(Example 1 of Case Study)

(2) Change of "specific concept" to "generic concept"

When one generic concept is derived from two or more specific concepts, the addition of the generic concept is deemed to be an addition of new matter unless it is described in the specification or derived directly and definitively. Since a generic concept is rarely described in the specification, this amendment is not likely to be allowed.

(Example 2 of Case Study) (Example 12 of Case Study)

(3) "Markush" Claim

Normally, an amendment deleting one or more of the choices recited in a claim is not deemed to be addition of new matter. However, if a specific combination which is not described in the originally filed specification, etc. can be obtained by deleting one or more choices by amendment, such an amendment is deemed to be addition of new matter.

If the choices of a specific combination left by deletion of one or more choices can be judged to be derived from the originally filed specification, etc., the choices of the specific combination are considered to be matters described in the originally filed specification, etc. and such an amendment is not deemed to be addition of new matter.

(4) Numerical Limitation

A numerical limitation added by amendment is deemed to be addition of new matter unless the numerical limitation is described in the originally filed specification, etc. or is derived directly and definitively from the originally filed specification, etc.

It should be noted that it is surmised that a numerical limitation such that an upper limit (or a lower limit) of a general range and a lower limit (or an upper limit) of a preferable range are combined may not be allowed.

(Example 3 of Case Study)

(5) "Except" Type Claim

For example, amending "....alkyl group" to "....alkyl group (except ethyl group)" does not add new matter.

This type of amendment is allowable in the chemical field alone.

3-4-2. Detailed Description of the Invention

(1) Purpose or Effect of the Invention

Addition of a purpose or an effect is not considered to be addition of new matter, if the purpose can be directly and definitively derived from the description of the effect or the effect can be directly and definitively derived from the description of the purpose.

Even if an effect to be added is obvious from the constitution described in the originally filed specification, addition of the effect is not allowable unless only this effect is obtainable from that constitution. However, if an effect of an example is described in the originally filed specification, no new matter will be constituted by describing the effect of the

example as that of the invention.

(Example 4 of Case Study)

(2) Constitution of the Invention

(2-1) Addition of Example or Comparative Example

In general, since neither an example nor a comparative example can be derived directly and definitively, the addition of an example or a comparative example is deemed to be addition of new matter.

(Example 1 of Case Study)

(2-2) Addition of Well-Known Art or Common Art

Addition of well-known art or common art, which is a constitution of a specific concept exemplifying a constitution of a generic concept and which cannot be derived directly and definitively, is deemed to be addition of new matter.

(2-3) Addition of Physical Properties

If a substance described in the originally filed specification, etc. has a number of non-specific properties, the addition of specific properties, which are not described in the originally filed specification, or the addition of a specific value of physical properties described in the originally filed specification, is deemed to be addition of new matter, unless the specific properties or the specific value is derived directly and definitively.

(2-4) Amendment of Constitution of Invention on the Basis of Drawing(s)

In the case where drawing(s) show(s) matter which is considered to be nothing but a specific concept exemplifying a

generic concept by a person skilled in the art, on the basis of drawing(s) in view of the description in the specification, the specific concept is derived directly and definitively from the originally filed specification or drawing(s) and therefore the specific concept is considered to be described in the originally filed specification or drawing(s). Accordingly, amending the generic concept to the specific concept on the basis of the drawing(s) is not deemed to be addition of new matter.

(2-5) Amendment of Operation

As in addition of an effect, amendment of a description on an operation of an invention is allowed only where the amended operation is described in the originally filed specification, etc. or only where, if the amended operation is not described, amended matter means the amended operation alone.

However, if the effect, function, etc. of an example are described in the originally filed specification, etc. and an amended operation can be derived directly and definitively from the originally filed specification, etc. by a person skilled in the art, the amended operation will be considered acceptable.

(3) Addition of Prior Art Document

Amendment for merely adding the name of a prior art document is not deemed to be addition of new matter. However, amending the specification or drawing(s) on the basis of the prior art and altering the purpose, effect, etc. is considered to be addition of new matter unless the amended matter can be derived directly and definitively from the originally filed specification, etc. by a person skilled in the art.

(4) Amendment Based on Document Cited in Originally Filed

Specification

In the case where only the name of a document is stated in the originally filed specification, etc., amendment for additionally describing the contents of the document is not allowable.

(Example 5 of Case Study)

(5) Correction of Error

Correction of an error is allowable only where the presence of the error can be recognized by a person skilled in the art and what is indicated by the error is obvious from the originally filed specification, etc.

(Examples 6, 7, 8, 9 and 10 of Case Study)

3-4-3. Amendment to Drawing(s)

Amendment to drawing(s) is deemed to be addition of new matter unless amended matter is described in the originally filed specification or drawing(s) or derived directly and definitively from the originally filed specification, etc. by a person skilled in the art.

(Example 11 of Case Study)

3-4-4. Correction of Inconsistent Description

If there are two or more contradictory descriptions in the specification, a correct description is considered to be derived directly and definitively if it is obvious from the originally filed specification, etc. to a person skilled in the art.

3-5. Treatment of Improper Amendment

As is mentioned above, the "proper amendment" policy by the JPO restricts the scope of amendment substantially, and

limitations such as those shown in Table 1 have been imposed.

If improper amendment which fails to meet the limitations is made, it will be treated as shown in Table 2.

Table 1

Time of Amendment	Scope and Condition for Amendment	
	Claim	Description/ Drawing
Until Response to First Action	*New matter cannot be added (amendment is free unless new matter is added).	
Response to Final Action Amendment at the time of filing an appeal against Decision of Rejection before Publication (KOKOKU)	*New matter cannot be added. *Deletion of claim(s) *Restrictive reduction in scope of claim(s) (i.e. Purpose or technical field is altered.) *Correction of error *Clarification of ambiguous description (only matter pointed out) *Claim subjected to restrictive reduction in scope must be patentable.	*New matter cannot be added (amendment is free unless new matter is added).
Amendment after Publication (KOKOKU)	*New matter cannot be added (based on published specification). *Restriction of scope of claim(s) *Correction of error *Clarification of ambiguous description	
Correction after patenting	*New matter cannot be added (based on patented specification). *Restriction of scope of claim(s) *Correction of error *Clarification of ambiguous description *Invention with restricted scope must be patentable.	

Table 2

Time of recognition of improper Time and Content of Amendment	Before publication	From Publication to Patenting	After Publication
Amendment in reply to First Action (Section 17(2))	Notification of Reason for Rejection (Sections 49 and 50)	(The same as left)	Invalid after Patenting (Section 123)
Amendment in reply to Final Action (Amendment at the time of filing an appeal against Decision of Rejection	Dismissal of Amendment ->Appeal against Decision of Rejection	Official Action is issued against amendment adding new matter (Sections 49 & 50). Other amendment is valid.	Patent amended to add new matter is invalid (Section 123). Other amendment is valid.
Amendment after publication (KOKOKU)		Dismissal of amendment (Section 53) ->Appeal against Decision of Rejection	Patent amended to add new matter is invalid (Section 123). Other improper amendment is Regarded as not having been made.

4. Standard for Recognition of New Matter (Comparison with U.S.A. and EPC)

As has been discussed above, the scope of amendment, which can be made without adding new matter under the Amended Law, is much narrower than that under the Old Law. As a result, it appears that Japanese patent practice has become considerably similar to U.S. and European patent practice. In order to clarify the degree of similarity therebetween, Japanese patent practice will now be compared with U.S. practice and EPC practice which is relatively similar to the Japanese practice.

4-1. Comparison with the U.S.

In the U.S., addition of new matter is strictly restricted in amendment of the body of the specification, but the degree of freedom granted for additional claiming is high. Changing a specific concept to a generic concept in a claim is allowable. If there are two or more constituent elements, such constituent elements may be selected or canceled, thereby additionally claiming various combinations of the constituent elements.

The term "new matter" appears in the U.S. Patent Law. Section 132 of the U.S. Patent Law reads: "No amendment shall introduce <u>new matter</u> into the disclosure of the invention." Although the specification, claim(s) and drawing(s) can be amended after the filing of an application, addition of new matter is prohibited. New matter can be introduced only when a continuation-in-part application is filed.

However, "new matter" is a technical legal term under the

Patent Law, and as such has no exact definition (Prof. Chisum, Elements of United States Patent Law, 1987). According to the U.S. Manual of Patent Examining Procedures, § 608.04(a), "Matter not in the original specification, claims or drawings is usually new matter." In some cases, the addition of chemical properties and inherent properties relating to pharmaceutical effects, and the restriction of components may be deemed to be addition of new matter, according to the contents of the originally filed specification. Since the exact definition of "new matter" is not given, one may receive the impression that the restriction of an amendment is more relaxed in the U.S. than in Japan or Europe where a definition of "new matter" is provided. In fact, however, such simple comparisons are not appropriate since the respective legal systems are intrinsically. For example, it appears that the restriction for amendment to the specification is stricter than in Japan or Europe.

The issue of "new matter" will now be studied with respect to each of the purposes of amendment.

4-1-1. Claim(s)

(1) Change of "generic concept" to "specific concept"

If a generic concept is described in the originally filed specification and a specific concept thereof is also described, it is allowable, as a matter of course, to restrict the generic concept to the specific concept. Even in the case where a specific concept is not concretely described, if such a specific concept can be naturally derived from the description in the specification, the change of generic concept to specific concept may not be deemed addition of new matter.

(2) Change of "specific concept" to "generic concept"

In the case where a generic concept is derived from a specific concept and the generic concept is not concretely described, the change of the specific concept to the generic concept may not be deemed to be addition of new matter if the generic concept can be derived in consideration of the description in the specification.

(3) "Markush" Claim

In the case where one or more choices are deleted in order to arrive at a specific combination of choices, such a specific combination is not considered new matter if the choices of the specific combination are described in the originally filed specification.

In the case where one or more choices are deleted in order to arrive at a specific combination of the choices, such a specific combination is not considered new matter if the specific combination of choices is described in the originally filed specification.

A submission of an experimental report on an effect of the specific combination, etc. may, however, be required.

(4) Numerical Limitation

If an amended numerical limitation is described in the originally filed specification, etc., such a numerical limitation will not, of course, be considered new matter. In addition, if an amended numerical limitation is derived in consideration of the description in the specification, it appears that such a numerical limitation may not be considered new matter.

It appears that a combination of an upper limit (or a lower limit) of a general range and a lower limit (or an upper limit) of a preferable range is not considered new matter.

(6) "Except" Type Claim

An "except" type claim is intended to exclude the scope of a senior application from the scope of a junior application when the two applications have the senior/junior relationship as stipulated in Section 29bis of Japanese Patent Law. It is allowed exceptionally to exclude the scope of a senior application as a condition for restriction, even if the originally filed specification of the junior application does not state that the scope of the senior application is excluded. Under the U.S. Patent Law, matter disclosed in an application is considered to be publicly known from the time it is filed. There is thus no concept of an "except" type claim under the U.S. Patent Law.

4-1-2. Detailed Description of the Invention

Compared to the amendment to claims, amendment to the specification (corresponding to "Detailed Description of the Invention" in Japan) in the U.S. is stricter. In general, only the correction of an error, clarification of an ambiguous description, etc. are allowable, and the scope of amendment is stricter than in Japan. It may not be inappropriate to consider that amendment to the specification is not allowable in principle. Examples of amendments which are not deemed addition of new matter are, respectively, an amendment for clarifying or completing the originally filed specification (Rhone-Poulence S.A. v. Dann, 507 F.2d 261,262 (4th Cir. 1974)) and an amendment

for correcting an error of description of a constitutional formula of chemical substance (Ex Part Marsili, 214 USPQ 904, 906 (Bd. App. 1979)), etc.

(1) Purpose or Effect of the Invention

In principle, an amendment relating to the purpose or effect is not allowable. However, an effect which is not described in the originally filed specification can be asserted by filing an experimental report, etc., without adding a description of such an effect to the specification.

(2) Constitution of the Invention

Amendment of the constitution of the invention is not allowable in principle. When the scope of a claim is restricted, there is a case wherein the scope of the constitution described in the specification remains broader than the scope of the constitution recited in the claim.

(3) Addition of Prior-Art Document

In principle, it is not allowable to add a prior-art document to the specification. However, at the time of filing a response to an Official Action, such a prior-art document may be filed as evidence and the contents thereof can be asserted.

(4) Amendment Based on Document Cited in an Originally Filed Specification

In principle, it is not allowable to amend the specification on the basis of a document described therein. It is possible, however, to make an assertion on the basis of the described document at the time of filing a response to an Official Action.

4-1-3. Amendment to Drawing(s)

As in the case of amendments to the specification, amendments to drawings are not allowed in principle. An Example of an amendment which was not deemed to add new matter is an amendment for filing a color drawing and a color photograph of a bacteria characterized by color (Jessel v. Newland, 195 USPQ 678, 685 (Com'r Pats 1977)), etc.

4-1-4. Correction of Inconsistent Description

If there is a contradictory description in the specification and a correct description can be clearly understood from the originally filed specification, the contradictory description can be corrected as a correction of an error.

A claim in which new matter is introduced or a claim, the scope of which is influenced by new matter, will be rejected under Section 112(1) of the Patent Law. An amendment for adding new matter will be rejected from an aspect of formality under Section 132 of the Patent Law.

4-2. Comparison with EPC

The EPO stipulates that amendment shall not be made beyond the scope of the contents of the originally filed specification (Section 123(2)). However, this stipulation is not uniformly applicable. The scope of amendment in the EPO will now be summarized on a practical level.

4-2-1. Claim(s)

(1) Change of "generic concept" to "specific concept"

If a specific concept is described in the originally filed specification, it is allowable to restrict a generic concept to the specific concept. If a specific concept is not described in the originally filed specification, restriction of a generic

concept to the specific concept is considered to be violating Section 123.

(2) Change of "specific concept" to "generic concept"

It is not possible to claim a generic concept which is beyond the scope of the invention described in the originally filed specification and which cannot be derived directly and definitively from the originally filed specification.

A constituent feature of the invention, which is indispensable from the filing of the application, cannot be deleted.

(3) "Markush" Claim

In the case where a deletion is made, restriction to a specific combination not described in the originally filed specification violates Section 123.

(4) Numerical Limitation

Numerical limitation violates Section 123 if an amended numerical value is not described in the originally filed specification or drawings.

A combination of an upper limit (or a lower limit) of a general range and a lower limit (or an upper limit) of a preferable range does not violate Section 123.

(5) "Except" Type Claim

To delete a certain element in consideration of the prior art is allowable even if deleted matter is not suggested in the originally filed specification or drawings.

4-2-2. Description

(1) Purpose or Effect of the Invention

Addition of a purpose or an effect is allowable when a person skilled in the art can surmise a method for achieving the purpose or the effect without difficulty from the originally filed specification. Even if a purpose or an effect is not derived "definitively" and can be interpreted in another sense, the purpose or the effect can be added if it can be generally thought of by a person skilled in the art.

(2) Constitution of the Invention

(2-1) Addition of Example and Comparative Example

An example or a comparative example cannot be added to the specification if they depart from the scope of originally filed specification.

(2-2) Addition of Well-Known Art or Common Art

Even a technical feature, which is not described in the originally filed specification, can be added if it is part of the ordinary knowledge possessed by a person skilled in the art. In this case, the ordinary knowledge can be asserted as a reason for amendment.

(2-3) Addition of Physical Properties

In principle, addition of physical properties violates Section 123.

(2-4) Amendment of Constitution of the Invention on the Basis of Drawing(s)

When an amended constitution is not derived directly and definitively from the drawing(s), the amendment violates Section 123.

(3) Addition of Prior-Art Document

In the case where a new prior-art document has been

discovered, addition of a description on the prior-art document does not violate Section 123. In connection with this, a description of an effect of the invention of the filed application can be added in some cases.

(4) Amendment Based on a Document Cited in Originally Filed Specification

In principle, the content of an amendment based on a document cited in the originally filed specification does not fall in the scope of contents of the specification stipulated in Section 123. However, an amended feature is considered to constitute part of the contents of the originally filed specification by a person skilled in the art, such a feature can be inserted into the specification by amendment.

(5) Correction of an Error

The presence of an error must be obvious from the originally filed application documents. When the error is amended, the priority application documents are not taken into account.

4-2-3. Amendment to Drawing(s)

The presence of an error and the content of corrected matter must be obvious from the originally filed application documents.

4-2-4. Correction of Inconsistent Description

Amendment for clarifying the meaning of a description is allowable.

For example, a redundant constituent feature recited in a claim, a constituent feature not disclosed in the description, or a constituent feature which contradicts the description can be deleted or corrected if it can be surmised from the

contents of the entire description.

5. Introduction of Specific Examples of Study

Twelve (12) examples are introduced in the attachment. These examples are extracted from the trial cases against dismissal of amendment, which appear on the Official Gazettes of Trial Decisions issued in 1992 and 1993 and in which a ruling that "the gist of the invention is not changed" was given.

The number of trial cases against dismissal of amendment, in which decisions were rendered, the number of rejected requests and the number of canceled trial decisions in these two years will be shown below. Of the canceled trial decisions, 37 proper examples were selected, and it was studied whether or not the amendment can be deemed to be addition of new matter.

Number of Trial Cases against Dismissal of Amendment: 118
- → Number of Rejected Requests: 40 (34%)
- → Number of Canceled Trial Decisions: 78 (66%)
  - → 37 of 78 were studied:
    - → Addition of New Matter 27 (73%)
    - → No Addition of New Matter 10 (27%) *(17%)

* 17 % is (no addition of new matter)/(number of trial cases against dismissal of amendment). It should be noted that 66 % of requests for trials against dismissal of amendment was accepted under the Old Law, but under the Amended Law, even if requests for trials against Decisions of Rejection as a result of dismissal of amendment are filed, only about 17 % will be

accepted.

This indicates that the scope of amendment under the Amended Law, which can be accepted as being "no addition of new matter", has narrowed to about 1/4.

This percentage of acceptable amendment is calculated on the basis of trial cases. At a normal examination stage, an amendment is examined more strictly and the percentage of acceptable amendments may decrease.

Although the specific examples of case study are shown in the attachment, the results obtained by the study will be shown below. Specifically, matters to be noted in preparing original specifications and amendments will be stated.

5-1. Results of the Study

5-1-1. Claim(s)

* A specific concept of claimed matter is normally described in the specification, but a generic concept is not normally described in the specification. Since an amendment for changing a specific concept to a generic concept on the basis of the disclosure in the originally filed specification is hardly allowable, it is considered as to whether or not a generic concept in a higher level can be claimed at the time of filing the application. It should be noted whether or not a claim includes any unnecessary limitation.

Needless to say, an amendment for changing a specific concept recited in a claim to a generic concept, which was not considered at the time of filing the application, is hardly allowable.

* It should be noted that even if a claim is amended by

using terms appearing in the originally filed specification, etc., such an amendment may be considered addition of new matter. For example, suppose that an example wherein "object A and object B are fixed by means of a screw" is described in the originally filed specification. If a constitution wherein "object A and object B are fixed" is claimed by amendment, all the terms used in the amendment appear in the originally filed specification, etc. However, the originally filed specification, etc. are silent on the technique that object A and object B are fixed by means other than the screw, and the constitution wherein "object A and object B are fixed" cannot be derived directly and definitively from the originally filed specification, etc. Therefore, this amendment is deemed to be addition of new matter.

* It should be noted that unnecessary broadening of the scope of a claim makes the claimed invention abstract so that corrected matter of an error, when corrected, may not be considered to be derived from the originally filed specification.

* When a claim is amended, if terms appearing in the specification are used as often as possible, the possibility that the amendment is considered addition of new matter is decreased. Careless use of synonymous terms may lead to addition of new matter.

* It is desirable that the terms used in the claim be defined in the description in the specification. For example, in Example 2 of the study, the term "bicycle" in the phrase "bicycle with an engine" was not defined in the originally filed specification. It was thus unclear whether the "bicycle" is

limited to a vehicle with a pedal (driven by man power) or can cover any type of automatically moving vehicle such as a motor-bicycle. If the latter definition had been stated in the specification, new matter would have not been introduced.

5-1-2. Specification

* Attention should be paid to a description such as a chemical formula, which will likely be copied by a word processor, since an erroneous description in this case will be retained to the last copied portion. If the same erroneous description occurs throughout the specification, it is difficult to prove the error.

* In the case where a graph or the like is stated in the specification and the graph relates to the content of the invention, the meaning of the graph and the behavior of a curve (a straight line) appearing in the graph should be described.

* In brief, it is important that the description in the specification be rich in content. Two or more examples should be described, if possible, and as many as possible semi-generic concepts and specific concepts of each constituent element should be described.

* If a comparative example is described, the effect of the claimed invention should be clarified in comparison with the comparative example.

In the case where the claimed invention and a comparative example are compared in one graph, which graph line relates to the claimed invention and which graph line relates to the comparative example should be clearly described. In addition, the characteristics and differences between graph lines should be

described in the specification. Even if there is an error of reference numerals, etc., such an error can thereby be corrected on the basis of the description in the specification.

* In the case of an invention relating to a novel substance, not only the formula of chemical constitution and the name of the substance but also data necessary for determining the chemical constitution should be disclosed. Preferably, necessary data relating to an intermediate substance should be disclosed.

By showing raw data, a supposed chemical formula, if erroneous, can be amended.

6. Ideal Specification

Since an amendment for the addition of new matter is prohibited, as mentioned above, an amendment cannot be accepted simply for the reason that amended matter is "substantially described in view of the entire specification" or "obvious to a person skilled in the art." It is thus desired that the contents of the originally filed specification be as rich as possible. To achieve this purpose, it is necessary to have a full understanding of the prior art, to be able to precisely identify the subject matter of the invention, to have completed a full study of the possibility of development of the invention (possibility of change from a generic concept to a specific concept, possibility of application to another category of invention or another use), and to be able to specifically define the invention, for which a patent is sought, in multiple stages and in multiple forms.

Specific points to be noted in drafting the respective

sections of the specification and drawings will now be shown on the basis of the results of the study.

6-1. Claim(s)

It is desirable that a claim prepared to overcome a possible Official Action be described in the Detailed Description of the Invention (e.g. in the description of an example).

6-2. Prior Art

Prior art corresponding to an invention recited in a generic claim should be described. If only the name of a prior-art document is mentioned, an amendment relating to the contents of the document is deemed to be addition of prior art. To avoid this, all the items (purpose, problem, constitution, operation, advantage, use, etc.) to be compared with the present invention should be described.

6-3. Problem to be Solved in the Invention

A problem solved by an invention of a generic claim should be described. Addition and change of a problem is considered addition of new matter. A problem related to each claim should better be clarified.

6-4. Means for Solving the Problem

It is desirable that a general, basic concept of an invention be described and, if necessary, that a preferred example be generally described.

A preferable combination associated with a Markush claim should be described initially.

An upper limit and a lower limit of a range of numerical limitation should be stated separately.

If a prior-art document is cited in place of a specific

example, the number and name of the document, as well as a gist or a preferred example of the part described in the document, should be stated.

6-5. Operation

An operation or a function corresponding to at least an independent claim should be fully described, since the description of the operation or function will likely become a main point of assertion in a written opinion, etc.

6-6. Example

In accordance with the claimed constitution of the invention, examples should be described from one associated with a generic concept to one associated with a specific concept, or from one associated with a basic invention to one associated with an applied invention. In particular, if a claim includes an inclusive or functional expression, it is desirable that the correspondency between such an inclusive or functional expression and the term or element described in the description of examples be made clear.

As regards an unclaimed invention, which will likely be claimed later, it is desirable that not only the constitution but also the problem, operation and advantage of the unclaimed invention be described at the end of the description of the example.

In the case where a plurality of constituent elements are recited, specific combinations thereof should be described as variously as possible in multiple stages, so that a specific combination, to which the invention may be restricted in future,

may not be deemed to be addition of new matter.

If a prior-art document is cited in place of a specific example, the name of the document, as well as a gist or a preferred example of the part described in the document, should be stated.

Furthermore, if the terms used in the "claim" are different from those in the description of "example", the correspondency therebetween should be described in the description of "example."

An upper limit and a lower limit of a range of numerical limitation should be stated separately. For example, the statement "100 to 1000, preferably 200 to 800, more preferably 300 to 600" should be changed to "100 or more, preferably 200 or more, more preferably 300 or more, and 1000 or less, preferably 800 or less, more preferably 600 or less."

6-7. Effect of the Invention

An effect of an invention recited in an associated claim should be described in brief.

6-8. Drawing(s)

It is desirable that a preferred mode of an invention be shown in a drawing, in addition to a description of the preferred mode in the specification.

7. Problem

The above study was made on the basis of explanatory pamphlets, books on case study, etc. published by the Japanese Patent Office, the Japan Institute of Invention and Innovation, the Patent Attorneys Association of Japan, etc. Examples of actual examination and trial examination conducted by the JPO under the Amended Law have not been analyzed (a number of

examples of actual examination and trial examination will be published several years from now).

In particular, only on the basis of the examples of the case study, was it surmised what amendment is "derived directly and definitively" and what amendment is not. There is no book that theoretically explains the definition of the wording "derived directly and definitively." Applicants for patents should interpret narrowly the wording "derived directly and definitively." In our study, the wording "derived directly and definitively" was interpreted faithfully on the basis of the JPO guideline and other materials, and we believe that a correct orientation for amendment of "addition of new matter" was achieved. However, it is not certain whether or not an actual examination will be conducted according to our surmise, or whether the results of our study accord with the policies of the JPO. In fact, a border line of acceptance for amendments associated with a possible "addition of new matter" cannot clearly be decided.

8. Conclusion

According to the present study, all 37 cases of study examples were judged to be "no change of gist" in the trials against dismissal of amendment. It may be considered, however, that in most of these cases the amendments in question may be deemed to be addition of new matter and, therefore, not accepted.

Although the scope of amendment is strictly limited, as compared to the Old Law, persons concerned with the practice of patent applications certainly need to understand the allowable

scope of amendment with a certain degree of confidence.

The actually acceptable scope of amendment is ambiguous, as mentioned in the preceding section of "Problem." At present, such an acceptable scope is unclear since we have no data on actual examination by the JPO.

However, one may be inclined to consider that amended matter, which is derived as a matter of course, should likewise be accepted as a matter of course, and that such amended matter is "derived directly and definitively." In the course of our study, some conflicting conclusions were derived because of such arguments.

Amended matter, which should be accepted as a matter of course, is not matter "derived directly and definitively", but amended matter, which can be derived "directly" and can be derived "definitively," is matter "derived directly and definitively" and such amended matter is not "addition of new matter."

Accordingly, in order to judge whether or not amended matter is "derived directly and definitively," it is necessary to separately consider whether or not amended matter is "derived directly" and whether or not such amended matter is "derived definitively." It is important to note that only when amended matter is derived "directly" and "definitively," can such amended matter be judged as matter "derived directly and definitively."

In any case, some points remain unsolved in the present paper, and some parts are based on surmise. We, therefore, hope that the present paper will serve as reference material for judging "addition of new matter."

9. Reference Materials

The following documents were referred to in preparing the present paper:

(1) Commentary: Guide to Amended Patent and Utility Model Laws

Koji HIRAYAMA

Publisher: Shadan Hojin HATSUMEI KYOKAI (JAPAN INSTITUTE OF INVENTION AND INNOVATION)

(2) On Amendment to Patent and Utility Model Laws - Summary and Specific Measures on Amended Laws -

Motomichi KATO, Sota ASAHINA

Publisher: The Patent Attorneys Association of Japan, The Training Institute of the Patent Attorneys Association of Japan

(3) Problems (1), (2) and (3) at the EPO, "TOKKYO KANRI" (Patent Management), Vol. 44, No. 2-4, 1994

Joji UCHIDA

Publisher: Japan Tokkyo Kyokai (Japan Patent Association)

(4) The Manual of Patent Examining Procedures in the U.S.

(5) The Manual of Patent Examining Procedures in the EPO

(6) Elements of United States Patent Law, 1987

Prof. Chisum

Publisher: Ushodo

(7) Patents

Prof. Chisum

Publisher: Matthew Bender

(Example 1 of Case Study) Re: 3-4-1(1), 3-4-2(2-1), 3-4-2(2-3)

Application No.: Japanese Patent Application No. 59-279667

(Jap. Pat. Appln. KOKAI Publication No. 61-158801)

Title of the Invention: Separation Method

Gist of the Invention: Method of distilling and separating hydrogen fluoride and a substance having a boiling point close to the boiling point of the hydrogen fluoride

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Amendment

(Before Amendment)

Claim 1: A separation method characterized by adding <u>an amine</u> to a liquid mixture of hydrogen fluoride and <u>a substance</u> having a boiling point close to the boiling point of the hydrogen fluoride, and distilling the resultant.

(After Amendment)

Claim 1: A separation method characterized by adding <u>a pyridine or melamine</u> to a liquid mixture of hydrogen fluoride and <u>an organic compound</u> having a boiling point close to the boiling point of the hydrogen fluoride, and distilling the resultant.

In the Detailed Description:

An example of melamine was added, and data relating to n-butylamine, which was described as an example in the initially filed specification, was changed to a comparative example.

Judgment on Addition of New Matter:

Amendment to Claim ..... New matter was not added.

Addition of Example and Comparative Example ... New matter was added.

Reason why the amendment to the claim does not add new matter:

(1) organic compound

The initially filed specification states that the substance having a boiling point close to the boiling point of hydrogen fluoride is an organic or an inorganic compound, and that all exemplified substances are organic compounds.

*Directly derived.

*Definitively derived.

(2) The originally filed specification states that "amines used in the present invention are...preferably pyridines and melamine."

Means for avoiding addition of new matter:

Amendment should be limited to the claim alone, and, if data showing that melamine, like pyridines, is superior to other amines is attached to a written opinion in response to a possible Official Action, a patent will possibly be obtained.

Example Case for Reference: From example case 9, the amendment to change "substance" to "organic compound" was judged to add no new matter.

(Example 2 of Case Study) Re: 3-4-1(2)

Application No.: Japanese Patent Application No. 58-142555

Title of the Invention: Bicycle with Engine

Gist of the Invention: An air cleaner case is provided on one side of an engine, thereby preventing a driver's trousers from coming into contact with the engine.

Claim before Amendment:

A bicycle with an engine, wherein an engine unit is mounted on the lower side of a middle portion of a vehicle body having a front wheel and a rear wheel, in a position in a gap between pedal arms provided at both ends of a pedal crankshaft to which a chain sprocket for driving the rear wheel is attached, and the rear wheel can be driven by said engine unit, characterized in that a cylinder member of said engine unit is put in said gap, said chain sprocket being disposed on one side of said cylinder member, with an air cleaner case being disposed on another side of said cylinder member.

Amended Claim:

A motor-bicycle wherein a power unit is constituted by integrally providing a transmission case on a rear portion of an engine unit having a center axis of a cylinder situated in a back-and-forth direction, said engine unit being situated between a front wheel and a rear wheel, with said power unit being

swingably supported on a vehicle body, characterized in that said transmission case is continuously disposed on said rear portion of said engine unit with a stepped portion, and with an air cleaner case being disposed on the front side of said transmission casing and on the lateral side of said engine unit within the width of said stepped portion of said transmission casing.

Judgment on Addition of New Matter: New matter was added.

Reason why new matter was added:

The originally filed specification and drawings disclose a "bicycle with an engine." The "bicycle with an engine" was amended to a "motor-bicycle" which is a generic concept of the "bicycle with an engine." However, neither the originally filed specification nor originally filed drawings mention the "motor-bicycle." Although "motor-bicycle" is considered a generic concept of "bicycle with an engine", "bicycle", for example, can also be considered a generic concept of "bicycle with an engine." Even if the gist of the invention lies in a common concept of "motor-bicycle" and "bicycle with an engine," this amendment cannot be derived directly and definitively from the originally filed specification.

The definition of the Japanese term "jitensha" (equivalent to the English term "bicycle") is based on that appearing in the Japanese-Japanese dictionary "KOJIEN": "a vehicle with a device wherein wheels are rotated by a rider with his/her own power."

Description in the originally filed specification for avoiding addition of new matter:

The originally filed specification describes a bicycle having a motor as an auxiliary unit. By the amendment, the applicant intended to broaden the scope of such a bicycle to general motor bicycles. Under the Amended Law, such an amendment to broaden a specific concept to a generic concept should be considered unacceptable in principle. At the time of filing an application, it is thus necessary to describe the title of the invention, the claim(s) and the technical field of the invention in the originally filed specification, with full consideration given to the scope of application of the invention.

Example Case for Reference: No. n

(Example 3 of Case Study) Re: 3-4-1(5)

Application No.: Japanese Patent Application No. 58-228075

Title of the Invention: Method of Producing Granulates of Vinyl Chloride Polymer

---

Gist of the Invention: In a method of producing granulates of a vinyl chloride polymer for paste processing, the vinyl chloride polymer is recovered and then dried under specific conditions, thus efficiently obtaining polymer granulates of high fluidity.

Claim before Amendment:

A method of producing granulates of a vinyl chloride polymer, characterized in that a vinyl chloride polymer is prepared by adding and mixing an organic liquid which is not easily dissolved in water and does not dissolve or swell the vinyl chloride polymer, in an aqueous dispersion of the vinyl chloride polymer, and, when the prepared vinyl chloride polymer is separated from a water phase and dried, the vinyl chloride polymer is dried in two stages by using a fluid drier under conditions that the vinyl chloride polymer is dried in a constant-rate dry period at such an inlet air temperature that the vinyl chloride polymer has a temperature of 40℃ or less, and that the vinyl chloride polymer is dried in a decreasing-rate dry period such that the vinyl chloride polymer has a temperature of 50℃ or less.

Amended Claim (Amended portions are underlined):

A method of producing granulates of a vinyl chloride polymer, characterized in that an aggregate of a vinyl chloride polymer is prepared by adding and mixing an organic liquid which is not easily dissolved in water and does not dissolve or swell the vinyl chloride polymer, in an aqueous dispersion of the vinyl chloride polymer, the prepared vinyl chloride polymer is dehydrated, and the vinyl chloride polymer is dried under conditions that in a constant-rate dry period the vinyl chloride polymer has a temperature (t1) of 40℃ or less and in a decreasing-rate dry period the vinyl chloride polymer has a temperature (t2) of 50℃ or less, and a condition that $t2 - t1 \geqq 7℃$.

Judgment on Addition of New Matter: New matter was added.

Reason:

The originally filed specification mentions t1 and t2, but makes no mention of t2 - t1 or the combination of conditions t1 and t2. Since the Example relates to only the case where $t2 - t1 \geqq 7℃$, the amendment portion may be considered to be derived definitively. However, at least the originally filed specification does not teach the concept of the condition of t2 - t1. The Example does not mention the value of t2 - t1, and the amended portion is not derived directly.

Description in the originally filed specification for avoiding

addition of new matter:

In the case of the present application, a concept, which was not clear at the time of filing, was derived from the Example. It thus appears substantially impossible to prepare the originally filed specification so that no problem could occur.

Example Case for Reference: 12

(Example 4 of Case Study) Re: 3-4-2(1)

Application No.: Japanese Patent Application No. 61-14696

Title of the Invention: Method of Producing Granular Food

Gist of the Invention: A method of producing a granular food is provided, wherein the granular food can retain a granular structure and will not become a lump even if it is mixed with a source, etc. The granular food is produced by adding and mixing a specific quantity of water and edible oil with grains.

Claims before Amendment (or Description/Drawing):

*Claims:

1. A method of producing a granular food, comprising the steps of adding water to grains including at least a ground portion, stirring a resultant, steaming the resultant for a predetermined time period, pulverizing the resultant into granulates with a desired size, and drying the granulates.

2. The method of producing a granular food according to claim 1, characterized in that a suitable quantity of water and olive oil is added to and mixed with semolina, the mixture is pulverized, a resultant is steamed for a predetermined time period, the resultant is further pulverized into granulates to a desired size, and the granulates are dried.

*Effects: ....The granular shape is conducive to good digestion.

Amended Claims (or Description/Drawing)

*Claim

1. A method of producing a granular food, characterized in that 20% to 70% by weight *a of water and edible oil, including at least 10% of edible oil,*b is added to grains in a ground state, the grains in the ground state are stirred over a relatively short time period so that each grain may not lose a granular structure, the entire grains are impregnated with water and edible oil, the grains in the ground state are steamed in a substantially static state for a predetermined time period so that an aggregate of granulates is grown, and then the aggregate is broken to obtain a granular food*c.

*Effects

Since the food has a granular shape, it does not catch in the throat and after the food is passed through the throat the food is smoothly digested since each granule of the food is digested in the stomach and intestines and put into contact with gastric juice over a large area.... Moreover, since edible oil is added, the granular condition is well retained, and a special flavor can be obtained.*d

---

Judgment on Addition of New Matter: All underlined portions (a) to (d) are considered to add new matter.

Reasons:

a) Although portion (a) is within the scope of the prior art, it is not described in the originally filed specification. Nor can

it be derived directly or definitively from the originally filed specification. Portion (a) is therefore considered addition of new matter.

b) Although "olive oil" and "salad oil" are mentioned, an "edible oil," a generic concept thereof, is not mentioned. Not only "edible oil" but also "vegetable oil" can be derived as a generic concept of "olive oil" and "salad oil." Therefore, the "edible oil" is not derived directly or definitively and is considered addition of new matter.

Although the ratio of edible oil to water is calculated as about 10 % in consideration of the specific gravity of semolina in the Example, the percentage exceeding 10 % is not referred to at all. The matter "at least 10 %" is thus not derived directly or definitively and is considered addition of new matter.

c) Portion (c) is not described in the originally filed specification, and it is not derived directly or definitively. Portion (c) is thus considered addition of new matter.

d) The additionally described effects are not mentioned in the originally filed specification at all. It is not clear whether the additional effects are suggested in the originally filed specification. The additional effects are therefore not derived directly or definitively and are considered addition of new matter.

Description in the originally filed specification for avoiding addition of new matter:

In order to make it possible to assert novelty or inventive

step against prior art by restricting the scope of a claim in future, it is necessary to use desirable specific expressions and, if numerical expressions can be used, to specify the range of numerical values by making use of the expression "preferably." Similarly, effects need to be described in the Example with concrete expressions.

Example Cases for Reference: a...17, b...17 and 4 or 5, c...27, d...22.pa

(Example 5 of Case Study) Re: 3-4-2(4)

Application No.: Japanese Patent Application No. 63-10585

Title of the Invention: Auxiliary Livestock Feed

Gist of the Invention: There is provided an auxiliary livestock feed consisting of an activated rotten mud containing a fixed quantity of water, the livestock feed exhibiting good gas adsorption properties, deodorizing and bacteriostatic effects, as well as high water raising effects for flowers and remarkably quick effects as a spray-on-leaf agent.

Claims before Amendment (or Description/Drawing):

*Claim:

An auxiliary livestock feed produced by pulverizing a rotten vegetable mud containing 50 % to 80 % of water, putting the mud in sufficient contact with air, and activating the mud.

*Detailed Description

The technique of "pulverizing...and activating the mud" recited in the claim corresponds to a "method of activating rotten vegetable mud" of Jap. Pat. Appln. KOKOKU Publication No. 62-37003.

Amended Claims (or Description/Drawing)

*Claim

An auxiliary livestock feed obtained by activating a rotten vegetable mud, characterized by comprising a combination of the steps of:

pulverizing the rotten vegetable mud containing 50 % to 80 % of water <u>so that the mud contains 60 % to 80 % of granules of a grain size of 10-mesh-pass and 80-mesh-on, placing the resultant in a layer 20 cm to 30 cm thick or occasionally setting the resultant upside down, thereby placing the mud in sufficient contact with air; and</u>

<u>maturing the resultant with a water content of 50 % to 80 %, maintained until a pH = 3.0 or less and a Brix degree = 0.4 or above.</u>

*Detailed Description

The same as the above.

Judgment on Addition of New Matter: New matter is added.

Reasons:

Although document numbers are cited in the originally filed

specification, the added matter is not mentioned in the originally filed specification. Moreover, the added matter is not derived directly or definitively by a person skilled in the art from the originally filed specification. The amendment is therefore considered addition of new matter.

Description in the originally filed specification for avoiding addition of new matter:

Matter described in the cited documents, which is considered to relate to the subject matter of an invention and which will possibly be claimed in future, needs to be concretely described in the originally filed specification.

Example Cases for Reference: 48

(Example 6 of Case Study) Re: 3-4-2(5)

Application No.: Japanese Patent Application No. 58-17802

Title of the Invention: Method of Removing Astringency in Persimmons

---

Gist of the Invention: In a sealed-type astringency removing system, humidity is set in a specified range and astringency is removed from persimmons with no change of color or damage.

Claims before Amendment (or Description/Drawing):

*Claim:

A sealed-type astringency removing system wherein astringent persimmons are contained in an air/water tight bag in layers and astringency is removed in an atmosphere of carbonic acid gas and alcohol, characterized in that astringency is removed such that the entire humidity within the system <u>does not fall into a range of 75 to 85 % or more</u>.

*The same statement appears in other parts of the specification.

Amended Claims (or Description/Drawing)

*Claim

A sealed-type astringency removing system wherein astringent persimmons are contained in an air/water tight bag in layers and astringency is removed in an atmosphere of carbonic acid gas and

alcohol, characterized in that astringency is removed such that the entire humidity within the system falls in a range of 75 to 85 %.

*The same statement appears in other parts of the specification.

*Detailed Description

The same as left.

Judgment on Addition of New Matter: New matter is not added.

Reasons:

The wording "does not fall into a range of 75 to 85 % or more" in the claim before amendment can be interpreted to mean 1) "does not fall in a range lower than the range of about 75 to 85 %" (i.e. less than about 80 %), or 2) "falls in a range of 75 to 85 %." In this respect, the amended matter can be directly derived. In addition, the originally filed specification states that the progress of removal of astringency is accelerated if "the humidity in the astringency removing system is high (75 to 100 %). In the comparative example described in the specification, the humidity is set at about 100 % and, in this case, if dew condensation occurs, the color of the surface of an astringency-removed persimmon will change or the surface of the persimmon will crack. It is clearly understood from the specification that the range of high humidity should be determined so as not to cause dew condensation. If the amended

portion is interpreted from this standpoint, it is understood that the range in question means "75 to 85 %.". In other words, the meaning (2) can be derived definitively. (In the trial, too, change of gist is negated on the basis of the same logic.)

Description in the originally filed specification for avoiding addition of new matter:

A specification needs to be prepared with unambiguous expressions.

Example Case for Reference: 47

(Example 7 of Case Study) Re: 3-4-2(5)

Application No.: Japanese Patent Application No. 58-37967

Title of the Invention: High Polymer Composition

Gist of the Invention: A composition, which has effects of polyvinyl alcohol and casein and with which a stable aqueous solution is obtained, is produced.

Claim before Amendment:

A high polymer composition consisting of 1 to 99 % by weight of <u>water-soluble long-chain alkyl group denatured polyvinyl alcohol (A) containing 0.05 to 10 mol % of a long-chain alkyl group, in which the number of carbon atoms is 4 to 20,</u> and 99 to 1 % by weight of casein (B).

*The same statement appears in other parts of the specification.

Amended Claim:

A high polymer composition consisting of 1 to 99 % by weight of <u>water-soluble denatured polyvinyl alcohol (A) containing in the polymer 0.05 to 10 mol % of a structure unit having as a side chain an alkyl group in which the number of carbon atoms is 4 to 20,</u> and 99 to 1 % by weight of casein (B).

* The other parts of the specification were amended similarly.

Judgment on Addition of New Matter: New matter is added.

Reasons:

In the wording "long-chain alkyl group denatured polyvinyl alcohol containing 0.05 to 10 mol % of a long-chain alkyl group," the "long-chain alkyl group" should correctly be the "structure unit having a long-chain alkyl group as a side chain," or the expression "mol %" should correctly be "% by weight." Otherwise, the claim does not make sense. Erroneous description is thus obvious and other interpretation is meaningless. Since there are two ways of interpretation, the amended portion may be considered to be derived directly. However, the Example of the invention is reasonable even if either of the two interpretations is adopted. In the comparative Example, non-denatured PVA is used, and the comparative Example is reasonable even if either of the two interpretations is adopted. In the other parts of the specification, there is no description suggesting which of the two interpretations is correct. The amended portion is thus not derived definitively from the originally filed specification and is considered addition of new matter.

Description in the originally filed specification for avoiding addition of new matter:

A specification needs to be prepared with unambiguous expressions, and the technical contents should be clarified.

Example Case for Reference: 47

(Example 8 of Case Study) Re: 3-4-2(5), 3-4-4

Application No.: Japanese Patent Application No. 58-45508

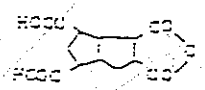
Title of the Invention (before amendment): BICYCLO [3,3,0] OCTANE-2,3-CARBOXYLIC ANHYDRATE-6,8-DICARBOXYLIC ACID

Title of the Invention (amended): 3,5,6-TRICALBOXYLNORBORNANE-2-ACETIC ACID-5,6-ANHYDRIDE

Gist of the Invention: There are provided novel, low-cost, compounds or tetracarboxylic acids used as plasticizer, hardeners, etc., said novel compounds having excellent solubility and high workability due to not so high level of reactivity.

Claim before Amendment:

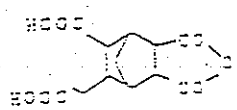
Bicyclo [3,3,0] octaine-2,3-carboxylic anhydrate-6,8-dicarboxylic acid, represented by constitutional formula [1]:



(1)

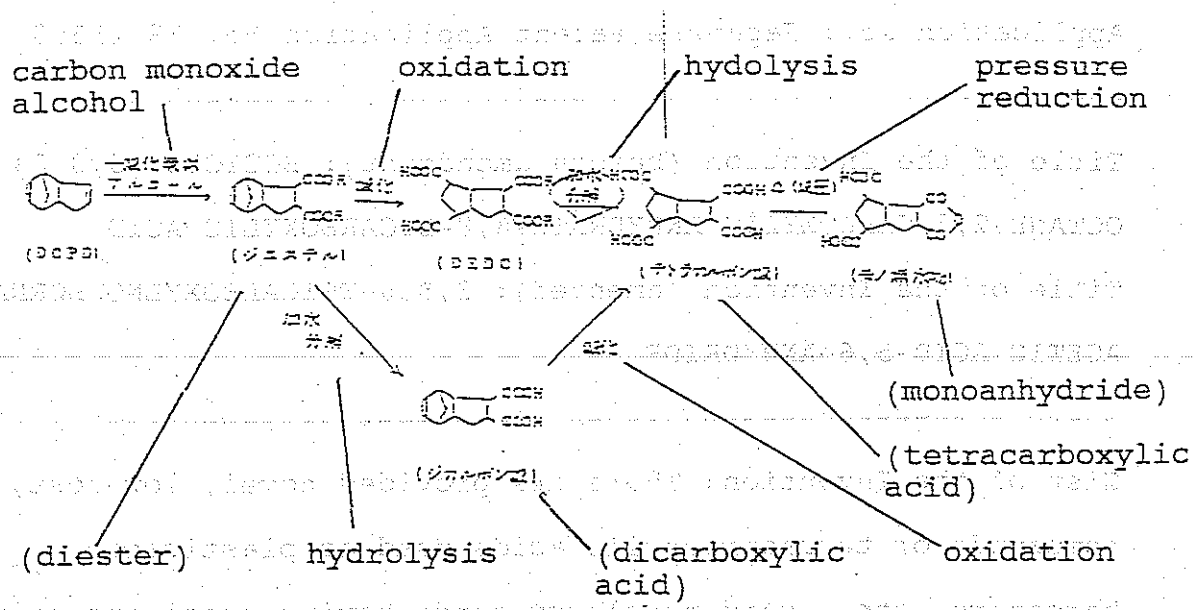
Amended Claim:

<u>3,5,6-tricalboxylnorbornane-2-acetic acid-5,6-anhydride, represented by constitutional formula [1]:</u>

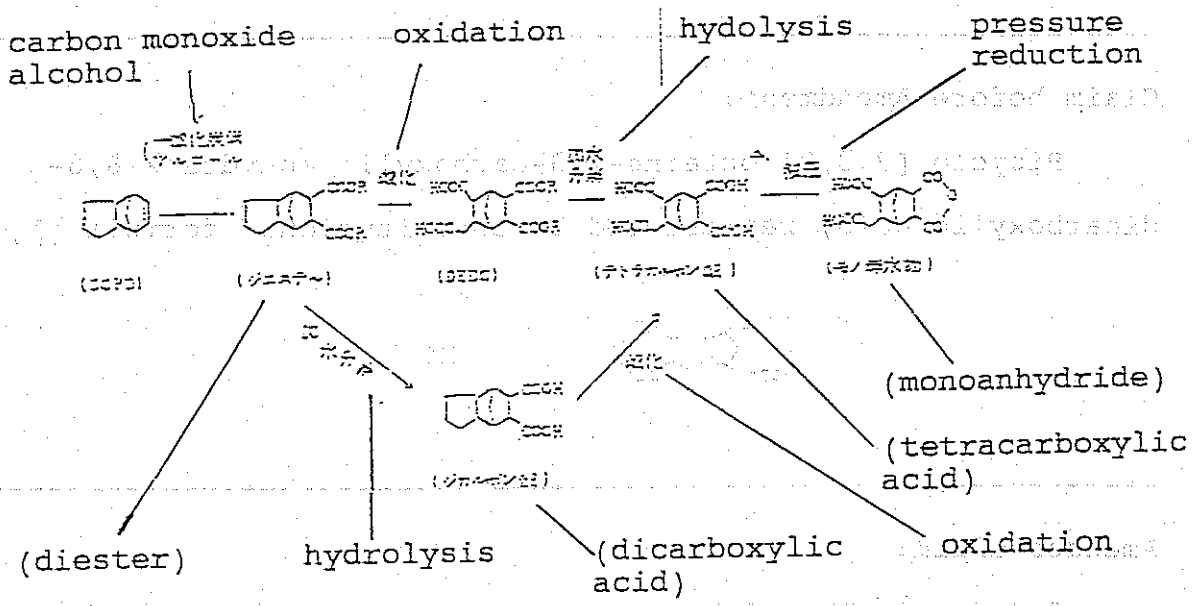


(1)

Description in the Originally Filed Specification:



Description in the Amended Specification:



Judgment on Addition of New Matter: New matter is not added.

Reason:

In the present amendment, four intermediate products, the chemical constitutional formula of the end product, and the names of compounds were entirely changed without changing the starting compound. The originally filed specification does not mention the correct chemical constitutional formula or names of compounds. However, the specification discloses analysis data (main absorbing body of IR, peak of C^{13}-NMR, results of elemental analysis, boiling points, melting points) enough to determine chemical constitutions of the intermediate products and end product. It is clear that the chemical constitutional formula and the names of compounds stated in the originally filed specification are incorrect. In addition, from the analysis data, the correct chemical constitutional formula or names of compounds can be derived. Therefore, amended matter is derived directly. In addition, since the amended matter (correct matter) is specified on the basis of the analysis data, it is derived definitively and is not considered addition of new matter.

Description in the originally filed specification for avoiding addition of new matter:

Analysis data used to specify the constitution of a novel substance, etc. should be described in detail.

Example Case for Reference: 47

(Example 9 of Case Study) Re: 3-4-2(5)

Application No.: Japanese Patent Application No. 59-82003

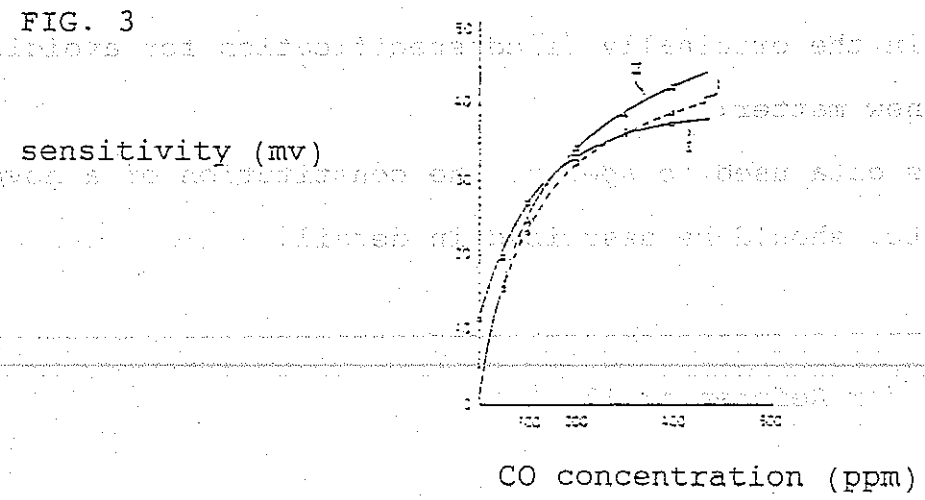
Title of the Invention: Carbon Monoxide Sensor Element

Gist of the Invention: There is provided a carbon monoxide sensor element wherein sensitivity to carbon monoxide does not decrease even if NOx is present, and a mixture containing a specific metal oxide is carried on a sintered body of a metal oxide semiconductor.

Claim before Amendment (or Description or Drawing):

A carbon monoxide sensor element characterized in that a mixture of ruthenium oxide and a metal oxide of one or more selected from the group consisting of titanium, zirconium, hafnium, thorium, cerium and lanthanum is carried on a sintered body of a metal oxide semiconductor.

FIG. 3

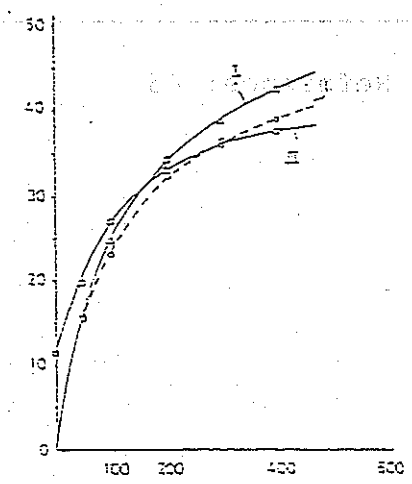


Amended Claim (or Description or Drawing):

Claim: The same as above

FIG. 3

sensitivity (mv)



CO concentration (ppm)

Judgment on Addition of New Matter: New matter is added.

Reason:

The originally filed specification includes no description suggesting a reference numeral appearing in the amended figure. Therefore, the amended matter is not derived directly or definitively.

Description in the originally filed specification for avoiding addition of new matter:

Where the contents of a graph relate closely to the invention, it is necessary not only to prepare a graph as a figure, but also to describe the meanings and characteristics of curves (or straight lines) in the graph and the differences

between the curves (or straight lines) in the originally filed specification.

Example Case for Reference: 45

(Example 10 of Case Study) Re: 3-4-2(5)

Application No.: Japanese Patent Application No. 63-209625

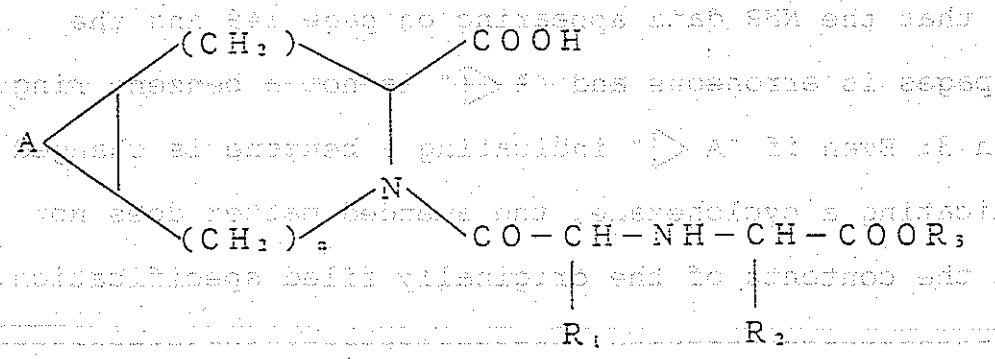
(Jap. Pat. Appln. KOKAI Application No. 1-125398)

Title of the Invention: Amino-Acid Derivative and Method of Producing the Same

---

Gist of the Invention:

The invention relates to a compound having the constitution represented by



as well as a method of producing the same, and an antihypertensive agent using the same.

Amendment:

On page 149 and the following pages of the Detailed Description,

"A ◁ indicating a benzene ring" was changed to "A ◁ indicating a cyclohexane ring."

Judgment on Addition of New Matter: New matter is not added.

Reasons:

The amendment is considered a correction of an error for the following reasons (1), (2) and (3):

The amended matter is derived directly and definitively from the originally filed specification.

Reason 1: The originally filed specification describes that there are two cases where "A ◁" in the constitutional formula representing the compound of the invention is a benzene ring and "A ◁" is a cyclohexane ring.

Reason 2: From the originally filed specification, it is understood that the NMR data appearing on page 149 and the following pages is erroneous and "A ◁" is not a benzene ring.

Reason 3: Even if "A ◁" indicating a benzene is changed to "A ◁" indicating a cyclohexane, the amended matter does not contradict the contents of the originally filed specification.

Example Case for Reference: Similar to 47

(Example 11 of Case Study) Re: 3-4-3

Application No.: Japanese Patent Application No. 61-115218

Title of the Invention: Control Apparatus

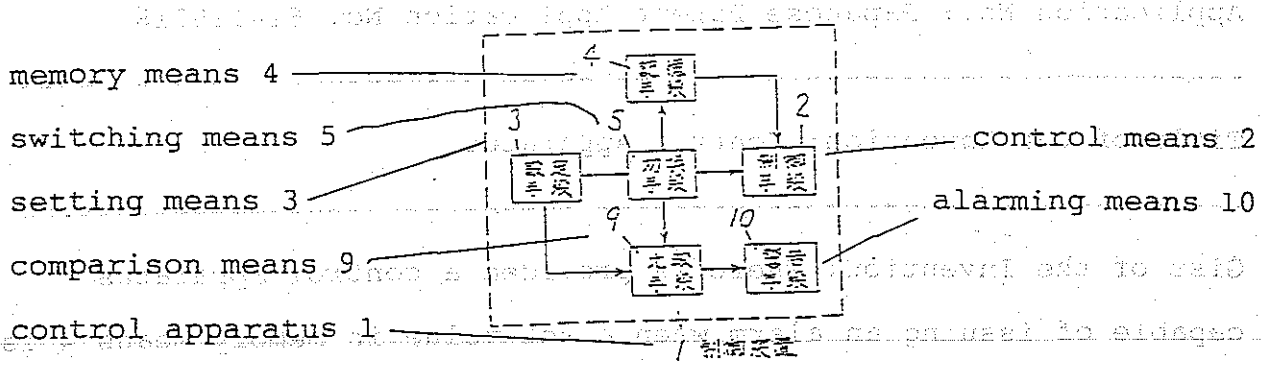
Gist of the Invention: There is provided a control apparatus capable of issuing an alarm when a set value in memory means 4 is identical to a set value in control means 2.

Specification and Drawing before Amendment:

Comparison means 9 functions as follows. An output from switching means 5 is directed to memory means 4. After a destination address 7 is set by setting means 3, an output from the switching means 5 is switched to control means 2 so that the setting in the setting means 3 means a self-station address 6. Before and after the switching, the addresses set in the setting means 3 are compared. If there is no change, it will be assumed that a setting operator forgot to restore the set address to a self-station address and an output will be delivered to alarming means for issuing an alarm.

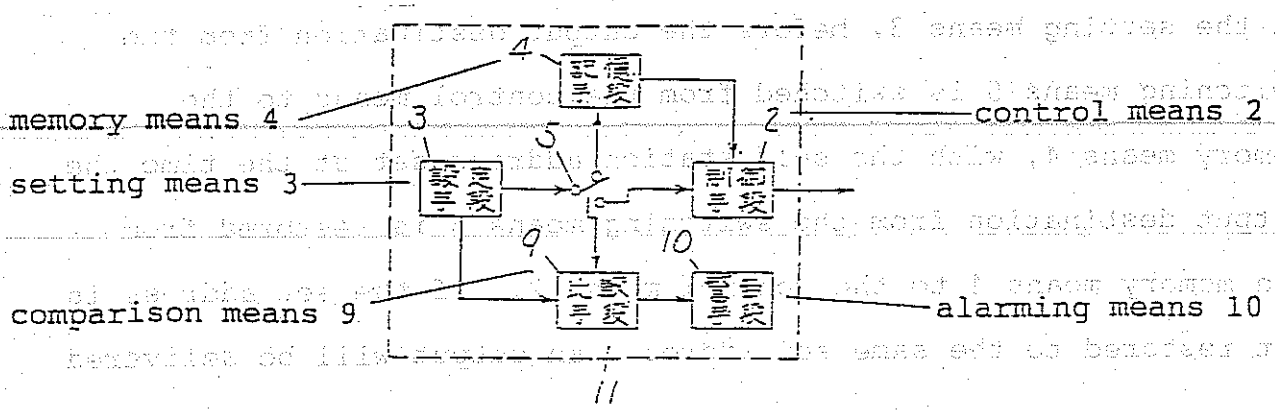
The comparison means 9 compares the self-station address set in the setting means 3, before the output destination from the switching means 5 is switched from the control means to the memory means 4, with the self-station address set at the time the output destination from the switching means 5 is restored from the memory means 4 to the control means 2. If the set address is not restored to the same set address, an output will be delivered

to the alarming means 10 for issuing an alarm. The precision in deleting a setting error is thereby enhanced.



Amended Specification and Drawing:

The (comparison means) 9 receives as inputs a set value output from the setting means 3 and an output direction of the switching means 5.[1] The comparison means 9 generates a signal if a set value set in the setting means in the state in which the switching means is switched to the memory means side is the same as a set value set in the setting means when the switching means has been switched to the control means side, and if a set value set in the setting means before the switching means is switched to the memory means side is different from a set value set in the setting means after the switching means is switched once again to the control means side.



Judgment on Addition of New Matter:

Amendment to the specification is not addition of new matter.

Amendment to the drawing is addition of new matter.

Reason why new matter is not added:

The underlined portion (1) in the amended description is not stated in the originally filed specification. From the originally filed specification, it can be understood that an address is output in the direction of arrow. Furthermore, if originally filed FIG. 1 is referred to, it is clear that the (comparison means) 9 receives as inputs a set value output from the setting means 3 and an output direction of the switching means 5. Amendment to the specification is, therefore, not addition of new matter.

Reason why new matter is added:

As regards the switching means 5 shown in amended FIG. 1, the originally filed specification does not state that the output from the switching means 5 to the memory means 4 and the output from the switching means 5 to the control means 2 is <u>selectively</u> switched. In addition, the amended matter is not derived directly and definitively from the originally filed specification and is therefore addition of new matter.

Description in the originally filed specification for avoiding addition of new matter:

If a black box is shown in a figure, the circuit connection

or the flow of signals relating to the black box needs to be described in the originally filed specification.

Example Case for Reference: 41

(Example 12 of Case Study) Re: 3-4-1(2)

Application No.: Japanese Patent Application No. 57-82471

Title of the Invention: Ink Jet Recording Apparatus

Gist of the Invention: An ink jet recording apparatus having, within a relay tank, a valve member operable in accordance with a variation in speed, thereby supplying ink to a recording head without excess or deficiency.

Claim before Amendment:

...said ink tank is provided with a valve member closed at the stop time of said carriage and opened when said carriage is moved....

Amended Claim:

...said ink tank is provided with a valve member capable of opening in accordance with a variation in speed of said carriage at the stop time of said carriage....

Judgment on Addition of New Matter: New matter is added.

Reason:

The originally filed specification includes statements: "On the other hand, when printing is started and carriage 3 is moved, the steel ball 13 rolls within the relay tank 11 against the attraction force of the magnet 14 by the start and <u>stop</u>

acceleration thereof. The relay tank 11 thus communicates with the relay pipe 12, and ink flows through the pipe 10 and ink drops are discharged from the nozzle 6." Worded in this way, the phrase "by...stop acceleration" can be interpreted to mean "by applying a negative acceleration to stop". According to the description in the originally filed specification, however, the "negative acceleration to stop" is applied from the start of deceleration of the carriage 3 moving at constant speed to the stop of the carriage 3, and the "negative acceleration to stop" is not applied after the stop.

On the other hand, the "stop time" recited in the amended claim, at which a variation in speed occurs, can be interpreted to mean "during a stop operation", as mentioned above, but also can be interpreted to mean "at the time of stop."

The originally filed specification does not describe that the variation in speed occurs "at the time of stop", and the matter in the amended claim is not derived directly from the originally filed specification, etc., and is therefore addition of new matter.

Description in the originally filed specification for avoiding addition of new matter:

The phrase "stop time" in the amended claim is changed by using the words in the specification "by stop acceleration." As mentioned above, the variation in speed in the wording "a variation in speed of said carriage at the stop time of said carriage" in the amended claim occurs only when negative

acceleration occurs. It is assumed that the applicant considers the "stop time" to mean "during deceleration" or "by stop acceleration." However, two interpretations are possible and therefore this amendment is addition of new matter.

Accordingly, it is necessary to avoid the use of terms which do not appear in the originally filed specification, even if such terms can be substantially interpreted to mean only the matter described in the originally filed specification.

Example Cases for Reference: 4 and 5

(1) Title: **INTELLECTUAL PROPERTY AND PRIVACY RIGHTS INVOLVED IN MULTIMEDIA SYSTEMS**

(2) Organization: Pacific Intellectual Property Association

(3) Date: October, 1994 (25th meeting at Hamamatsu, Japan)

(4) Source:
1. Source: PIPA
2. Group: USA
3. Committee: 2

(5) Authors: Eric Jensen - University of Florida Law School
Charles C. Krawczyk - Harris Corporation

(6) Keywords: Multimedia, Copyrights, Patents, Trademarks, Right of Publicity, Privacy Law

(7) Abstract: The future aspects of multimedia has been described as a revolution in technology that will significantly shape societies worldwide. The merging of data, text, graphics and sound controlled by software to be interactive, creates a new and significant challenge to the legal profession. Not only are the usual intellectual property rights involved (patents, copyrights, trademarks and trade secrets) but also potential aspects of privacy law, rights of publicity and communications law. In addition, the traditions of publishing and entertainment businesses must be applied. However, the biggest challenge will be in determining who owns what rights, and are the appropriate rights available for the multimedia provider to extend to both present and future technologies.

TABLE OF CONTENTS

B. Current Trends

1. Technology Assistance

   a. Network Management of Access, Billing for Protected Works

   b. Encoding of Ownership, Description Info on Protected Works

2. Corporate Activity

   a. Business Alliances

   b. Multimedia Libraries

      i. Varieties of Rights Actually Granted to End User

   c. Licensing Managers

3. Industry Groups

   a. Licensing Boilerplates

4. Government

   a. Japanese Clearinghouse Agency

V. Summary

I. INTRODUCTION

The term "multimedia" refers to the combination of medias such as, text, data bases, audio, still photographs, motion pictures, videos, and graphics, that will be digitally integrated within a software memory base and controlled by a program that has functionality capability to allow the information to be searched, displayed, heard, viewed and manipulated by the end user. Unlike the traditional software programs which the end user adds its own information, multimedia systems will be the primary information supplier. Further, it should be also considered that the information, in addition to manipulation, will be susceptible to interactive re-transmission.

With the explosion and merging of technologies such as fiber optics, parallel processing, packet data, open networks, spread spectrum, and data compression along with the ever growing sophisticated software techniques, the broadband multimedia super highway will be a reality in only a matter of time. The broadband networks will be capable of providing the following examples of multimedia service:

1. alternate access to long distance telephone service,
2. interactive educational institutions over long distance,
3. interactive banking, investing, and bill payment,
4. interactive game playing,
5. interactive shopping,
6. high speed data transfer between local area networks,
7. personal communications,
8. picture telephone services,
9. specialized advertising specific to groups and individuals,
10. telecommuting, i.e. home-office audio/sound link,
11. video on demand, and
12. video conferences.

The newspaper industry may possibly be significantly impacted. A variety of entire copies of newspapers will probably be provided on line by a multimedia publisher, to be identified and selected by an icon on the screen. Advertising as we know it today will probably undergo a signification revolution in that advertising will be selected by the end user, or advertising will be sent on line tailored to fit the demographic needs of the end users.

Those involved in the growth of the multimedia industry will be required to have understanding of the social needs involved in promoting intellectual and technological growth (including free speech concepts) and to balance these concepts against claims of information ownership. Not only will multimedia companies (and their legal staff) be required to become familiar with the applicable intellectual property laws, but also the traditions that have evolved in licensing in the areas of music, text audio, photographs, movies, and videos, and also privacy laws protecting persons from the commercial exploitation of their images and likeness without their consent, and also the entertainment industry and union practices.

This paper will focus on a discussion of ownership concepts of information. However, it should be understood that these ownership concepts will need to be eventually balanced in the future with governmental directed social requirements such as the ready access to multimedia information by institutions such as hospitals, libraries, schools.

First, we need to understand the meaning of the ownership of information. Ownership consists of a bundle of property rights recognized by law involving the rights concerning: (1) copying (reproduction), (2) using (as determined by the owner), (3) disclosing (to disclose or keep secret), (4) exploiting (commercial benefits), (5) accessing (regulate access), and (6) modifying (maintenance of integrity). These property rights involve the right to exclude others from such property, to obtain relief for damages to the property, the exclusive right to transfer the property, and the right to use the property to suit the owners needs (exclusionary right). In addition to the exclusionary property rights, there are also the accompanying rights to exploit and derive benefits (pro-active rights). The transfer property rights are unique for such

intangibles in that the information can be transferred without giving the ownership to such information.

In the United States, property rights concentrate on prerequisites associated with the information.

For example:

Trade Secrets, which impact use and disclosure rights, involve the prerequisites of secrecy, competitive value, and misappropriation or breach of confidentiality.

Copyrights, which impact copy and integrity rights, involve the prerequisites of creativity, fixed in a tangible medium, and copying of the expression (not facts or ideas).

Patents, which impact use, copy, and exploitation rights, involve the prerequisites of new, novel, useful, and infringement of the patent claims.

Privacy Laws, which impact disclosure, use, exploitation and integrity, include the prerequisites of personal autonomy, no or little news value, and the violation of expectations of privacy (the rights to be left alone).

Criminal and Communication Law which impact access, use, and integrity rights, include the prerequisites of location within a zone of protection, secrecy, and trespass by tampering, interference, damage, and unauthorized access or interception.

Trademarks, which impact use and exploitation rights, include the prerequisites of use, nondescriptiveness, nongeneric, secondary meaning, at times registration, and confusion of the public.

After one masters the maize of property rights, the next challenge is to determine if the information is in the public domain, and, if not, who is the owner, or owners, of all of these property rights. An interesting additional issue is that even if the information is in the public domain, the use of its title can create trademark liability if the title acquires secondary meaning.

As will be seen, the advent of multimedia will present a variety of challenges and opportunities to those that will be involved in this emerging business.

II. PROTECTIVE RIGHTS

A. SUBJECT EXPRESSION OF MULTIMEDIA WORKS

1. Definition of Multimedia

It is difficult to accurately define "multimedia."[1] Decomposed into its components parts and analyzed, the word would seem to encompass any mixture of two or more media. A definition as expansive as this would include a coordinated slide show and analog tape recorded audio sequence. For the purposes of this paper, it will mean a mixture of any digitally stored traditional works such as text, audio, still images and motion picture sequences, all controlled by a computer program and the underlying hardware platform.

There is an important distinction between multimedia and traditional varieties of software. The primary value of traditional software lies in its ability to manipulate information supplied by the user, as in the case of spreadsheets and word processors. With multimedia software, however, a significant element of its value lies in the very information it contains, large amount of which are stored on a medium such as CD-ROM and experienced by the user as images and sounds. This similarity to books,

[1] Sony president Norio Ohga is quoted as saying, "What is multimedia? In newspapers and magazines, the word appears everywhere -- but there's no concerted idea as to what it is." Tren J. Griffin, *The Impact of Broadband Network on Multimedia Royalties, Content Ownership and the National Information Infrastructure, in* THE MULTIMEDIA LAW INSTITUTE 20 (1994).

movies and songs is evidenced by the fact that multimedia programs are referred to generically as "multimedia titles" or just "titles."

2. Ease of Copying

Inherent in the fixation of the various subject works in a digital medium is the fact that it renders the works easily reproduced, modified, and transmitted. Products such as "QuickTime" for the Apple Macintosh's operating system, "Photoshop" from Adobe and Kodak's "Photo-CD" all provide users with the ability to manipulate digitally stored media. Combine this ease of copying with the high revenues[2] that are at stake and it is clear why the subject of multimedia protection has become a topic of such high interest.

In addition to the economic concerns are the ownership concerns of the creators of the works which comprise the various titles. Licensing of the underlying works not only creates revenue for the artists but also addresses attribution of the artist as creator. The Visual Artists Rights Act[3] is the means by which the rights of attribution and integrity[4] are statutorily protected in the United States. The Act is likely of little value to those whose work is digitized and used in a multimedia work, however .[5]

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[2] The Information Workstation Group projects that multimedia entertainment revenues will account for $9.1B in the calendar year 1998. Craig W. Harding, *Parameters of Current and Future Multimedia, in* THE MULTIMEDIA LAW INSTITUTE 2 (1994). "It is relatively easy to project a worldwide market [for interactive broadband multimedia of] $500 billion by the year 2000." Tren J. Griffin, *The Impact of Broadband Network on Multimedia Royalties, Content Ownership and the National Information Infrastructure, in* THE MULTIMEDIA LAW INSTITUTE 34 (1994).

[3] 17 U.S.C.S. § 106A (Law. Co-op. Supp. 1994).

[4] The president of a wireless cable programming service and provider of video cable programming in New York said many current copyright holders are concerned about the ease with which their work can be digitized, altered and reproduced. He went on to say that many are not against slightly altering licensed work, but they would object to an application developer's claim to ownership of an alteration of their image. Heather Clancy and Diana Hwang, *Standard multimedia license plan sought by developers, trade group; Inability to address copyright holders' rights hinders convergence efforts,* COMPUTER RESELLER NEWS, May 23, 1994 at 93.

[5] 17 U.S.C. 101 defines a work of visual art as a painting, drawing, print, or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or, in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of 200 or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author. 17 U.S.C.S. § 101 (Law. Co-op. Supp. 1994). The protection does not extend to

3. Copyrights/Varieties of Subject Matter and Associated Rights

In the United States, copyright law provides the majority of the protection for the works of the various types which comprise multimedia titles. In general, the exclusive rights afforded under copyright are reproduction, adaptation, distribution, performance and display, with the rights of attribution and integrity arising under the Visual Artists Rights Act[6] in very particular circumstances. Due to differences in the ways in which varieties of works are created, recorded and copied, the particulars of copyright law vary among the various types of works.

a. Literary works

"Literary works" are defined as "works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, tapes, film, discs, or cards, in which they are embodied."[7] For purposes of understanding what is protected by the law, it is worthwhile to note the distinction between the work and its embodiment. As stated in Nimmer on Copyright: "A 'book' is not a work of authorship, but is a particular kind of 'copy.' Instead, the author may write a 'literary work,' which in turn can be embodied in a wide range of 'copies' and 'phonorecords,' including books, periodicals, computer punch cards, microfilm, tape recordings, and so forth."[8]

What the copyright law refers to as a literary works the multimedia publisher

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"reproduction, depiction, portrayal, or other use" in any of a number of varieties, one of which is electronic publication. 17 U.S.C.S. § 106A (Law. Co-op. Supp. 1994). As such, the moral rights of artists only extend to the actual original works, not reproductions thereof.

[6] *See supra* notes 3-5 and accompanying text.

[7] 17 U.S.C.S. §101 (Law. Co-op. 1978).

[8] 1 DAVID NIMMER AND MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 2.04 (1994) [hereinafter NIMMER].

likely refers to as text. This would address the text portion of a "book" which, in its multimedia form, is accompanied by still pictures, video, or audio.

b. Audiovisual works

Audiovisual works are defined as: works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.[9]

Clearly, this is the category which would apply to the protection of many multimedia titles themselves. As long as the title included (1) images, which were (2) related and presented in a series and (3) were capable of being shown by a multimedia capable computer, it would fall under this heading. The series of images need not impart an impression of motion.[10] A series of individual still images will suffice as long as they satisfy (2) and (3) above.[11] It is of interest to note that the sound track of a motion picture is protected by the motion picture copyright.[12]

Some existing multimedia titles use digitized motion picture images, some from historical footage.[13] Current technology allows images to be manipulated in order to fit the needs of the title, be it informational, entertainment, or an interactive game.[14]

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[9] 17 U.S.C.S. § 101 (Law. Co-op. 1978).

[10] Motion pictures are defined as "audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any." 17 U.S.C.S. § 101 (Law. Co-op. 1978).

[11] See 1 NIMMER § 2.09[B] (1994) in which a slide show is given as an example of an audiovisual work.

[12] 1 NIMMER § 2.09[E] (1994).

[13] Craig W. Harding, *Parameters of Current and Future Multimedia, in* THE MULTIMEDIA LAW INSTITUTE 4 (1994).

[14] As an example, Spectrum HoloByte's *Crisis in the Kremlin*, a strategy game based on the former Soviet Union, features digitized news footage of the attempted coup d'etat to illustrate the action in the game. *Id.*

Segments of motion pictures have also been used as part of multimedia game titles.[15]

c. Image

According to U.S. copyright law, "'[p]ictorial, graphic, and sculptural works' include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models and technical drawings, including architectural plans."[16] Note that this is not written as an exclusive list, but as a series of examples of protected types of works.[17]

The images which find their way into a multimedia title may originate as any of a range of possible media, such as photographs, drawings, paintings, computer generated images, etc. The rights associated with the work may vary significantly depending upon which of these or other categories the work falls into.

d. Sound recordings

Sound recordings are defined as "works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as discs, tapes, or other phonorecords, in which they are embodied.[18]

Curiously, only sound recordings which were fixed in a phonorecord of some sort on or after February 15, 1972, are protected under federal copyright law.[19] Those

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[15] *Demolition Man* from Virgin Games uses digitized images of Sylvester Stallone in a number of different scenes. *Id.* The larger media interests are establishing "interactive divisions" which operate alongside the traditional movie and record divisions, to immediately recast analog content into interactive, digital form. *Id.* at 15.

[16] 17 U.S.C.S. § 101 (Law. Co-op. Supp. 1994).

[17] 1 NIMMER § 2.08 n.2 (1994).

[18] 17 U.S.C.S. § 101 (Law. Co-op. Supp. 1978)

[19] 1 NIMMER § 2.10[a][1] (1994).

which pre-date protection under federal law may find protection under state law, however.[20]

Authors, or claimants through authors, are the natural owners of the rights under copyright law.[21] A claim of authorship requires original contribution.[22] This does not lead to clear ownership in the cases of motion pictures and sound recordings, in which it is often the case that the final work is the result of the contributions of a number of different people performing different tasks.[23]

In a multimedia work, music may be used in a number of situations. It may be a distracting filler while the program retrieves information from the storage medium or synchronized with still or motion pictures.

e. Musical works

"Musical work" is not explicitly addressed in the definitions section of Title 17.[24] Such works receive copyright protection provided they are "fixed in a tangible medium of expression."[25] Regardless of the medium in which the work is fixed, it is no longer necessary that such medium be visibly intelligible.[26] The important distinction here is the fact that this right goes to the music *itself,* not to a *recording* of a particular performance of music. This right is thus not circumvented by fixing an original

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[20] *Id.* According to Nimmer, recordings fixed before February 15, 1972, receive wide protection under state law. The state court decisions granting protection often do not mention "common law copyright," but instead based the protection either upon an asserted "property right," or upon a theory of unfair competition. *Id.* at 2.10[b][2]

[21] 1 NIMMER § 2.10[a][3] (1994).

[22] *Id.*

[23] *Id.*

[24] 17 U.S.C.S. § 101 (Law. Co-op. 1978 and Supp. 1994).

[25] 17 U.S.C.S. 102(a) (Law. Co-op. Supp. 1978).

[26] 1 NIMMER § 2.05[A] (1994).

recording of a protected musical work.

4. Implications of Mixture of Media and Associated Rights

The fundamental features of multimedia create copyright complications. The fact that it encompasses multiple source materials, each carrying with it a particular collection of rights which may be peculiar to that type of work, renders complex the determination of copyright ownership of a multimedia title. Further, the users' inherent ability to change the source materials creates complications in determining copyright ownership.[27] The publisher of a multimedia title must be careful to grant only those rights with respect to the underlying material that it has received a license or other authorization from the original owners.[28]

5. Rights Protected

The copyright owner of a multimedia title has the right to control its distribution. The distribution right, however, is limited by the first-sale doctrine. Under the first-sale doctrine, once the copyright owner has sold a unit of the work, the owner no longer has any control over or interest in that unit's further distribution. By way of analogy, a copy of a book purchased from the copyright owner can be sold, rented or otherwise distributed without violating the copyright owner's rights.[29]

Music recordings and computer programs are treated somewhat differently, however. The 1984 Record Rental Amendment[30] prohibits renting, leasing or lending of records by purchasers, and applies to CDs. The Computer Software Rental

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[27] David L. Gersh and Jeffrey Sheri, *Structuring the Multimedia Deal: Legal Issues - Licensing in the multimedia arena; part 1*, LASERDISK PROFESSIONAL, Mar. 1993, at 36.

[28] David L. Gersh and Jeffrey Sheri, *Structuring the Multimedia Deal: Licensing in the multimedia arena; Legal Issues, part 2*, LASERDISK PROFESSIONAL, May 1993, at 108.

[29] *Id.*

[30] U.S.C.S. § 109 (b)(l)(A) (Law. Co-op. Supp. 1994).

Amendment[31] enacted in 1990 creates analogous restrictions with regard to computer program rental. A multimedia title would likely fall under the Copyright Act's definition[32] of computer program.

The reproduction right is meant to prevent unauthorized copying. A copy need not be exact to be infringing, however. As Mssrs. Nimmer have stated,

> As long as the defendant's work is substantially similar to that of the plaintiff's (and is the product of copying rather than independent effort), it will constitute an infringement of the plaintiff's protected 'expression.' The legal maxim of de minimis non curat lex applies to copyright actions no less than to other branches of the law.[33]

Consequently, as a threshold to substantial similarity, more than simply a de minimis fragment must be copied.

The determination of what satisfies the de minimis requirement is, not surprisingly, a difficult matter. It has particular application to the subject of multimedia titles, which may reproduce small portions of many works. The question then arises as to the situation in which a title publisher literally copies non-comprehensive portions of a copyright protected work: the overall structure or theme of the original is not copied, but a relatively short sequence of music or text is reproduced.

There is no ready answer to the question as to where the line is crossed from de minimis copying to substantial similarity. Rules of thumb are legion in the publishing ranks, but they cannot be relied upon in the courtroom.[34] As Nimmer states, "[t]he

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[31] U.S.C.S. § 109 (b)(l)(A) (Law. Co-op. Supp. 1994).

[32] Computer program is defined as "a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result." 17 U.S.C.S. § 101 (Law. Co-op. Supp. 1994).

[33] 2 NIMMER § 8.01 [g] (1994).

[34] The following is a list used by one publisher as general guidelines regarding the de minimis limit.

> Prose quotations of more than 300 words from a scholarly book. (If a source is quoted several times for a total of 300 words or more, permission must be obtained.); Prose quotations of more than 150 words from a popular, general market

superstition among many musicians that the copying of three bars from a musical work can never constitute an infringement is, of course, without foundation."[35] The amount of copying is not the only analysis, as the significance of the copied portion is also considered.[36] The type of work which was allegedly copied also affects the determination, with commercial documents likely requiring more significant copying than artistic works to surpass the de minimis level.[37]

Further complicating the situation is the fact that the determination of de minimis vs. substantial copying is often confused with the "amount and substantiality" element of the fair use[38] defense. The two should be kept distinct, with the substantial similarity analysis used to determine if the copy satisfies the threshold requirement of infringement. The fair use analysis should be reserved for instances when the substantial similarity is established, but other features of the copying may render the copying non-actionable.[39]

6. Fair Use

The fair use statute[40] permits others to use copyrighted works for certain limited purposes without the express permission of the copyright owner. The enumerated purposes are "criticism, comment, news reporting, teaching (including

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book; Prose quotations of more than 50 words from a scholarly journal; Quotations of more than 2 lines of poetry or lyrics; Quotations of more than 1 sentence from a popular magazine or newspaper; Quotations of any length from letters or other personal communications, interviews, questionnaires, speeches, unpublished dissertations, and radio or television broadcasts. Illustrations -- including drawings, graphs, diagrams, charts, maps, artwork, and photographs -- created by someone else; Music examples of more than 4 measures; Tables compiled by someone else.
Terry Carroll, *Copyright-FAQ/part 2,* available via anonymous ftp from rtfm mit edu

[35] 2 NIMMER §13.03[a][2](1994)

[36] *Id.*

[37] *Id.*

[38] 17 U.S.C.S. § 107 (Law. Co-op. 1978 and Supp. 1994).

[39] For a thorough discussion of the distinction between the two analyses, see 2 NIMMER § 13.03[a] [2] (1994).

[40] 17 U.S.C.S. § 107 (Law. Co-op. 1978 and Supp. 1994).

multiple copies for classroom use), scholarship, or research."[41] Four factors are considered in a balancing test to determine if a particular use is fair. These are:

> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.[42]

Commercial use tends to weigh heavily against a finding of fair use. It is not an absolute bar, however, and must be considered in context. Publishers of academic textbooks have successfully asserted a fair use defense, even though they clearly represent for-profit concerns.[43] As a multimedia example, Microsoft claims that it is a fair use to copy an image of Michael Jordan dunking a basketball for use in its Encarta encyclopedia, but to use a portion of the music from the movie The Towering Inferno on the multimedia title Cinemania, the corporation had to go through a complicated permission request process.[44]

As an additional complication, publishers are concerned that the elimination of the requirement of a copyright notice on protected works makes it harder to determine what is in the public domain.[45] Fair use continues to be a difficult subject to define,

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[41] 17 U.S.C.S. § 107 (Law. Co-op. 1978 and Supp. 1994).

[42] 17 U.S.C.S. § 107 (Law. Co-op. 1978).

[43] Some courts have stated that commercial use creates a presumption of unfairness. Others have used it as a consideration in the overall balancing. When a use is has both commercial and educational/news reporting elements, the outcome of the balancing test may be difficult to predict. *See generally,* 3 NIMMER §13.05[A] [1] [a] - [c] (1994).

[44] Don Steinberg, *Hey! We're being sued for copyright infringement; Is your company practicing safe multimedia? Some tips for staying within the law,* INFOWORLD, Mar. 14, 1994 at 54.

[45] *Id.*

no less so for the courts than for information industry participants.[46]

Bruce Lehman, current commissioner of the U.S. Patent and Trademark Office, made an interesting comment in reference to the National Information Infrastructure (NII) and fair use:

> In an electronic environment, is fair use as necessary as it was in a non-electronic environment? In other words, with photocopying, which is the primary concern of the guidelines accompanying the 1976 Copyright Act, there's really no way to kind of give permission very easily for photocopying. On the other hand, in an electronic environment, at least in theory, one can give permission at very low cost, presumably, for use of the work; for any downloading, for any access to it.[47]

7. Trademarks

A trademark is a word, phase, symbol that through use identifies the source of the goods with which it is used. A word or phrase that describes text must have a secondary meaning before trademark protection is provided. Secondary meaning is acquired when the descriptive word or phrase has been used to such an extent (i.e., widespread exposure) that consumers associate the word or phrase with the text.

Traditionally, U.S. courts have declined to protect a title of single works as a trademark because titles were considered as being merely descriptive of the work. In addition, the U.S. Patent & Trademark Office takes the position that a title of a single work is generic and unregisterable, even upon a showing of secondary meaning.[48] On the other hand, a name or phrase of a series of works may be registerable by the U.

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[46] Five of the leading fair use cases were reversed at every stage of review. The United States Supreme Court split 4-4 in its first two fair use cases and decided the landmark Sony case by a 5-4 vote. Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, n.9 (1990).

[47] Tren J. Griffin, *The Impact of Broadband Network on Multimedia Royalties, Content Ownership and the National Information Infrastructure in* THE MULTIMEDIA LAW INSTITUTE 54 (1994).

[48] Trademark Manual of Examining Procedures, Section 1202.

S. Patent & Trademark Office if the name or phrase of each work from the series comes from the same source and is not descriptive of any one work. Some CD developers may side-step the issue by registering the title as software for entertainment. However, such registration may be subject to challenge.

On the other hand, it should be understood that even without registration, titles may become protectable as trademarks once secondary meaning is established. This is because U.S. trademark rights are based on use and not registration. Secondary meaning in a work could acquire trademark rights in the title once the work is distributed on a fairly widespread basis.

In Maljack Productions Inc. v Goodtimes Home Video Corp.[49] the court acknowledged that although the book was in the public domain, the title, "McLintock," though not registered as a trademark, could be protected under Section 43(a) of the U.S. Lanham Act provided that it acquired a secondary meaning so as to confuse the public as to the source of the work. However, the court granted a summary judgment motion of trademark non-infringement to the defendant Goodtiime. The court cited G and C Merriam Co. v Syndicate Publishing Co.[50] where the name "Webster" did not have trademark protection for dictionaries in the public domain. However the Supreme Court emphasized that the use of the title cannot deceive the public and the use of the name "Webster" must be accompanied with sufficient indicators to identify the actual source of the work.

As in the case of titles, other elements such as characters, names, nicknames, including physical features and costumes may possibly in a similar manner be protected under Sec. 43(a) of the U.S. Lanham Act.

B. RIGHT OF PRIVACY

This right is based on a social concept that there exists a personal right to be

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[49] 30 USPQ 2d 1959.

[50] 237 US 618 (1915).

"left alone". Certain facts about an individual are so recognizably related to a person's private life that such person should have the right to decide who receives the benefit or use of these private facts.[51]

Although the right of privacy grew out of case law, today most privacy laws are statutory. Privacy rights create a property interest in the private information, while an invasion of personality issues constitute a tort.[52] While like trade secrets, the claim of privacy asserts the right to control access to the use of personal information. However, unlike trade secrets, privacy partially hinges on how widely the facts are known and instead focuses on the invasion of expectations of privacy (i.e., the type of information and how specifically it is related to an individual). The right of privacy lies in the nature of the interest protected, i.e., the right to be left alone.

As to a truthful disclosure of facts, there is a balancing issue between the rights of the individual and the right of the society to information (embarrassing facts heightens privacy and rights of privacy outweigh news value). In situations where the information is determined to be newsworthy, or impacts public figures or issues, public interest tends to be predominant.

C. RIGHT OF PUBLICITY

The right of publicity is the right to control the exploitation of a name or likeness of an individual for commercial purpose. Advertising is often the commercial aspect involved that is linked to special attributes of the person involved. The right is not absolute, rather it is hinged upon a distinctive and sufficiently recognizable image that creates an implication of ownership. This right does not apply to editorial, education and similar situations that do not rely on the value of the personal image.[53]

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[51] R. Nimmer, Definig Copyrights and other Rights and Remedies: *Who's Entitled to What in the Multimedia Marketplace?*, THE MULTIMEDIA LAW INSTITUTE 19 (1994).

[52] *Id.* at 20.

[53] *Id.* at 23-24.

D. CRIMINAL LAW

Today most states treat computer systems as a protected location and computer data as protected property.[54] The statutes create a crime analogous to trespass, but require no physical invasion of protected space.[55]

The U.S. Communications Privacy Act prohibits the unauthorized interruption of electronic communications other than those readily accessible to the general public.[56]

E. WRONGFUL EXTRACTION OF DATA

Data is not protected by copyright law since copyright protects only expression, requiring originality. An unoriginal and untailored compilation of data will not meet the copyright standards.

On the other hand, the law of misappropriation may apply to the wrongful extraction of data (i.e. one is entitled to the protection of the fruits of one's own labor).

II. MULTIMEDIA COMPUTER PROGRAMS

A. SOFTWARE PATENTS

1. Software Patents in General

Software patents are a controversial issue. As evidence of this is the pair of public meetings which Commissioner Lehman held earlier this year for the sole purpose

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[54] *Id.* at 14.

[55] *Amercan Computer Trust Leasing v Jack Farrell Implement Co.*, 1991 WL 46, 502 (D Minn, 1991).

[56] 18 U.S.C. §2511 (g) (i).

of discussing software patents. The views presented varied widely from continuing in the current direction with an improvement in the prior art database, to suggestions that software be considered non-statutory subject matter. Regardless of individual views, the number of software patents filed and issued continues to grow.[57]

Some of the industry participants who are interested in advancing the cause of software patents have taken a step toward creating a prior art database. This group, including Apple Computer, IBM, Microsoft, Digital Equipment and Lotus Development, have formed the Software Patent Institute. The organization, affiliated with the University of Michigan, has since March 1994 made available to the PTO a collection of software inventions that apparently contains approximately 10,000 records from computer science reference works, articles and manuals which are not currently available online.[58]

Members of the multimedia industry are receiving patents directed to improved or specialized versions of multimedia components or to new combinations of them.[59] A recently issued Compuadd Corporation patent entitled "Multimedia Computing and Telecommunications Workstation" addresses a workstation for receiving and intermixing television, radio, and data/fax/voice information and displaying a desired combination of the information to a user.[60] For the sake of categorization, it appears that multimedia patents are falling into four main groups: 1) Computer architecture, 2) Information linking and retrieval techniques, 3) Data compression, and 4) Telecommunications.[61]

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[57] "Last year, an estimated 8,400 software patent applications were filed, and about 3,600 were issued last year from filings in previous years. By one prediction, approximately 4,000 software patents will be issued in 1994." Walter A. Effross, *Software-Patent Policy: No Fakes, No Surprises,* NEW JERSEY LAW JOURNAL, July 25, 1994 at supp. 17 (citing Simson L. Garfinkel, *Patently Absurd,* WIRED, July 1994 at 106).

[58] *Id.* (citing Theresa Riordan, *Action Was Preliminary On a Disputed Patent, N.Y.* TIMES, March 30, 1994 at D7).

[59] Scott M. Alter, *Getting the Right Arsenal: How to Obtain and Use Patents Effectively in the Multimedia Arena, in* THE MULTIMEDIA LAW INSTITUTE 3 (1994).

[60] *Id.*

[61] *Id.*

The recent *Alappat*[62] decision probably bolsters the case for software patents. In that case, the Court of Appeals for the Federal Circuit held that digital electronics executing a program to perform anti-aliasing on a rasterizing display was not simply a process claim of a mere algorithm or formula, but a statutory machine.[63]

In addition to fitting software into the current patent system, there are currently moves afoot to alter the U.S. patent system to allow pre-issue publication, which many feel would help to reduce the number of obvious software patents issued. Also, Commissioner Lehman is considering allowing multiple parties to jointly seek patent reexamination, instead of independently bearinq the $2,550 fee.[64] The PTO is also trying to expand its expertise, in part by starting nine computer scientists on a two-year apprenticeship with the PTO to assist examiners in evaluating software patent applications.[65]

a. Specific Examples

On Aug. 31, 1993, nearly four years after the application date, the PTO granted patent number 5,241,671 (the 671 patent) for a "multimedia Search System Using A Plurality of Entry Path Means Which Indicate Inter-relatedness of Information." Compton's New Media, the patent assignee, announced the patent on Nov. 16, 1993, at a press conference held at the COMDEX computer and electronics trade show in Las Vegas. Compton's stated that it would begin licensing those who wished to make use of their invention for royalties in the area of one percent.[66]

On Dec. 14, 1993, PTO commissioner Bruce Lehman ordered a reexamination

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[62] *In re Alappat*, 31 U.S.P.Q.2d 1545 (Fed. Cir. 1994).

[63] *Id.* at 1557-58.

[64] Walter A. Effross, *Software-Patent Policy: No Fakes, No Surprises*, NEW JERSEY LAW JOURNAL, July 25, 1994 at supp. 17 (citing Bill Loveless, *Lehman May Request Authority to Publish Patent Applications*, FEDERAL TECHNOLOGY REPORT, Apr. 14, 1993, at 3).

[65] *Id.* (citing Sabra Chartand, *Software Examiners Begin Training*, N.Y. TIMES, July 4, 1994, at 36).

[66] Tanya Pobuda, *Compton's lays claim to multimedia*, COMPUTER DEALER NEWS, December 13, 1993, at 1.

of the '671 patent after determining that prior art literature raised a substantial new question of patentability. The PTO cited one patent application, three patents, three technical papers, four books, and a software advertisement[67] as evidence that elements of the patent had been available or obvious to those skilled in the art one year before the file date.

The PTO determined on March 24, 1994 that all 41 claims of '671 were unpatentable due to obviousness. On June 23, Comptonts filed a 52-page response with the PTO, asserting the validity of most of the original claims. The PTO should respond by the end of September 1994. [68]

The Compton's saga is not yet over, as it remains to be seen how much, if any, of the original patent survives. Perhaps the lesson to be learned is that the PTO needs to work hard to catch up with the rapidly advancing state of computer software technology. Commissioner Lehman is taking proactive steps[69] to remedy the situation. Unfortunately, neither the advance of technology or the flow of patents[70] will abate to allow the PTO to catch up.

2. Software Copyrights

Copyright has been the traditional method of choice for the protection of software. This is due at least in part to the fact that it can be expressed as a sequence

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[67] The materials included: handbooks and a developers' guide to Apple Computer's HyperCard system revealed 'a computer search system including storing and interrelating textual and graphical information' similar to that of the '671 patent. A user's guide to the word processing program WordPerfect discussed spell checking and thesaurus look-up. Technical papers presented at conferences discussed searching methods similar to those of the '671 patent that had been applied to a medical handbook and to a dictionary and thesaurus.

Walter A. Effross, *Software-Patent Policy: No Fakes, No Surprises,* NEW JERSEY LAW JOURNAL, July 25, 1994 at supp. 17.

[68] *Id.*

[69] *See supra* notes 55, 56 and accompanying text.

[70] "Another patent for "on-screen" menu systems is owned by Starsight Telecast, Inc. and infringement litigation relating to this second important multimedia patent has already commenced. The scope of this patent is also very broad." Tren J. Griffin, *The Impact of Broadband Network on Multimedia Royalties, Content Ownership and the National Information Infrastructure, in* THE MULTIMEDIA LAW INSTITUTE 52 (1994).

of instructions which the author/programmer can express on paper, the traditional medium of expression for traditional works of authorship. Protection of software by copyright extends not only to the literal program expressed in source code or object code, but also to non-literal elements.

The dividing line between the protected and unprotected elements aligns with the distinction between idea and expression. One of the fundamental tenets of copyright law is the distinction between expression, which is protected, and ideas, which are not. One of the biggest problems courts have faced with regard to copyright protection of software is the determination of which features of a program fall on the idea side and which represent expression[71].

B. SOFTWARE TRADE SECRETS

Trade secret protection, which has its basis in state law, can be used to some extent to protect software.[72] This would most likely be used in the case in which software is distributed in object form (machine readable zeros and ones), while the human readable source code can be kept secret.[73]

In this regard, rights under trade secret could exist concurrently with copyright protection, which, in the case of software, requires a publication of only a short portion of the source code. In regard to complementary protection by patent, trade secret can be of use during the pendency of the application, during which the contents of the application are kept secret by the federal government. Upon issuance, of course, the patent is made public.

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[71] *See Computer Associates International v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992).

[72] The UTSA requires information that:(i) derives independent economic value, actual or potential,from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure, and (ii) is the subject of efforts that are reasonable under the circumstance to maintain its secrecy. Uniform Trade Secrets Act (1985 Approved Draft), 14 U.L.A. 537 (1979).

[73] MILGRIM ON TRADE SECRETS 2.06A[5][c]

III. MULTIMEDIA DISTRIBUTION

In addition to the storage of multimedia works on user-tangible media such as CD-ROM, there is the option of remote access via a means such as a broadband network. This makes possible the dissemination of mu]timedia data to an extraordinary number of users.

As the bandwidth of networks increases, it will become easier to violate intellectual property laws.[74] An example is the use of bulletin boards to illegally distribute software.[75] With the existing narrowband, telephone line-based networks, it is feasible for software companies to monitor bulletin boards and detect the posting of a large program. The significant length of time it would take to download such a program would minimize the harm that could occur before the company requested the bulletin board manager to delete the posting. With broadband networks, however, the entire process of posting and downloading of thousands of copies could be completed in just a few minutes.[76]

IV. LICENSING

A. IMPLICATIONS OF MIXTURE OF MEDIA UPON LICENSING

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[74] According to Tom Lemberg, Vice President and General Counsel of Lotus Development Corporation:

> The digital information revolution represents unique challenges to protecting the rights of copyright owners. First, digitization offers an easy and inexpensive method to create an unlimited number of perfect copies. Second, digitized information can be instantaneously uploaded an downloaded by an unlimited number of people. And third, information in disk media can be converted into a single digital stream and easily manipulated to create a variety of new works using old works.

Tren J. Griffin, *The Impact of Broadband Network on Multimedia Royalties, Content Ownership and the National Information Infrastructure. in* THE MULTIMEDIA LAW INSTITUTE 57 (1994)

[75] In a recent case, users of a bulletin board service would upload and download unauthorized copies of Sega's copyrighted video games which had been extracted from Sega game cartridges. Sega is pursuing a contributory infringement claim against the bulletin board manager. *Sega Enterprises Ltd. o. Maphia et al, 30* U.S.P.Q.2d 1921 (N.D.Cal. 1994).

[76] Tren J. Griffin, *The Impact of Broadband Network on Multimedia Royalties, Content Ownership and the National Information Infrastructure, in* THE MULTIMEDIA LAW INSTITUTE 41 (1994).

Perhaps the most significant stumbling block to the multimedia publisher interested in producing a title is the diversity of sources from which the necessary rights must be acquired. Each medium (text, audio, still image, video, etc.) may require multiple sources for permission. In addition, the sources differ between the various works, so few inter-media methods can be established for the sake of efficiency. Finally, the very fact that the media are being mixed may create new rights which need to be addressed.

For certain media, such as film, there are guilds such as the Screen Actors Guild. These organizations act as intermediaries on behalf of those with intellectual property interests in films. As the multimedia industry evolves, the standard agreements between the guild and its members will explicitly address multimedia rights.[77] In the music recording industry, organizations such as ASCAP and BMI satisfy an analogous role. There is no such organization in the publishing world, so each work will likely have to be negotiated individually.[78]

Given the fact that a multimedia software publisher has to resort to dealing directly with the individual rights owners for textual works, the next task is determining who possesses these rights. The author is the most natural point to start, since the rights originally vest in the author when the work is created. There have been occasions in which multimedia publishers have approached authors only to discover that the author had contracted away the electronic publishing rights to the work's publisher.[79] The publisher may be much less interested than the author in granting a license, as the publisher in the traditional medium may view the multimedia counterpart as unwanted competition. To complicate the matter further, it may not be clear which amongst the author and publisher actually owns the electronic publishing

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[77] David L. Gersh and Jeffrey Sheri, *Structuring the Multimedia Deal: Legal Issues - Licensing in the multimedia arena; part 1*, LASERDISK PROFESSIONAL Mar. 1993 at 36.

[78] *Id.*

[79] Kevin J. Harrang, *How to Negotiate Multimedia Licensing, Development and Publishing Agreements, in* THE MULTIMEDIA LAW INSTITUTE *5 (1994)*

rights, as many contracts did not even address the issue.[80]

Assuming the multimedia publisher determines who owns the electronic publishing rights to the text, the publisher must next determine if the rights address all of that which are to be electronically published. Typical difficulties arise with photographs which were originally licensed from photo agencies, diagrams, drawings, or other images not originally created by the author, and even brief quotations.[81] The author may have acquired the rights to any of these items in order to publish his own work, but the author may not be in a position to pass these rights on to the electronic publisher. Perhaps more distressing, it may not be clear whether the author has this ability or not, as only recently has the issue of electronic publication worked its way into such agreements.

Still images bear some resemblance to textual works from a copyright perspective, but have some unique features also. In the realm of images, publishers typically have neither the motivation nor the funds to contract a photographer to create the pictures necessary for the multimedia work. The available sources are individual photographers and stock photo houses. The availability and cost of images is largely dependent upon the subject matter and shows wide variety.[82] As is the case with the other media, stock photo houses are now starting to address the question of electronic publication in their standard contracts. One problem with the existing standard contracts is the "one edition only" clause, which requires permission to be renegotiated for each subsequent edition of the published work.[83] This may cause great difficulty for the publisher who may release version 1.01 simply to fix a problem with the underlying software, with no information content change whatever.

There is another concern to be addressed which exists entirely outside the realm of copyright law. On the state level, a publisher may inadvertently infringe the rights

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[80] *Id.*

[81] *Id.*

[82] *Id.* at 8.

[83] *Id.*

of publicity of a recognizable person who is the subject of an image. Generally, such laws protect individuals from the commercial use of their images without consent.

The area of fine art has similar pitfalls to some of the other media discussed in that it is often not obvious who owns what rights. An owner of the single copy of a work of fine art does not necessarily own the rights which a software publisher needs in order to electronically publish an image of that piece. In some cases, the artist retains such rights, unless specifically contracted away.

Music may represent the most involved type of work from a licensing perspective, for there are many persons involved in the transaction. The owner of the composition, which, at least originally would be the writer or writers will have to agree to a mechanical license.[84] This transaction may directly involve the owning party or a clearing house such as the Harry Fox Agency.[85] A peculiarity of multimedia is the requirement for a "synchronization" license if the musical piece is to be played in conjunction with a still or motion picture.[86] The owner of the rights in the recording of the music, versus the music itself, must also grant the "master recording" license.[87] This may also be accomplished through clearing houses in some cases, but may also necessitate agreements with multiple artists.

The licensor and licensee have different interests in any licensing arrangement which must be addressed in negotiations. Following are some of the consideration which should be addressed and the likely concerns of the interested parties.

The multimedia publisher will desire to obtain rights in all interactive media currently known or to be developed. The licensor will understandably wish to limit such rights, and establish a royalty schedule for any possible means of distribution. The actual rights granted must also be established, with the licensee desiring the full range of rights to develop, produce, reproduce, manufacture, distribute, perform,

[84] *Id.* at 12.

[85] *Id.*

[86] *Id.*

[87] *Id.*

display, promote, advertise, market, sell, rent, sublicense, and exploit the licensed works. The licensee may further request that these rights be exclusive.[88] The owner of the rights is interested in keeping open as many options for gaining revenue and fair payment for all rights granted.

The parties must also determine how royalties are calculated. There exists the option of per-use payment, but only in an online context, such as broadband networks, which are currently not in high use. As this area grows, however, it may very well become as commonplace as the per-copy payments which are more appropriate for CD-ROM publications.[89]

At this point, a range of from six to ten percent of net revenues is a typical figure in multimedia licensing deals.[90] Because of the newness of this type of arrangement, there is less history upon which to base the meanings of such terms as "gross" and "net", so these terms must be carefully defined in the agreement itself. The owner of the rights may also be interested in exerting some creative control over the final multimedia product. As an example, the owner of the material may wish to include approval requirements to ensure that his or her reputation is not harmed by the resulting multimedia version of the licensed creative work.

B. CURRENT TRENDS

1. Technology Assistance

a. Network Management of Access, Billing for Protected Works

One problem, from the developers' perspective, that exists with any program is the fact that multiple users can use a single installation, particularly through the use

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[88] David L. Gersh and Jeffrey Sheri, *Structuring the Multimedia Deal: Legal Issues - Licensing in the multimedia arena; part 1*, LASERDISK PROFESSIONAL, Mar. 1993, at 36.

[89] *Id.*

[90] *Id.*

of a network. In the case of some multimedia applications, the developer would be interested in an arrangement in which the royalties are determined per access, instead of a one time fee upon purchase.

This goal is closer to being realized with new technologies being developed. Novell has included software licensing and metering services to its network operating system.[91] The resulting network can be controlled by the network manager to control access to applications, such as multimedia works, based on number of accesses, accumulated duration of access, or certain classes of users. Licenses can be purchased up front, and the system can keep track of the number remaining, warning the system manager or individual user when the licenses are about to run out. With such an arrangement, a title published in the form of a CD-ROM can generate revenue as though it were offered through a pay-access broadband network.

Another product in the works, from InfoLogic Software, is an encryption-based system which ensures that information is only accessed through the licensing system. This system would serve many of the same functions as the Novell system, including the monitoring and reporting services.[92]

b. Encoding of Ownership, Description Info on Protected Works

In the interest of making alteration of digitized works detectable, the Interactive Multimedia Association is examining ways to encode information such as ownership and a description of the original work onto a legitimate digitized copy, making it more difficult to alter the work illegally.[93]

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[91] Michael Dortch, *NetWare to Get Apps Control*, COMMUNICATIONSWEEK, March 8, 1993, at 23.

[92] Tren J. Griffin, *The Impact of Broadband Network on Multimedia Royalties, Content Ownership and the National Information Infrastructure, in* THE MULTIMEDIA LAW INSTITUTE 57 (1994).

[93] Heather Clancy and Diana Hwang, *Standard multimedia license plan sought by developers, trade group; Inability to address copyright holders' rights hinders convergence efforts*, COMPUTER RESELLER NEWS, May 23, 1994, at 93.

2. Corporate Activity

a. Business Alliances

Corporations are teaming up to make the best of their respective talents in content ownership and electronic publishing. By bringing together a library of content, technical know-how and multimedia distribution channels, such arrangements achieve synergy by taking advantage of the best of what the two very different types of corporations have to offer. By entering into arrangements on a large scale, they avoid the problems inherent in engaging in unique negotiations for each publishing opportunity that arises.[94]

b. Multimedia Libraries

Some corporations have created multimedia libraries to serve the needs of those who desire to create their own multimedia works and need a way to get the needed content and rights. Sound Source's AudioClips is a collection of Windows-compatible sound-bite files from popular films.[95] Andromeda Interactive's ResourceBank includes photographs, artwork, video footage, sound clips, maps, text, and data.[96] Jasmine Multimedia Publishing's 35-disc collection includes videos, music, Hollywood special

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[94] In April of 1994, Paramount Publishing and Davidson & Associates, Inc. entered into a relationship to develop, publish and distribute multimedia titles for a number of different markets. This brings together the nations's largest publisher and the leading independent educational software publisher. Paramount brought to the deal a library of more than 300,000 titles. It had been converting its books into digital formats since 1991 in anticipation of such a deal. PR Newswire, *Paramount Publishing and Davidson & Associates, Inc. Announce Joint Venture*, April 12, 1994. Large content owners such as CNN and WNM are beginning to actively seek out multimedia hardware and software developers in order to get involved in the multimedia market. Data Channels, *CD-ROM Expo Concentrates on the Future of Multimedia and CD-ROM*, October 12, 1992

[95] Don Steinberg, *Hey! We're being sued for copyright infringement; Is your company practicing safe multimedia? Some tips for staying within the law*, INFOWORLD, Mar. 14, 1994 at 54.

[96] The data is available in digitized form to subscribers on a royalty-free basis for use in CD-ROM products. It includes over 8,000 pieces of artwork, about 3 million monochrome and color photographs, 20,000 professionally created sound effects from Hollywood, one hundred hours of music, 1,000 video clips, and large bodies of text, data, and digitized maps. Tony Feldman, *One-stop shop for royalty-free information; ResourceBank, collection of copyright information on CD-ROM products*, CD-ROM WORLD, January, 1994, at 108.

effects and still photographs available royalty-free.[97]

i. Varieties of Rights Actually Granted to End User

There are a number of multimedia libraries currently available to users. Though they various offerings may offer similar subject works, there is a broad range of rights that the sellers of these products pass on to the purchasers. Some offer almost unlimited rights to the end user.[98] Others are extremely limited, allowing the purchaser to do little other than read/listen/view for themselves.[99] Some of the collections that are designed for professional multimedia title producers have built-in royalty arrangements.[100]

c. Licensing Managers

Organizations are starting to act as intermediaries for owners of the rights associated with various types of works. The Mechanical-Copyright Protection Society Ltd. (MCPS) is offering agreement amendments to its subscribers to cover multimedia royalty collection. Another organization known as The Electric Book Co. is offering a similar service to photographers.

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[97] Jay Alan Samit, *Creating a royalty-free clip-library means threading legal, technical maze,* COMPUTER PICTURES, September, 1993, at S8.

[98] Prosonus' MusicBytes lets users use the musical selections it provides in any way they wish, except for re-releasing the music to compete with Prosonus. Prosonus bought out all the rights from the composers and musicians and passes along these rights essentially unfettered. Jim Seymour, *The Multimedia Copyright Swamp,* PC MAGAZINE, February 23, 1993, at 99.

[99] Hammerhead's Mother Earth II disk is a collection of over 400 digitized photographs and limited utilities to edit them. Virtually no rights other than viewing are passed along to the consumer with this collection. If the user desires to use any of these images to create a multimedia piece, the user must purchase the additional rights from the publisher. *Id.*

[100] Purchasers of the ResourceBank from Andromeda Interactive pay an annual fee of about $12,000 and a one-time fee of about $80 for each piece used. *One-stop shop for royalty-free information; ResourceBank, collection of copyright information on CD-ROM products,* CD-ROM WORLD, January, 1994, at 108.

3. Industry Groups

a. Licensing Boilerplates

Another effort in the area of simplifying the licensing process is the development of boilerplate agreements. Toward that end, the Interactive Multimedia Association has established a task force to develop model licensing agreements to assist developers. The Software Publishers Association is working on a similar project in the area of licensing still images. On the motion picture front, a section of the Moving Picture Experts Group (MPEG) is working on simplifying the process of contracting for electronic publication rights. In Japan, an organization including Dentsu Inc., NTT Corp., Asahi Broadcasting Corp., FM 802, Matsushita Electric Industrial Ltd., and the city of Kobe will be trying to formulate rules for the copyright of multimedia software from a broadband perspective.

4. Government

a. Japanese Clearinghouse Agency

A new Japanese governmental agency will be set up to address copyright in order to facilitate multimedia software. Under the Ministry of International Trade and Industry (MITI), the agency will gather copyright information pertaining to the various media of interest to multimedia title developers to facilitate licensing. The agency will collect fees from those who use the service.

V. SUMMARY

The multimedia publishers of the future seem to be approaching what appears to be an insurmountable maize of various property rights, laws, and traditions to obtain a desired clearance of rights in works to fill the present and future needs so that the

enormous investments can be legally protected. There can be a multitude of property owners involved in the text, photographs, images, video, software, personal characteristics, etc., that if each required individual standard royalties, the total may be impractical.

Not only are intellectual property rights involve (copyrights, patents, trade secrets, trademarks), but also privacy rights and criminal laws, as well as a number of present and future government rules and regulations.

The issue of copyright protection for multimedia works and the works that constitute them is understandably a complicated one. Undoubtedly, some multimedia publishers will forge ahead and copy works without seeking permission from copyright owners in questionable cases. This may help to settle some of the questions as to what is substantial similarity, what is a derivative work, how much copying is de minimis, and so forth. Unfortunately, this sort of determination comes at significant litigation expense to the parties involved. For these types of questions, this may be the only way to get the issues resolved. It is unlikely that federal legislators can be convinced to create a set of statutes specific enough to address all of the various permutations of rights, media and degrees of copying to cover the field. Even if this were an option, it is perhaps best left to the judiciary and its evolutionary nature to address a subject as changing and nebulous and creative rights.

This same approach could also be used to answer questions such as where electronic publishing rights lie in situations in which they are not addressed in a contract. As in the previous example, this comes at a high expense to the parties. For this sort of issue, the more productive resolution is to eliminate ambiguity through express contract terms which address electronic publication and its inherent subtleties. This is perhaps best accomplished through a two-tier approach which draws upon some of the existing features of multimedia practice mentioned in this paper.

At the first tier would be one or more clearinghouses for the collection and licensing of various types of works which may be used in multimedia titles. This has the advantage of providing a single source or small number of sources which a multimedia publisher must approach in order to obtain the necessary licensing rights.

As a focused interest, it would collect the necessary expertise to ensure that the agreements it offers to publishers address all of the necessary issues in the electronic publication arena.

Either the federal government or private interests could run such an organization. As mentioned above, in Japan such a clearinghouse is being formed under government control. In the United States, it is more likely that private interests would develop to fill such a role. Further, it would more likely be existing interests which expand their charter to address electronic publication than new organizations which form just to fill the electronic niche. The current group of licensing agents such ASCAP in the recorded music industry and the many stock photo houses in the still image field are well placed to expand their intended customer base to include multimedia publishers.

The very nature of a market driven economy will tend to create this expansion where it has not already done so. The multimedia publishing market is generating considerable revenue, and will almost certainly continue to do so. Where there is profit to be had, it should not take long for some corporation to step in to meet the need. The existence of single versus multiple clearinghouses in the various media reflects the tradeoff between consistency and the ease of a single source in the former and the benefits of competition in the latter.

Assuming such a situation evolves and meets the bulk of the licensing needs of the market, what the remainder need is a standard by which to generate contracts for those remaining right holders who do not subscribe to the services of a clearinghouse. This second group is best served by a set of boilerplate agreements which the multimedia publisher and copyright owner can use to construct a licensing agreement. Such templates force the parties to consider issues which have come up before in similar situations. This eliminates the problem of simply not addressing situations because neither party thought of them at the time they drafted the contract.

It may well be the same organizations which form or expand into the electronic publication clearinghouse roles which generate the boilerplates. Assuming several boilerplates exist, the best will rise to the top and find more widespread use.

Practitioners in the field will also likely form their own hybrids by combining the best elements of various sources. The initial boilerplate offerings are important, however, as they will likely influence all those that follow.

The hardware and software technology already exist and the channels are forming through which vast numbers of people can experience the mixture of text, sound, still images and motion pictures that are the product of the multimedia explosion. The law must adapt to fit the new paradigms in order to continue to protect the rights of those who create works of all sorts. It is incumbent upon those who participate in these new markets, both from a business and law perspective, to ensure that enhancements to technology provide new opportunities for creators and publishers, not pirates.

(1) Title:

Multimedia and its Intellectual Property Rights

(2) Date:

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(3) Source:

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2) Group: Japan
3) Committee: #2

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the Berne Convention for the Protection of Literary and Artistic Works / Article 6 (2) (Europe)

(7) Abstract:

"Multimedia software" is produced by combining multiple media, such as sound, graphics, text in digital data form, representing artistic works. Producing multimedia software requires exploitation of extremely numerous works as materials whereas such works in digitalized form are easily modified or duplicated. Consequently, it goes without saying that copyright owners on such works hesitate to provide their materials. And therefore, making copyright clearance is considerably difficult.

This report presents several new rules on copyright clearance for multimedia software as proposed in Japan while touching on problems involved in multimedia on networks.

Multimedia and its Intellectual Property Rights

I. Status Quo of Copyright Clearance for Multimedia Software and Proposal on New Rules of Copyright Clearance

1. Introduction

With the rapid progress of information processing and telecommunication technologies, now is the time when it is the dawn of the multimedia markets. People are highly interested in multimedia because they are not satisfied with the existing media such as television program, magazines, and movies, and also because multimedia will be a new core of all industries in the future.

At present, much is spoken everywhere of the word "multimedia", which has a large variety of definitions. According to the first report prepared by the Multimedia Subcommittee of the Copyright Council and announced by the Agency for Cultural Affairs in November, 1993, "multimedia" is defined as "transmission media (or their utilization means) consisting of integrations of various representations such as characters, sound, static graphics, and dynamic graphics in such an interactive manner as to allow users not only to use passively but also to do positively such as to select, manipulate, and edit their various data at their discretion." Based on this definition, the followings can be deduced as the technical features of multimedia: (1) integration of various media, (2) all media as materials in digital data form, (3) easy to manipulate, modify, and correct its digital data, and (4) enables to transmit digital data interactively.

These features of multimedia have caused various problems in relation to copyrights on materials for multimedia at the point of producing multimedia software. This report presents the problems with copyright clearance in producing and using "multimedia software" (hereinafter referring to user-interactive software containing multiple media such as sound, graphics, and text) as well as several new rules on copyright clearance proposed as a solution to these problems.

2. Problems with Copyright Clearance for Multimedia and Status Quo of Copyright Clearance

(1) Problems with Copyright Clearance for Multimedia

The first, problem with copyright clearance from the viewpoint of multimedia software producers lies in the complicated procedures for copyright clearance. Multimedia, as its name suggests, is a complex of multiple media, each of which, representing a work, under the legal protection of the Copyright Law. This means that it takes a great deal of time, cost, and labor to procure permissions to exploit all the media from all copyright owners concerned. Further, it is also possible that authors, when granting such permissions, may impose restrictions on the scope of manipulation, modification, and correction of their works by reason of the right of preserving the integrity of works (moral rights), and therefore the producers may be prohibited from processing what they are intended to. The problem is aggravated because the right of preserving the integrity is particularly powerful in Japan, where Article 20 of the Copyright Law provides that "the author shall have the right to preserve the integrity of his work and its title against any distortion, mutilation, or other modification against his will", thus the right of preserving the integrity is vested with much greater authority under Article 20 than the right provided for in Article 6 (2) of the Berne Convention. In fact, the mere act of converting works into digitalized data form might be deemed against the author's will. Incidentally, the Berne Convention provides that "the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation."

The second, problem from the standpoint of copyright owners is that they are anxious about the security of their copyrights in providing their works as materials for multimedia software. Individual media forming multimedia are digitalized data, which

can be easily duplicated or modified by producers or users. There is a danger, therefore, that the representations created by copyright owners will be distorted. Further, there is also a high possibility that the exact replica of original works, due to digitalized data form, will be produced in great numbers, causing considerable anxiety and discomfort to copyright owners. To the contrary, when immature digital technologies are used to produce duplicate copies inferior to original works, it is also possible that copyright owners will feel that their representations are deformed. In any case, we can easily imagine that copyright owners will hesitate to provide their works as materials for multimedia software.

The third, problem is common to both multimedia software producers and copyright owners. Since multimedia allows users transmit, receive, and process its digitalized data through telecommunication lines and consequently enables users not only to apply software to their private use but also to distribute their processed data to the public through telecommunication lines, it complicates the relationship among copyright owners, multimedia software producers, and users in point of the treatment between original works and secondary duplicate copies, the right of preserving the integrity, and other matters. Further, multimedia enables any users to transmit it, while the conventional media are distributed only by a few venders. And then, it is necessary for multimedia software producers and copyright owners to develop a new method to estimate for service charges and monetary compensations.

The fourth, problem concerns users. Since the advantages of multimedia to users lie in allowing them not only to use passively (merely to view) but also to select freely, manipulate, and edit individual media, it is necessary to duly grant users the right to select, manipulate, edit media as well as to distribute users' modified ones. Further, the key factor to develop multimedia is software after all. Multimedia will not appeal to users unless software is available in great varieties.

The multimedia market would not be expected to expand if software were available in only a few varieties as well as at high sales prices resulting from complicated and numerous copyright clearance, and were lacking in creativity under the severe restrictions of the right of preserving the integrity.

(2) Current Status of Copyright Handling

Multimedia software is a complex of various media such as characters, sound, pictures, photographs, and dynamic images. Suppose that a certain popular song is needed as a material for multimedia software, you must access to its composers for permission to exploit it. If you can not access him because his residence is unknown, you can not exploit the song. Fortunately, there are several organizations to centralize management of copyrights by industry (organizations for copyright owners) in Japan as listed below so that producers and users may generally access to media or work you want.

(1) Brokerage Organizations (Organizations acting as agents or intermediaries for copyright clearance, being permitted and certified by the Commissioner of the Agency for Cultural Affairs in compliance with the provisions of "the Law Regarding Brokerage Businesses Concerning Copyrights." Applicants for management businesses concerning copyrights on music, novels, and scenarios must be permitted and certified by the Commissioner of the Agency of Cultural Affairs.)

* Japanese Society for Rights of Authors, Composers and Publishers (JASRAC)
* Writers Guild of Japan
* Japan Association of Authors
* Federation for Scenario Writers of Japan

(2) Designated Management Organizations (Organizations managing rights executable only through organizations for owners of rights designated by the Commissioner of the Agency of Cultural Affairs under the Copyright Law, such as rights to private monetary

compensations for audio and vidual recording, secondary royalties for commercial phonogram, etc.)

* Association for Management of Private Monetary Compensation for Recording
* Geidankyo (for Groups of Entertainment Performers)
* Recording Industry Association of Japan

(3) Other Organizations (Voluntary Organizations)

* Japan Association for Copyrights on Photographs
* Japan Artists Association
* Japan Duplication Right Center
* Japan Video Association

It should be noted here that the above organizations, though assisting you to access, directly or indirectly, to copyright owners, do not always go as far as to act as agents for copyright clearance. Copyright clearance status quo is described below with reference to concrete examples.

* JASRAC

As an organization to centralize management of copyrights on musical works, JASRAC is entrusted with brokerage businesses for copyright clearance, directly or via music publishers, from almost of all domestic songwriters and composers. Applicants for exploitation of musical works (for such purposes as producing Karaoke tapes or putting into a music boxes) submit the application paper to JASRAC where reasons and content of their exploitations is written, then they can obtain licenses in exchange for monetary compensations stipulated in detail by type of licenses.

The organization mentioned that in the event of partial exploitation of musical works for commercials and game software applicants should obtain licenses from each copyright owners (authors) because authors are anxious that such exploitation

settles their works in an image against their will. For example, since such musical works as game software are often marked with no author's name, there is reportedly a strong demand for marking author's names in view of the moral rights. There are other similar cases where authors ban arrangement of their acoustic music into digitalized style, prohibit their musical works from using as a background music for commercials conveying certain concepts, and prohibit them from inserting them into LDs for Karaoke with sexual vidual.

The organization reportedly demands some tips on specific modes to exploit musical works for multimedia software because such modes of exploitation are unknown and obscure.

As an sample of royalties for musical works, we cite a royalty list below summarized for Karaoke, phonogram, music boxes, and rental phonogram in compliance with "the provisions for royalties for works by JASRAC" as of 1991.

(Royalties applicable when annual comprehensive license agreements for Karaoke vocals are concluded)

(a) Audio Karaoke vocals (Including cases using apparatus capable of simultaneous reproduction of static images)

Division	Area of Guest Hall or Banquet Hall	Monthly Royalties (yen)
1	Between 16.5 m^2 (5 tsubo) (exclusive) and 33.0 m^2 (10 tsubo) (inclusive)	3,000
2	Between 33.0 m^2 (10 tsubo) (exclusive) and 49.5 m^2 (15 tsubo) (inclusive)	5,000
3	Between 49.5 m^2 (15 tsubo) (exclusive) and 66.0 m^2 (20 tsubo) (inclusive)	6,000
4	Between 66.0 m^2 (20 tsubo) (exclusive) and 99.0 m^2 (30 tsubo) (inclusive)	8,000
5	Between 99.0 m^2 (30 tsubo) (exclusive) and 165.0 m^2 (50 tsubo) (inclusive)	10,000

(b) Vocals accompanied by running of videograms

Division	Area of Guest Hall or Banquet Hall	Monthly Royalties (yen)
1	Between 16.5 m^2 (5 tsubo) (exclusive) and 33.0 m^2 (10 tsubo) (inclusive)	4,500
2	Between 33.0 m^2 (10 tsubo) (exclusive) and 49.5 m^2 (15 tsubo) (inclusive)	7,500
3	Between 49.5 m^2 (15 tsubo) (exclusive) and 66.0 m^2 (20 tsubo) (inclusive)	9,000
4	Between 66.0 m^2 (20 tsubo) (exclusive) and 99.0 m^2 (30 tsubo) (inclusive)	15,000
5	Between 99.0 m^2 (30 tsubo) (exclusive) and 165.0 m^2 (50 tsubo) (inclusive)	10,000

In the cases of both (a) and (b), halls where banquets are held mainly for specific guests such as party guests and invited guests are exempt from the above royalties if their area measures up to 33.0 m^2 (10 tsubo) (inclusive) while the other halls are exempt from such royalties if their area measures up to 16.5 m^2 (5 tsubo) (inclusive).

(Royalty for one musical work (including lyrics, etc.) contained in one commercially available phonogram)

For each musical work, the amount obtained is whichever is greater, by dividing 6/100 of the phonogram price (excluding consumption tax) by the number of musical works contained in the phonogram or 8 yen 10 sen. (8.10 yen)

(Royalty for one musical work exploited in one music box)

For each musical box, the amount is equivalent to 7/100 of its shipping price (excluding consumption tax). However for each special music box (e.g. electric music box and music siren), the amount is equivalent to 10/100 of its price (excluding consumption tax).

(Royalty for one musical work contained in one rental phonogram)

For each rental phonogram and each rental, the amounts specified below:

Record Type	Royalty
LP	50 yen
Single	15 yen
CD	70 yen
Tape	50 yen

* Writers Guild of Japan

This organization is entrusted with the rights to duplicate, playback, broadcast, etc. of scenarios but finds it difficult to centralize management of the moral rights, and proposes the necessity to determine terms and conditions for licenses with individual authors. While individual scenario writers grant licenses for the first broadcasting of their scenarios, this organization takes over the management of their secondary exploitation, such as rebroadcasting and commercialization in video tape.

As a sample of royalties for scenarios, we cite a royalty list below limited to for television broadcasting in compliance with "the provisions for royalties for works by Writers Guild of Japan" as of 1991.

(1) Royalties Applicable to Nippon Hoso Kyokai (NHK)

1) For nationwide broadcasting, a royalty is charged for each scenario and each broadcasting at the amount equivalent to 50% of the fee for each scenario (a reward for writing of each scenario for nationwide broadcasting and a royalty (including consumption tax) paid by the NHK for initial nationwide broadcasting).

2) For any other broadcasting than nationwide broadcasting, a royalty is charged for each scenario and each broadcasting at the amount obtained by reducing the amount in (1) above at different rates depending on individual local head or branch broadcasting stations concerned.

(2) Royalties Applicable to Other Broadcasting Organizations than NHK

1) For nationwide broadcasting, a royalty is charged for each scenario and each broadcasting at the amount equivalent to 50% of the fee for each scenario (a reward for writing of each scenario for nationwide broadcasting and a royalty (including consumption tax) paid by each broadcasting organization for initial nationwide broadcasting). In this case, one broadcasting by individual local broadcasting stations within 6 months after the first broadcasting by the key broadcasting station, is deemed one simultaneous nationwide broadcasting.

2) For nationwide rebroadcasting within 10 days after nationwide broadcasting by the key broadcasting station in compliance with the royalty provisions in (1) above (regardless of whether the key broadcasting station initiates such rebroadcasting ahead of individual local broadcasting stations or vice versa), a royalty is charged for each scenario and each rebroadcasting, notwithstanding the provision in (1) above, at 30% of the royalty amount in (1) above. In this case, each scenario in each rebroadcasting is handled in compliance with the provision in (1) above.

3) For any other broadcasting than nationwide broadcasting, a royalty is charged for each scenario and each broadcasting at the amount obtained in consideration of the regional and economic conditions where individual broadcasting organizations concerned are located.

* Geidankyo (for groups of Entertainment Performers)

This organization is, concerning the copy-neighboring rights, engaged in the business to establish general standards of terms and conditions when users can take licenses toward entertainment performance, and in the clerical business which is considered to be virtually difficult for performers to execute in personal in advance (such as claims of compensations for users' recording of broadcasted entertainment performance and for

its rebroadcasting). The organization has incorporated the Center for Clearance of Neighboring Rights of Entertainment Performers to promote unified exercise of the neighboring rights for entertainment performers.

Except for a very few organizations for copyright owners, there are not any organizations to formulate unified rules on centralizing management of copyright clearance. Further, there are no organizations to centralize management of the moral rights. Consequently, multimedia, which involves modification of works, absolutely is necessitated with individual copyright clearance. Namely, since authority vested with to those organizations for copyright owners is considerably limited in scope, any applicants for exploiting works eventually have no choice but to negotiate directly with individual copyright owners to determine the terms and conditions for licenses including monetary compensations. In fact, procedure for copyright clearance takes multimedia software producers a great deal of time, cost, and labor, thus being a severe obstacle to the development of multimedia.

It is no exaggeration to say that the development of multimedia depends on whether or not copyrights on their individual component media are cleared smoothly between authors and producers. Now, we present three major rules proposed for the solution of the issues in Japan.

3. New Rule on Copyright Clearance Proposed by Agency of Cultural Affairs

As a competent authority supervising copyright clearance, the Agency for Cultural Affairs inaugurated the Multimedia Subcommittee of the Copyright Council to study problems with multimedia under the Copyright Law in June, 1992. Then the committee summarized the conclusion of its research focused on copyrights clearance on works used as materials for multimedia

software, and reported it as "the First Report by the Multimedia Subcommittee of the Copyright Council" in November, 1993.

This report discusses various issues, such as the definition of multimedia, its producing process, copyright clearance status quo and problems with it, and then proposed a new rule on copyright clearance. This paper presents only the new rule on copyright clearance proposed in the report.

(1) Characteristics of Centralized Management Center

"The Organization for Centralizing Management of Copyright Information (provisional name)" will be established as a center for supplying identical information for specifying the copyright owner, in an attempt to construct a system for integrating information on copyright which the existing organizations manage for supply to users through a single outlet. (Database in the field of music is now under considerable progress but still quite unsatisfactory in any other field.)

However, it is difficult to establish an unified organization for copyright clearance because of the differences in the nature and in the mode for use among numerous works all over the fields, and because accompanied with the reason, each field has each consciousness and its management in copyrights. Therefore, to begin with, we should consolidate and enrich the management system for centralizing its copyrights in each organization or field, and after the accomplishment of those, we should develop a cooperated system of all the fields to exercise rights regarding copyright in joint signatures, according to certain rules within a scope of mutual consent among all of the organizations concerned.

(2) Registration

Copyright owners may register their works voluntarily. (There is no reference to other details such as registrants, objects or terms and conditions of registrations in the report.)

(3) Modes of Exploitation

Pending status because an organization for centralizing management of copyrights has not been established yet.

(4) Royalties and Rewards

It is under consideration to reform copyright clearance, which is now granted based on the respective exercise of rights in such a manner as to grant comprehensive licenses for a series of copyrights in exchange for comprehensive royalties.

(5) Moral Rights

Although the moral rights are unsuitable for centralizing management, it is contemplated to prepare for a system where it can respond to users' questions according to certain rules and can inform users in advance of the name of owners from whom they need to be granted when they need.

(6) Necessity for Legislative Amendment

Centralized management for copyrights under voluntary registration always causes problems with outsiders. Under the Copyright Law, a system is settled where exercise of certain claim for reward may be authorized only through the designated organization. It should be considered that even specific exploitations of works which are difficult to manage could be generally applied to the above system, and that the current award system should be reviewed.

4. A Proposal of the New Rule on Intellectual Property for Multimedia by the Institute of Intellectual Property

As a foundation for investigation and research on various problems with intellectual properties, the Institute of Intellectual Property has established "the Multimedia Committee" to study various problems resulting from the advent of multimedia, on the allegation that "applicating the current provisions of the Copyright Law may impede the use and

development for multimedia because they fail to presuppose the advent of multimedia technologies." In February, 1994, the Multimedia Committee announced to the public "Proposal of the New Rule on Intellectual Property for Multimedia (Published Draft "Exposure 94").

The Institute of Intellectual Property has proposed the establishment of "the Digital Information Center" and the amendment to the current provisions of the Copyright Law regarding the rights to preserving the integrity, proposing the necessity to establish an organization for voluntary registration by copyright owners and for centralizing management for copyrights and their information on works in order to relieve both copyright owners and multimedia producers for anxiety referred to above and ensure the sound development of multimedia.

(1) Characteristics of Centralized Management Center

The Digital Information Center will be established as a completely new centralized management center engaged in copyright clearance and supply of copyright information for exploiters (multimedia software producers).

(2) Registration

1) Subject of registration: Copyrights and their neighboring rights on works which have been made public and works whose author has consented to make them public.
2) Registrants: Copyright or neighboring right owners
3) Registration conditions: Applicants for registration must consent to exercise only the right to claim for rewards and abandon the exclusive rights to prohibit anyone from exploiting as to works to be registered.

(3) Modes of Exploitation

1) Supply of copyright information

The Center shall supply applicants for exploitation of works with copyright information such as synopses of works, copyright

owners, monetary compensations, and the terms and conditions for licenses.

2) Licenses

Exploiters may exploit works in compliance with the terms and conditions for licenses (including compensations) predetermined by copyright owners concerned.

(4) Royalties and Rewards

The Center shall collect rewards charged on exploiters, and pay it to copyright owners.

(5) Moral Rights

The Center shall announce whether the author has consented to abandon the right of preserving the integrity with the Center at the time of registering their copyrights. In case of that there is such consent, exploiters may manipulate or modify the works at their discretion unless they injure the author's honer and reputation. But for such consent, exploiters shall obtain such consent or permission from individual authors.

(6) Necessity for Legislative Amendment

The new rule proposed above by the Institute of Intellectual Property complies with the current provisions of the Copyright Law and requires no amendment to those provisions. Nevertheless, the Institute proposes that it is necessary in the near future to amend the provision for the right of preserving the integrity as a part of the moral rights described as follows.

a) "Authors may consent in advance to abandon the right of preserving the integrity unless they are injured of their honor or reputation. This consent is deemed to extend not only to those who have obtained the permission directly from authors but further to those who have obtained indirectly via those who have obtained it directly from authors, unless the authors do not declare their specific will against above."

b) "The scope of the right of preserving the integrity is limited only to the cases when exploiters' modifications make author injure their honor or reputation."

5. New Rule on Copyright Clearance Proposed by DAVIS

The Digital Audio Visual Interactive Media Society (DAVIS) is a volunteer organization established in 1990 for such purposes as research, development, and education and the like regarding multimedia. DAVIS consists of the Technical Section, the Application Section, the Education Section, and the Intellectual Property Right Research Section, which has presented the new rule on copyright clearance described below. It has a membership of about 70 companies including Intel Japan, Oki Electric Industry, Toshiba, IBM Japan, and Mitsubishi Kasei.

DAVIS has alleged that "restrictions on the rights of media and other obstacles make it difficult to implement any new rules on copyright clearance worked out within the scope of the current provisions of the Copyright Law in an attempt to match the multimedia era." Based on this allegation, DAVIS, departing from the realm of the current provisions of the Copyright Law, assumed a society 20 years ahead where multimedia will become widespread in an effort to seek favorable rules on copyright clearance in such a future society. In April 1, 1994, DAVIS announced a proposal for "the Quantum Media Protection Law (provisional name)".

This proposal assumes a society where optical fibers are spread to every household all over the world, as has been advocated by the US Vice-President A. Goa as "the Information Super-Highway". In this society, information (including not only software and database but also music, movies, and other works) would be all digitalized form so that anyone could reproduce or change the information at their discretion with ease without any deterioration and further provide the information for third parties with ease without any deterioration in quality.

This proposal adopts the term "Quantum Media" instead of "multimedia", with the objective of drawing a clear distinction between the former and the latter that is accompanied by personal profits of authors, and on the assumption that digital computers 20 years ahead will attain their full development by means of optical and other various technologies in addition to electronic technologies. Quantum Media, in which the moral rights are abandoned, falls under none of the categories stipulated by the current provisions of the Copyright Law, can be manipulated without restrictions and exists only in network constructed with a view to managing and operating them properly, because Quantum Media is independent of the existence and its form.

(1) Characteristics of Centralized Management Center

Quantum media exists only in a definite realms of network. Organizations for management of network where Quantum Media exists take charge of their management and operation. They provide owners' information and data (quantum data) available for exploitation

(2) Registration

As Quantum Media, any data may be registered by anyone, provided that it were free from legal problems such as copyright infringement. Data owned by others may also be registered by anyone with its source clearly stated. Further, no one shall register any data without preliminary consent to abandon the moral rights.

(3) Modes of Exploitation

Each organization for management of network shall determine the unit of registration. Authors, when registering their data, specify one of four modes of exploitation, with which exploiters must comply.

1) Mere view (access only)
2) Unrestricted exploitation including edition and manipulation in network
3) Downloading from network for non-profit-making purposes

4) Downloading from network for profit-making purposes

(4) Royalties and Rewards

Each organization for management of network shall determine royalties for Quantum Media for each of the above four modes of exploitation. Creativity, labor and other attributes are not reflected upon royalties. Royalties are assessed only in terms of their economic value. Further, the royalties are to pay regardless of the number of exploiters' manipulation steps involved.

(5) Moral Rights

Preliminary consent to abandon the moral rights is a requisite for registration to Quantum Media with each organization for management of network. There may be several cases when any exploitative or modified Quantum Media may make libels against original Quantum Media authors. Therefore, each organization specialized in settlement of disputes shall be newly established in order to protect the affected authors, and if necessary, to execute such authorities as to cancel registered Quantum Media at their discretion.

(6) Necessity for Legislative Amendment

In coexistence with the current provisions of the Copyright Law, "the Quantum Media Protection Law" shall be legislated in order to legislate the above new rule on copyright clearance for Quantum Media existing in network and for those downloaded from network for non-profit-making purposes. With emphasis on ensuring "the safety of dealings," this act shall provide protection for authors' Quantum Media even in case of their failure to satisfy the registration conditions. Further, this act shall provide each organization for the authority to cancel Quantum Media illegally registered on authors' request. But secondary or later Quantum Media already modified shall not be canceled but limited to be accessed only as their mode of exploitation. Any Quantum Media modified may be canceled according to the decisions of each organizations for settlement

of disputes only in cases where it might make libels against original Quantum Media owners.

Incidentally, Quantum Media downloaded from network for profit-making purposes and created outside network, is cleared in compliance with the current provisions of the Copyright Law.

6. Conclusion

It is expected that further researches will be conducted in the future and that the things to be dealt with will be cleared in copyright clearance for multimedia software. To ensure smooth progress in such copyright clearance, it will be necessary to meet the three requirements below.

(1) To obtain identification information on copyright owners

First of all, it is absolutely necessary to identify copyright owners concerned with whom you will negotiate.

(2) To have some prospect for terms and conditions for licenses before negotiations

Multimedia software producers must have some prospect for terms and conditions for licenses in order to draw up their business plans. No such plan can be made if there is no clear prospect for the utility and profitability of multimedia software to be produced. Although such prospect will emerge naturally as an industry practice comes to form, anyhow an unified outlet for copyright clearance would facilitate uniformity and publication of the terms and conditions for licenses. Copyright owners would also welcome the publication the terms and conditions for licenses, which would relieve them of anxiety about their copyrights being illegally exploited.

(3) To obtain preliminary information about the treatment for preserving the integrity in connection with the requirement in (2) above.

Producing multimedia software frequently involves

modification of works exploited as its materials. While uniform restrictions on the moral rights may cause several problems, the rights to preserve the integrity still constitute an obstacle to exploitation of works as materials of multimedia software. As we can not imagine what kind of modifications are regarded as "against the authors' will", there is no alternative way but to consider whether it is regarded as such only from the outcome produced by modifications with original works.

There are all kinds of works, some being resolute in rejecting any modification and others being ready to accept any modification, so, we can not treat each works uniformly. It is at least necessary, however, to identify those works which are "ready to accept any modification." The trouble with the right of preserving the integrity could be avoided by using these works as materials for multimedia software as far as the situation permits.

In principle, it rests with copyright owners to decide whether to register their works. Some copyright owners who are not loath to accept any modification or wide exploitation of their works, will choose to register them to the Digital Information Center or Individual Organizations for Management of Networks where Quantum Media exist. Other copyright owners who prefer no modification to more exploitation of their works will keep to use the existing copyright clearance systems and will not desire to use such new systems.

Thus, there are many difficulties to facilitate copyright clearance. In fact, a concerted effort is demanded of both copyright owners and multimedia software producers toward the construction of new copyright clearance systems.

II. Problems with Multimedia Installed in Networks

Realization of Environment for Use of Multimedia

Establishment of copyright handling centers for multimedia software as described in Chapter I requires construction of databases with enormous storage capacities and consolidation of

the infrastructure. Further, installation of multimedia software in networks for easy interactive access by any user at any time absolutely requires construction of highly functional data communications networks adaptable to varying data quantities. Needed for meeting these requirements is a technology for compression and expansion of digital dynamic images (developed by the Moving Pictures Experts Group (MPEG)), which is now under consideration for use as a standard, intellectual property rights which are essential for realization of MPEG are held by many owners, so the copyright clearance will be the bottleneck. There seem to be other various technical breakthroughs available, but it is also imaginable that the realization of the environment for use of multimedia depends on whether or not intellectual property rights on common technologies can be cleared by virtue of technical standardization under proper conditions. Further, there still remain the problems of whether necessary databases are to be constructed by public or private organizations and how to cover the expenses for construction and maintenance of databases.

(2) Coping with Copyright Infringement

A major problem encountered in commercialization of multimedia will be who is to blame for copyright infringement arising from distribution of works not duly subjected to copyright handling in networks where multimedia are implemented. Worthy of note in this respect is the judgment passed on the recent case of the dispute Playboy Enterprise Inc. (PEI) between V. Frena (MDFla, No. 93-489-Civ-J-20) in which Defendant Frena operated the subscription computer bulletin board service (BBS), into which computerized images of photographs copyrighted by PEI were written without permission of PEI. It is not Frena but system users who wrote the photographs in question, but the judgment held that Frena infringed PEI's rights of distribution and display. This judgment has revealed that part of responsibility for copyright infringement falls on system operators, but a question remains whether it is possible for system operators to check all written data for copyright

infringement. Apart from copyright infringement, works may also be misused for leakage of individuals' privacies or trade secrets, violation of public order and morals, and slander and defamation of individuals, for which legal corrective (remedial) measures will have to be enacted to identify who are to compensate for the resulting damage.

All the problems described in the present paper are future ones, on which sufficient information for discussion is not available at present. It is the intention of the present committee to keep track of future trends of these problems and continue investigations on them.

Attachments

1. Comparison Table of New Copyright Handling Rules (Prepared by the present committee).
2. "Exposure '94 —A proposal of the new rule on intellectual property for Multimedia—" excerpted from "Part 2 Proposal of a new Intellectual Property Rule for Multimedia Society" by the Institute of Intellectual Property
3. Summary of Case : Playboy Enterprises Inc. v. Frena.

Attachment 1

Comparison Table of New Copyright Handling Rules

	Proposal by the Agency for Cultural Affairs	Proposal by Institute of Intellectual Properties	Proposal by DAVIS
Center for centralized management	The Organization for Centralized Management of Copyright Information (provisional name) shall be established. For copyright handling, the existing organizations for copyright owners shall be consolidated and expanded in such a manner as to develop an cooperation system to allow exercise of copyrights by multiple organizations under joint signature.	The Digital Information Center shall be established.	Organizations for management of networks shall be established to take charge of management and operation of quantum media.
Registra-tion	Registration shall be made (on a voluntary basis) under the conditions established by the existing organizations for copyright owners and neighboring right owners.	Copyright owners or neighboring right owners shall register their respective rights (on a voluntary basis). Applicants for registration shall consent to exercise only the right of demanding rewards and abandon the right of exclusion for their works to be registered.	Not only works but also any data may be registered as quantum media by any individual (on a voluntary basis) provided that they comply with the current provisions of the Copyright Law. Data owned by other individuals may also be registered with their sources clearly stated. Applicants for registration shall consent to abandon the moral rights.

Modes of Exploitation	Those works handled by any organizations for centralized management shall be exploited in compliance with their provisions. The other works shall be exploited after negotiations with individual copyright owners concerned. At present, it is under consideration to grant comprehensive licensing for a series of exploitation.	Copyright owners shall predetermine the modes of exploitation of their works at the time of their registration.	Four modes of exploitation are available for selection: (1) access only; (2) unrestricted exploitation including edition and manipulation in networks; (3) downloading from networks for non- profit-making purposes; and (4) downloading from networks for profit-making purposes. Any downloaded data shall be handled in compliance with the current provisions of the Copyright Law.
Royalties and Rewards	At present, it is under consideration to reform copyright handling based on decentralization of authority in such a manner as to grant comprehensive licensing in exchange for comprehensive royalties.	The Digital Information Center shall charge and collect rewards from exploiters for payment to copyright owners in exchange for monetary compensations determined by copyright owners.	Royalties shall be determined for each mode of exploitation by organizations for management of networks and shall be payable by the quantity of data regardless of the number of their manipulation steps involved.
Moral Rights	Because the moral rights are not subjected to centralized management, exploiters shall modify works after negotiations with individual copyright owners concerned. It is planned to establish organizations for offering counsel concerning such negotiations.	The Digital Information Center shall announce consent by authors to exercise or abandon the moral rights at the time of registration of their copyrights. In case of consent to exercise, exploiters shall negotiate with individual authors to procure their permission to modify their works. In case of consent to abandonment, exploiters may modify works at their discretion to such an extent that is not prejudicial to the honor or reputation of authors.	Applicants for registration shall consent to abandon the moral rights. An appropriate remedial measure shall be taken against any modification that may be prejudicial to the honor or reputation of authors.

Necessity for Legislative Amendment	None	Special contracts for abandonment of the right of preserving the integrity shall be validated, or the scope of the right of preserving the integrity is limited in such a manner as to be valid for modification prejudicial to the honor or reputation of authors.	"The Quantum Media Protection Law" shall be established in coexistence with the current provisions of the Copyright Law.

Exposure '94
- A proposal of the new rule on intellectual property for Multimedia -

February, 1994
Institute of Intellectual Property

(Part 1) The New Society Produced by Multimedia
(omit)

(Part 2) Proposal of a new intellectual property rule for Multimedia Society

1. Points at issue

In exploring the suitable rule for intellectual property in the Multimedia Society, it is important to balance the interests of copyright owners and of copyright users.

Concerning copyright law, the committee should examine the following two points;
(1) The copyright clearance procedure for works used in multimedia software;
(2) The author's moral rights in relation to multimedia subject matter which can be easily modified.

1.1 Problem relating to Copyright Clearance - the fear of right owners and users

1.1.1 The fear of right owners
- increasing risk of piracy and the owner's reluctance to digitize -

In the emerging Multimedia Society, digitized works can be easily modified, duplicated and distributed. For example, works used as material in multimedia programs can be easily modified, not only by the producers of multimedia programs but also by the end-users. Through electronic networks, individuals can easily distribute copyrighted material and other information. Under these circumstances, copyright owners fear that multimedia applications will increase the likelihood of piracy, and are therefore reluctant to digitize their works. Additionally, in copyright licensing it is difficult to supervise the licensee and ensure that license conditions are strictly observed. Due to these uncertainties copyright owners are more reluctant to license their works for use in multimedia.

With technological advances, new opportunities to license copyrights and other related rights, and to receive royalties from these rights, have expanded. However, a copyright owner who may be ready to license a protected work for use in a multimedia application cannot enjoy the benefits of such technology unless a copyright clearance and royalty collection system is established.

1.1.2 The fear of users

1.1.2.1 Expensive and Burdensome Copyright Clearance

Improvements in the reproduction and transmission of data such as digital technology and the development of network systems has made it possible for users to quickly access large volumes of information, including copyright works. By combining and altering this information in multimedia applications we can realize greater creativity in the use of pre-existing copyright works.

Multimedia applications inevitably involve the representation, adaptation and modification of copyright works utilized in the program. Under the current Copyright Act, to engage in such activities, users must obtain the consent of the authors, copyright owners and the owners of neighboring rights. However, any one multimedia program may involve numerous copyright owners, and negotiating with these right holders can be time-consuming and expensive. The collection of relevant information, such as the location of of right owners and the status of legal rights involves costs. Even where such information can be obtained, it may be prohibitively expensive to clear all the legal rights independently. Further, if one of the many right holders refuses to grant their consent, an entire multimedia program is then at risk.

1.1.2.2 Other factors hindering the utilization of pre-existing works

Copyright works used as material in multimedia software are digitized and then distributed, in large volume, across a vast network of users. A person who exploits a work in the belief that copyright clearance has been duly executed, may be exposed to substantial legal liability by the actual right holder.

1.1.2.3 Waste of investment in creating materials

In the present situation producers of multimedia software tend to refrain from exploiting pre-existing copyright works. These producers create the software material themselves in order to avoid the burdens and risks mentioned above in sections 1.1.2.1 and 1.1.2.2. If there would

be an intermediation system for the efficient clearance of pre-existing copyright works, producers might be able to quickly obtain copyright clearances and offer reasonable royalties. However, currently there is no such system and producers are obliged to engage in inefficient recreation of material and ineffective investment in multimedia applications.

1.2 Problems related to the moral rights, in particular the right to integrity

Copyright legislation sets forth the intellectual property rights of certain qualified expressions. These include the right to collect profits or royalties from the use of protected works and moral rights - the right to protect the personal interests of the author.

The Japanese Copyright Act ensures the author's right to integrity. This right preserves the author's expression of thought and feeling as found in the original work. The law prohibits any modification which is against the author's will.

With continued progress in digital technology, modification of pre-existing copyright works is expected to increase sharply. However, if the right to integrity is strictly enforced, society may not realize the maximum benefits of the emerging technology. The interactive use of copyright works in multimedia programs would be significantly limited. In addition, even where the copyright owner consents to the exploitation of a protected work for a new creation, if modification in general is prohibited the incentives for such a creation would be greatly reduced.

Specifically, there are two points to be examined;

1.2.1 Agreement not to exercise the right to integrity

It is of great practical concern whether a provision not to exercise the right to integrity is valid or not, when a right holder and a producer of multimedia software enter into an agreement for the exploitation of a copyright work. In multimedia applications such agreement must be valid not only for software producers but also software users who modify data interactively. For this reason, it is necessary to extend the effect of an agreement not to exercise the right to integrity to the multimedia users.

1.2.2 The broad scope of the right to integrity

As mentioned above, in order to constitute an infringement of the right to integrity, Section 20 of the Japanese Copyright Act requires that the modification of a protected work be against the author's will.

Therefore, even where producing and using a multimedia program would not be prejudicial to the author's reputation , such modification is still prohibited if it is against the author's will.

2. Consideration

2.1. Points related to copyright clearance

2.1.1 The need for the collective administration system of copyrights

In order to solve the aforementioned fears of both the owners and the users of copyright, and to secure the steady development of the Multimedia Society, it is necessary to establish the appropriate rules for the exploitation of copyright works. Establishing a collective administration center is needed to provide information on copyright material and those rights related to protected works.

Establishing such a center would be beneficial to both copyright owners and multimedia users. With greater opportunity to license their rights, copyright owners can expect to receive even more royalties. They will also be able to control their rights more efficiently. For multimedia users, as more expedient copyright clearance is realized, they will have an incentive to create new works by utilizing pre-existing material.

Copyright holders, multimedia producers and program users will all benefit from such a system. An administration center will promote the just and fair exploitation of "cultural products" and facilitate the development of a newly-born multimedia industry.

However, according to the Berne Convention, of which Japan is a member, the enjoyment of an author's right cannot be subject to a formal filing system. Unlike patents, there is no exhaustive administration system covering copyright material. Under the no-formality system, registration is not obligatory to realize copyright protection. Therefore, the deposit of copyright material and the collection of information thereof at a collective administration center must be voluntary.

2.1.2 Primitive measure for a collective administration center

Users would not be interested in a collective

administration center, if the selection of copyright works is unattractive and the exploitation of these works is unduly restricted. If unpopular with users, right owners could not expect to generate greater royalties and would have less of an incentive in consigning the administration of protected works to the Center. With fewer registrations, there would be fewer users accessing the center. To avoid such a vicious circle, and to facilitate the Multimedia Society, the collective administration center must reflect the features of changing technology and attract both right holders and users.

For example, it is necessary that copyright holders receive a sufficient increase in royalties for licensing their works. To give even greater incentive to right owners to register, it is worthwhile examining a collective administration center which can issue warnings or take other necessary steps to help prevent the unauthorized use of registered works.

The center should cover the reproduction, modification and other methods of exploiting registered material. In order to promote the registration of works, there also should be the opportunity for copyright holders to impose conditions on the way a protected work may be utilized when granting a license.

Plagiarized deposit or false information as to copyright works will prejudice reliance on the collective administration center. This may subject the subscriber of the center to the risk of legal action by the real copyright holder. It is worth considering some measures to solve such problems.

[reference]

The cost of designing a database for the collective administration center, which would cover items such as music, film, photographs, etc., is likely to be expensive.

Currently there are similar collective administration systems for particular forms of protected works, such as JASRAC for music. There are also film agencies, which purchase copyrights to photographs from copyright owners and collectively administrates these photographs for commercial use. Moreover, the distribution of computer programs and music has been increasing in recent years through the use of electronic networks. In addition, libraries storing software, image and texts are today accessible through one's personal computer. For example, in the Nifty-serve, 110,000 items of texts, computer programs, music data or still images are available to subscribers.

2.2 Problems Related to Moral Rights (the Right to Integrity)

Moral rights are designed to protect the personal interests of the author. These interests should not be sacrificed in exchange for technological advancements. It is necessary to explore a solution which both ensures technological development and the protection of the author's personal interests.

2.2.1 The Berne Convention

The Berne Convention recognizes the author's right to object to any distortion, mutilation, or other modification of, or other derogatory action in relation to, a protected work, which shall be prejudicial to the author's honor or reputation (Article 6bis of the Convention).

There is no provision in the Convention concerning an author's waiver of the right to integrity.

2.2.2 Legislation in Other Countries

2.2.2.1 United States of America

In the United States, before the amendment of the Copyright Act in 1990, neither state nor federal law systematically recognized an author's moral right to control the use of a work beyond the copyright itself. However, Section 43(a) of the Lanham Act, common law doctrines relating to publicity, contract law, protection against fraud and defamation, and some state statutes substantially approximate the protection of an author's moral rights.

For works of visual art, the 1990 amendment of the Copyright Act includes a provision on the moral rights of an author. According to Section 106 A, the distortion, mutilation, or other modification which is prejudicial to the author's honor or reputation constitutes a violation of the right to integrity. This right may be waived, however, if the author expressly agrees in a written instrument specifically identifying the work, and the relevant uses of that work to which the waiver applies.

2.2.2.2 United Kingdom

Only recently has the United Kingdom recognized the moral rights of an author. Section 86 of the Copyright, Designs and Patents Act of 1988 grants the author of a copyrighted literary, dramatic, musical or artistic work, and the director of a copyrighted film protection from having his or her work subjected to derogatory treatment. Prejudice of the author's honor or reputation is

construed as a requirement for the infringement of a moral right. Section 87 provides that this right may be waived, and if the author's waiver is made to the owner or prospective owner of the copyright in the work, it shall be presumed to extend to his or her licensees and successors in title unless a contrary intention is expressed.

2.2.2.3 Germany

Section 14 of the German Copyright Act stipulates that the author shall have the right to prohibit any distortion or any other mutilation of a work which would prejudice the author's lawful intellectual or personal interests in the work. While the Berne Convention focuses on which modification shall be prejudicial to the author's honor or reputation, the German Copyright Act is construed as placing greater importance on the protection of the author's intellectual or personal interests in a work.

2.2.2.4 France

Section 6 of the French Copyright Act of 1957 states that the author shall enjoy the right to the respect of his or her name, authorship and work.

In interpreting the Copyright Act, the court held that transforming a 1950's black-and-white movie into color for a television broadcast without the author's consent violated Section 6 of the Copyright Act. With respect to an agreement waiving the right to the respect, the court ruled that everyone who is accredited as an author shall have a right to respect and cannot consent to the mutilation or injury in advance.

2.2.3 Direction of possible solutions

With due regard to the Berne Convention and the legislation of other countries, either of the following revisions should be made concerning the author's right to integrity:

i) clarification of the validity of an agreement not to exercise the right to integrity and extension of such an agreement,

or

ii) restriction of the scope of the right to integrity, from acts against the author's will to acts prejudiciable to the author's honor or reputation.

2.2.3.1 Clarification of the validity of an agreement not to exercise the right to integrity

By not mentioning the validity of an agreement not to exercise the right to integrity, the Berne Convention leaves this point to the discretion of each contracting country. It should be clarified by domestic legislation that an agreement not to exercise the right to integrity is valid, consistent with the United States and the United Kingdom. Of course, the right to integrity shall be protected against modification which is prejudicial to the author's honor or reputation.

Additionally, users may modify digitized works exploited in a multimedia program, as well as producers who have obtained the author's consent. Therefore, it is required that the effect of an agreement not to exercise the right to integrity extends to licensees and successors in title of the contracting parties, including multimedia users, unless a contrary intention is expressed by the author.

2.2.3.2 Restriction of the scope of the right to integrity

Consistent with the legislation of the United States and United Kingdom, the right to integrity in the Japanese Copyright Act should be restricted to acts which are prejudicial to the author's honor or reputation. While the current stipulation in the Copyright Act may be construed as restricted to modification which is prejudicial to the author's honor or reputation, legislative clarification is desirable. Such a clarification will maintain Japan's conformity with the Berne Convention and will not disturb the harmony of intellectual property law with foreign countries.

3. Proposal

Taking into account the above study, the Multimedia Committee proposes the following rules of intellectual property for multimedia:

i) Establishment of the Digital Information Center and

ii) Revision of the right to integrity.

3.1 Establishment of the Digital Information Center

The Multimedia Committee proposes the establishment of the Digital Information Center as a collective administration center in which information related to copyright works is readily accessible and copyright clearance can be efficiently realized.

3.1.1 Outline of the Digital Information Center

The right holder voluntarily registers his or her copyrights and the relevant neighboring rights at the Digital Information Center. Through the Center, copyright holders can license their rights to

others for multimedia use, such as the digitization of works and modification of these digitized works. The Digital Information Center collects a royalty from the users on behalf of the right holders and reimburse the registrants. The registrant may also impose licensing conditions. For example, a copyright holder may restrict a license to only reproduction.

The Center also offers relevant information as to registered works, including a description of the work, the name and address of a right holder, royalty fees and licensing conditions.

Assistance by technologies in measuring the frequency and extent of use and the protection from unauthorized exploitation is necessary for an efficient copyright clearance system. The Digital Information Center can provide such a system.

i) subject of registration

Copyrights and those neighboring rights related to the works which have been made public or which the author has consented to making public are subject to registration.

ii) registration

a) registrant

a holder of a copyright or neighboring right

b) conditions of registration

The registrant shall consent to a right to renumeration with respect to, but not to seek an injunction against subscribers licensed through the Center, provided that he or she observes the licensing conditions.

c) right to integrity

A copyright holder shall notify the Center when there has been a consent not to exercise the right to integrity by the author. The Center shall then make a public announcement of this point. When the right to integrity is restricted merely to the acts which would be prejudiciable to the author's honor or reputation, this arrangement is not required.

iii) mode of exploitation

Where the author has given a consent not to exercise the right to integrity, the users may modify works which have been licensed through the Digital Information Center, as far as such modification would not prejudice the author's honor or reputation. The users must observe the licensing conditions imposed by the registrant.

Where the registrant has not obtained a consent not to exercise the right to integrity, the users shall obtain the consent of the author individually when modifying the work.

iv) collection of renumeration

The registrant shall consent to a right to renumeration, rather than a right to license, in relation to person who are licensed by the Center, as far as he or she observes the condition of license. The amount of royalty shall be set forth by the registrant. The registrant may choose the way of payment, such as a running royalty or a lump-sum royalty.

v) information as to copyright

The Digital Information Center offers information on registered works, including a description of a registered work, the name and address of a right holder, royalty fees and licensing conditions.

3.1.2 measures to be examined for promotion of the Digital Information Center

The Committee raises the following measures for further examination to ensure efficient and intensive utilization of the Digital Information Center.

i) a measure creating an incentive to right holders to register his works

Besides securing the collection of royalty fees, additional measures are required to increase the incentive to register a work at the Digital Information Center. For example, further consideration should include a measure enabling the Digital Information Center to issue warning of intellectual property violations on behalf of a right holder or to take other necessary steps against unauthorized utilization of registered works.

ii) a measure to promote distribution of digital data

Where a person who is not a valid right holder registers a work at the Digital Information Center, a licensee may be exposed to risk, despite the administration by the Digital Information Center. Measures avoiding such a problem should be examined in order to secure the distribution of digital data.

iii) a measure to secure reliance on registration at the Center

Plagiarized registration, which an unentitled person falsely or fraudulently registers a work at

the Digital Information Center will prejudice the security of the Digital Information Center. Measures to addressing such a problem should be considered.

3.2 Revision of the provision on the right to integrity

With due regard to the corresponding provisions of the Berne Convention and the legislation of other countries, the Multimedia Committee proposes that either of the following revisions be made.

3.2.1 Clarification of the validity of an agreement not to exercise the right to integrity

It should be clarified that an author may agree not to exercise the right to integrity with respect to contracting parties. This agreement should be valid as long as it would not prejudice the author's honor or reputation. The effect of such an agreement should extend to the licensees and successors in title of the contracting party, unless a contrary intention is expressed.

3.2.2 Restriction to the scope of the right to integrity

The scope of the right to integrity should be restricted to those acts which would be prejudicial to the honor or reputation of the author. Initially this proposal may be restricted to works in digital form because such works are easily modified.

4. Rule-making in "exposure" style

Many parties in different areas are intended in developing the appropriate intellectual property rule concerning multimedia. A further interest is in ensuring international conformity. Discussions should be made among both domestic and international parties involved in multimedia.

The Institute of Intellectual Property publicly announces this proposal as basis for such discussion. We invite opinions and comments from all interested parties.

Schedule:

February 1994	Public release of Proposal
March	Exchange of opinions with some interested parties in foreign countries
April 7	International Symposium held by the Institute of Intellectual Property
May 31	closing of exposure

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Attachment 3

Summary of Case : Playboy Enterprises Inc. v. Frena (DCMFla, 9 December 1993,)

[Outline of Case]

Defendant Frena operates a subscription computer bulletin board service, "Techs Warehouse BBS (BBS)". BBS is an information network system which enables its operators or subscribers to upload various data from their terminal equipment, to the database of BBS or conversely to download data from the database to their terminal equipment through telecommunication lines.

In this case, since a certain subscriber uploaded the data of computerized photographs copyrighted by Playboy Enterprises Inc. (PEI) to the BBS, and the data was distributed to many and unspecified subscribers, PEI prosecuted Frena for infringing its copyright.

[Points in Dispute]

As the criteria for judging whether Defendant Frena infringed PEI's copyright, the following points are in dispute:

(1) Whether Frena accessed the work whose copyright was alleged to be infringed.
(2) Whether the work in question is substantially identical with the registered digital data (computerized images).
(3) Whether the act of the defendant violates the legal provisions for protection of copyrights.
(4) Whether the defendant is eligible for the provisions for fair use.

On the above points in dispute, the Court judgments and their grounds are outlined below.

With respect to (1), there is no dispute.

With respect to (2), the Court has judged that there is no dispute. The work is found to be Substantially identical with

the photos, except the written words and characters have been removed from the work.

With respect to (3), the Court has found that Defendant Frena's act violates the provisions of 17 U.S.C. Section 106 (3) (the right to distribute) and (5) (the right to display).

The "right to distribute" is defined as an exclusive right to "distribute to the public by sale or other transfer of ownership, or by rental, lease, or lending." The Court has judged that there is no doubt that Defendant Frena distributed PEI's copyrighted photos to BBS subscribers.

With respect to the "right to display," the Court has found that "display" covers any showing of a "copy" of the work even indirectly (by means of a film, slide, or any other device) and that it goes without saying that showing on PC screen through BBS in this case applied to "display" stipulated in the provision of U.S.C. section 106 (5). Further, the Court has judged that such showing also applies to publication, which is one of requisites for "the right to display", pointing out that many and unspecified subscribers can inspect and download the data from database through BBS.

With respect to (4), the Court has judged that there is no room for application of the provisions for Fair Use (17 U.S.C. Section 107) and that the provisions of Fair Use are applied to works copied or duplicated for the purposes of criticism, comment, newsreport, education (including textbooks), scholarship, investigation or research, and not to those of commercialization or entertainment. The Court has judged, therefore, that the act of Defendant Frena should no room to be eligible for the provisions of Fair Use.

Meanwhile, Defendant Frena has alleged that his conduct did not apply to infringement on PEI's copyright because it has been caused neither on purpose nor due to negligence, but the Court has pronounced that there is no need to apply the principle of

negligence. Based on these judgments on all the points in dispute, the Court has concluded that the act of Defendant Frena constitutes an infringement on PEI's copyright.

The Court also judged that Frena has infringed PEI's registered trademarks PLAYBOY (R) and PLAYMATE (R) in the light of the fact that he has used them in the file name for the database of BBS. In relation to this fact, the Court has also found that Frena violates the provisions of Section 43 (a) of the Lanham Act (the removal of PEI's trademarks from the photos.)

[Opinions on Court Judgments]

As a critique against the above Court judgments, the followings are pointed out from journalist and people of experience and academic standing.

(1) In this case, the problem is serious in point of that the service operator was judged to have infringed copyrighted works although he has never registered nor managed them.

Assuming that service operators or providers are charged with the full responsibility for checking all uploaded works whether they are legally registered without applicating the principle of negligence, there will be much danger of stagnating their services. To the contrary, excessive management for registering works makes subscribers hesitate in using those services. In these respects, the Court judgments are criticized.

(2) The reason of judgement for Frena's copyright infringement should have depended upon the fact that he have used the PEI's trademarks a file name and have removed them from photos without PEI's consent, not as the Court has judged.

<u>Reference Literature</u>:

BNA'S PATENT, TRADEMARK & COPYRIGHT JOURNAL VOL. 47 "COMPUTER BULLETIN BOARD'S USE OF PLAYBOY PHOTOS WAS INFRINGEMENT" Status of Copyright Handling

I. **Title:**
COMPARISON OF POST-NAFTA INTELLECTUAL PROPERTY LAWS IN THE UNITED STATES, MEXICO AND CANADA

II. **Date:**
October 1994 (25th Plenary meeting at Hamamatsu)

III. a) **Source:** PIPA
b) **Group:** U. S.
c) **Committee:** 2

IV. **Authors:**
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V. **Keywords:**
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VI. **Statutory Provisions:**
North American Free Trade Agreement, United States, Canadian and Mexican Intellectual Property Laws, Berne Convention, Geneve Convention, Paris Convention, International Convention for the Protection of New Varieties of Plants

VII. **Abstract**
This paper focuses upon the NAFTA intellectual property provisions. NAFTA is the sum of the effort to create a North American free trade zone. NAFTA creates a minimum level of intellectual property protection that all member countries must meet.

The intellectual property provisions in NAFTA cover copyrights, patents, trademarks, layouts in semiconductor circuits, trade secrets, plant varieties, geographical indications, and industrial designs. NAFTA establishes broad guidelines regarding the minimum level of protection for each of the above listed rights. This minimum level of protection is much higher than intellectual property protection typically found in developing countries.

Each country may meet the minimum level of protection in the manner it chooses. Also, NAFTA grants certain exceptions to each country regarding protection of some intellectual property. We have attempted to identify the places where the intellectual property laws in the United States, Canada and Mexico remain substantially different.

COMPARISON
of
POST-NAFTA INTELLECTUAL PROPERTY LAWS
in the
UNITED STATES, MEXICO AND CANADA

This paper provides an overview comparison of the intellectual property laws in the United States, Mexico and Canada since the enactment of the North American Free Trade Agreement (NAFTA).[1] NAFTA is an agreement signed by the United States, Mexico and Canada with the intention of creating a "free trade" zone. NAFTA mandates a minimum level of intellectual property protection in all member countries, as well as requiring membership of the United States, Mexico and Canada in four significant international intellectual property Conventions.[2] The member countries can enact more, but not less, extensive protection of intellectual property rights than are set forth in NAFTA.[3] One of the results of NAFTA was to raise the standards of intellectual property protection in Mexico and Canada to a common level with the United States.[4]

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[1] North American Free Trade Agreement (July 1992) effective January 1, 1994, available in LEXIS Genfed library; H. Doc. 159, 103d Cong., 1st Session Vol. 1,713 (1993); and H.R. 3450 (NAFTA Implementation Act).

[2] NAFTA mandated that Canada, Mexico and the United States be members of several treaties, including the Berne Convention for the Protection of Literary and Artistic Works, (1971) (Berne Convention), Geneva Convention for the Protection of Phonograms Against Unauthorized Duplication of their Phonograms, 1971, Paris Convention for the Protection of Industrial Property, 1883, as revised 1967, and the International Convention for the Protection of New Varieties of Plants, 1978 or 1991 ("UPOV"). To date, the signatories to NAFTA have complied with this requirement, except Mexico, which must make every effort to comply with the UPOV (1978 or 1991) as soon as possible, and Canada must move from the 1928 (ROME) level of the Berne Convention to the 1971 level. The United States is a member of these conventions, with the most recent membership in the Berne Convention being approved by the U.S. Congress in October, 1988.

[3] Id. at Article 1702.

[4] A Canadian scholar of intellectual property and its economic impact rated the pre-NAFTA intellectual property systems of the United States, Canada and Mexico as 92, 87 and 75, respectively, on a scale of 100, according to the protection given intellectual property in these countries. Robert M. Sherwood, Intellectual Property and Free Trade in North America, Centre for International Studies, University of Toronto (November 1991).

Despite the increasing commonality between intellectual property laws of the three NAFTA countries, it should be recognized that other laws, such as contract or investment laws, and the legal procedures of the various countries for enforcing the laws, are different and will effect an attempt to enforce intellectual property rights in the respective NAFTA countries. Furthermore, NAFTA is not designed, and does not, harmonize the intellectual property laws of the United States, Mexico and Canada. Indeed, there are numerous exceptions for each member country to the provisions of NAFTA.

Because significant differences still remain in the intellectual property laws of the member countries, the manner in which the intellectual property laws of the United States, Mexico and Canada still differ is explored in this paper. The first section of this paper addresses major provisions of NAFTA that are commonly implemented in the three member countries. In the second section, specific attention is focused on the effect of NAFTA on intellectual property rights in the United States. Third, the effect of NAFTA on the intellectual property laws in Mexico is set forth. Finally, the laws in Canada following enactment of NAFTA are reviewed. First, the general provisions of NAFTA and United States intellectual property are discussed. The laws of Mexico and Canada are discussed to the extent that they differ from intellectual property laws in the United States.

I. MAJOR PROVISIONS OF NAFTA

Intellectual property is defined in NAFTA as copyright and related rights, trademark rights, patent rights, rights in the layout of semiconductor circuits, trade secret rights, plant breeders' rights, rights in geographical indications, and industrial design rights.[5] Each of these topics is defined and discussed as appropriate below.

A focus of NAFTA is to attempt to have all people from the member countries treated equally under the laws of each member country. Put another way, each member country is required to accord the nationals of other member countries no less favorable treatment than is given to its own nationals with regard to protecting and enforcing intellectual property rights.[6]

The application of NAFTA provisions are generally only prospective and are not retroactive.[7] Thus, its rules are not imposed on the member countries before

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[5] North American Free Trade Agreement, Article 1721, paragraph 5.

[6] NAFTA, Article 1703(1) - (4).

[7] Id. at Article 1720.

the pertinent dates of its provisions, with the following exceptions. Applications for registration of intellectual property rights pending on the date NAFTA is enacted are entitled to be amended to claim any greater protection provided by NAFTA.[8] Also, in any suits pending under NAFTA implementing legislation, but before NAFTA is ratified by the member country, the property owner is subject to the limitations on remedies in NAFTA provided that equitable renumeration is made for any infringement.[9]

A. Copyright

The starting point for copyright protection under NAFTA is that all member countries must extend copyright protection to all works covered by Article 2 of the Berne Convention.[10] Article 2 requires the protection of literary and artistic works including translations, compilations, dramatic works, cinematographic and like works, drawings, paintings, architecture, sculpture, maps and three dimensional works. NAFTA also provides that each member country must protect works for 50 years from the first publication or, if not published within 50 years from the making of the work, 50 years from the making of the work.[11]

Significantly, under NAFTA all computer programs are protectable as literary works or compilations, provided that the data itself is not subject to copyright protection.[12] Data compilations, such as databases, are also

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[8] Id. at Article 1720(7).

[9] Id. at Article 1720(4).

[10] The Berne Convention for the Protection of Literary and Artistic Works, (1971) (Berne Convention).

[11] NAFTA, Article 1705(4).

[12] The specific provision states:

Each party shall protect the works covered by Article 2 of the Berne Convention.... In particular:

(a) all types of computer programs are literary works within the meaning of the Berne Convention and each Party shall protect them as such; and

(b) compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations, shall be protected as such.

The protection a Party provides under subparagraph (b) shall not extend to the data or material itself, or prejudice any copyright subsisting in that data or material.

protectable under NAFTA. Similar to the existing law in the United States, the protection of databases protects only the arrangement of the database, not the data itself.[13]

There has been concern recently over stores that rent computer software or sound recordings to customers implicitly for the purpose of the customer copying the work. NAFTA gives the owner of the copyright in a work the right to prevent the rental of computer programs and sound recordings.[14] The rental prohibition entitles the rightholder to obtain relief against the rentor despite the fact that the rentor purchased its copy legally. This provision, however, was not written to apply to software distributed before the enforcement date of NAFTA.

NAFTA also directly addresses decoding of encrypted satellite signals.[15] Criminal sanctions and civil liability must be imposed for the manufacture, sale or other disposition of unauthorized satellite decoding devices used to capture and decode encrypted signals without paying the appropriate license or subscription fee. Also, each member country must make it a civil offense to receive, in connection with commercial activities, and/or redistribute signals decoded without a license.[16]

B. Trademark

The provisions of NAFTA relating to trademarks are probably the least controversial of the intellectual property provisions. A few of the basic provisions of Article 1708 of NAFTA are as follows:

1. Service marks[17] and famous marks[18] are protected;

NAFTA, Article 1705(1).

[13] Id.

[14] NAFTA, Articles 1705(2)(d) and 1706(1)(c).

[15] Id. at Article 1707.

[16] Id.

[17] Service marks are words, symbols or other devices capable of distinguishing one party's services from those of others. Service marks are treated under NAFTA identically to trademarks. NAFTA, Article 1708(1).

2. Opposition proceedings may be provided for;

3. Where identical marks are used on identical goods, a likelihood of infringement is presumed to exist;

4. The term of registration is at least ten years and indefinitely renewable;

5. A mark may be deemed abandoned for at least non-use for two consecutive years;

6. No compulsory licensing of trademarks is permitted;

7. Geographically misleading or misdescriptive marks are precluded from registration.[19]

C. Patent

NAFTA is designed to strengthen intellectual property rights in the member countries. To this end, NAFTA states that patent protection must be available for all fields of technology, with the following exceptions, as desired: inventions that would injure the public, environment, animal or plant life; diagnostic, therapeutic and surgical methods for the treatment of humans or animals; plants and animals other than micro-organisms; and essentially biological processes for the production of plants or animals.[20]

NAFTA provides that the duration of patent rights in member countries shall extend for twenty years from the date of filing or seventeen years

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[18] Famous marks are marks that are well-known to the public. Famous marks are determined based on knowledge of the mark in the relevant sector of the public. Member countries must protect famous trade and service marks, regardless of whether the marks are used or registered in the territory where infringement is occurring.

[19] The member countries agreed to protect rights in geographical indications, and to prevent the use or registration of misleading or otherwise unfairly competitive indications. Id. at 1712(1)-(2).

[20] Id. at Article 1709(1)-(4).

from the date of the patent grant.[21] However, there are certain exceptions to these time limits, such as for delays in obtaining regulatory approval of a product.[22] NAFTA also provides that all three member countries must make patent rights available "without discrimination as to...where the invention was made and whether products are imported or being produced".[23] As discussed below in Section II(C), this provision has resulted in changes to the United States laws, specifically the older version of 35 U.S.C. Section 104(b), which did not recognize inventive effort outside the United States for establishing a date of invention.

NAFTA also addresses proving infringement of process patents. In the past, it was difficult to prove that a process patent was being infringed because simply viewing the product was inconclusive and access could not be had to the process for making the product. NAFTA addresses this problem by giving the holder of a process patent the right to presume infringement of their process in certain circumstances. Specifically, a product that is the same as a product produced by a patented process is presumed to have been produced by the patented process, absent proof to the contrary.[24] Thus, the accused infringer bears the burden of showing that its process is non-infringing once it is shown that the accused product is the same as that produced by the patented process.

NAFTA also specifically assists the pharmaceutical and chemical industries with respect to products undergoing testing and development.[25] Under NAFTA, member countries must provide inventors of previously unprotected pharmaceutical and agricultural chemical products with the means to obtain patent protection for the unexpired

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[21] Patent terms in the member countries are: Canada - for applications filed prior to October 1, 1989, seventeen years from grant and for applications filed on or after October 1, 1989, twenty years from grant; Mexico - twenty years from filing; the United States - seventeen years from grant.

[22] A party may extend the term of patent protection in certain cases to compensate for delays caused by regulatory approval processes. Id. at Styivlr 1709(12).

[23] Id. at Article 1709(7)

[24] Id. at 1709(11); 35 U.S.C. Section 295 (1988); Canadian Patent Amendment Act, Article 55.1 (1992); Amendments to Mexican Patent Law, (1994).

[25] See Frank J. Garcia, Protection of Intellectual Property Rights in NAFTA, 8 Am. U.J. Int'l Law & Policy 817 (Summer 1993).

duration of their domestic patents.[26]

D. Trade Secret

NAFTA is fairly unique among international intellectual property agreements in that it specifically provides for the protection of trade secrets and proprietary information. One of the focuses of NAFTA is to ensure that trade secrets are recognized in the member countries as protectable intellectual property.

Generally defined, a trade secret is any formula, pattern, device, or compilation of information which is used in one's business for commercial advantage, wherein the information is not generally known outside the company, the information is treated and protected as secret by the company, and the information is valuable or potentially valuable to the company as a result of not being generally known.[27] Under NAFTA, member countries may require that the information be fixed or evidenced in documents, electronic or magnetic means to be protectable.[28] By "fixed", NAFTA intends that the information must have been stored in some permanent or semi-permanent form, such as on paper or in an electronic memory device. General knowledge that is not in fixed form, such as written down on paper or stored in a computer

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[26] If a Party has not made available product patent protection for pharmaceutical or agricultural chemicals commensurate with paragraph 1:

(a) as of January 1, 1992, for subject matter that relates to naturally occurring substances prepared or produced by, or significantly derived from, microbiological processes and intended for food or medicine, and

(b) as of July 1, 1991, for any other subject matter,

that party shall provide to the inventor of any such product or its assignee the means to obtain product patent protection for such product for the unexpired term of the patent for such product granted in another Party, as long as the product has not been marketed in the Party providing protection under this paragraph and the person seeking such protection makes a timely request. NAFTA, Article 1709(4).

[27] See NAFTA Article 1711(1); See also Restatement of Torts 2nd, Section 757, comment (b); and Forest Laboratories, Inc. v. Pillsbury Co., 452 F.2d 621, 171 U.S.P.Q. 731 (7th Cir. 1971).

[28] NAFTA, Article 1711(2).

would not be protectable.

Under NAFTA there can be no durational limits on trade secret protection.[29] As long as the information is maintained as secret under the above definition of a trade secret, the information is protectable. However, once the information becomes generally known it is not protectable as a trade secret. Thus, once information is learned by a third party in good faith, no further protection against use of the information is available against the third party.

Currently, the major concern over the trade secret protection set forth in NAFTA is the minimum standard of wrongful intent required to bring a cause of action.[30] "Commercial dishonesty" (grossly negligent acquisition) is the minimum standard for proving a wrongful acquisition of proprietary information.[31] Examples in NAFTA of commercial dishonesty are "breach of contract, breach of confidence and inducement to breach, and the acquisition of undisclosed information by other persons who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition."[32] It is the interpretation of what is "commercially dishonest" that has some commentators concerned, as discussed below in Section III(D).

A major concern regarding trade secrets that is addressed by NAFTA is the protection of data submitted to regulatory agencies required to gain product approval. In the member countries, data submitted to governmental or administrative agencies for product approval must be kept confidential.[33]

E. Layout Designs of Semiconductor Circuits

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29 Id. at 1711(3).

30 See Paul, Hastings, Janofsky & Walker, North American Free Trade Agreement - Summary and Analysis, (1993).

31 "Each member country must provide legal means for preventing the disclosure or acquisition of trade secrets without the consent of the person in control of the information in a manner contrary to honest commercial practices." NAFTA, Article 1721(1) (emphasis added).

32 Id. at Article 1721.

33 Id. at Article 1711(5).

NAFTA requires all member countries to protect against the unauthorized copying of semiconductor circuits.[34] Canada and the United States have implemented this protection,[35] while Mexico has four years from the date of entry into force of NAFTA, to implement such protection.[36]

Under NAFTA, it is unlawful to import, sell or distribute for commercial purposes a protected layout design, an integrated circuit incorporating the layout design, or an article incorporating such an integrated circuit. This section applies only to semiconductor circuits, not software or firmware.

There is an exception to liability for innocent infringers of semiconductor designs who had no reason to know that articles embody unlawfully reproduced circuit designs.[37] Also, an innocent infringer must be allowed to sell any existing inventory acquired prior to the notice of infringement, subject to the payment of a reasonable royalty.

Other important provisions of the act are that the minimum term of rights in a circuit design is ten years, with a maximum duration of fifteen years for the right, and there can be no compulsory licensing of layout designs.[38]

F. Enforcement Measures

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[34] The layout of semiconductor circuits are often referred to as "maskworks". Maskworks are the actual designs of semiconductor circuits that are created and used to produce semiconductor products. NAFTA, Article 1710.

[35] The Canadian Act requires that the circuit be original, but does not involve substantive examination. Act to Provide for the Protection of Integrated Circuit Topographies, S.C. 1990, c.37, Section 4(1)(a) (effective May 1, 1993).

[36] NAFTA, Annex 1710.9.

[37] Innocent infringement requires showing that a party did not know and did not have reasonable grounds to know when it acquired an infringing integrated circuit that the circuit incorporated an unlawfully reproduced layout design. Id. at Article 1710(3)-(4).

[38] Id. at Article 1710(5)-(7).

NAFTA provides several procedural principals for each country to enforce an owner's intellectual property rights. Each member country must have the authority to prevent entry into the channels of commerce in their jurisdiction of allegedly infringing goods, including measures to prevent the entry of imported goods at least immediately after customs clearance and to preserve relevant evidence concerning infringement.[39] However, the allegedly infringing party has rights under NAFTA as well, including the right to notice concerning judicial measures, the right to a judicial hearing on any judicial measure within the later of twenty working days or thirty-one non-working days (or as prescribed by the judicial authority), and the right to compensation from the accuser for damages caused by the wrongful detention of goods if infringement is not found.[40]

Of particular interest to those importing goods protected by intellectual property rights into a NAFTA country are the provisions in NAFTA relating to duty reductions for goods. Specifically, for transactions across the borders of member countries, NAFTA reduces and will eventually eliminate tariffs.[41] However, for transactions involving goods not originating in a member country, a different, higher tariff likely will still apply. Therefore, it is important to know if goods originate within a member country according to NAFTA.

The rules for "origination" are quite complex. For most non-computer goods,[42] the imported product must have received a certain level of value

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[39] NAFTA, Article 1718(1)-(4).

[40] Id. at Article 1718(2), (5)-(11).

[41] NAFTA establishes several categories of goods and schedules for reducing an eliminating tariffs for the goods. See NAFTA, Annex 302.2.

[42] Through extensive lobbying, the computer industry avoided the value-added requirement of NAFTA. Thus, one must only show that the goods have undergone a qualifying change in tariff classifications, a matter beyond the scope of this paper. See also, Lawrence M. Friedman, Putting NAFTA to Use: Duty Reductions for Computer Hardware and Software, The Computer Lawyer, Vol. 11, No. 3 (March 1994). Where a tariff classification of a particular good is at issue in the United States, the importer can request a binding determination from the United States Custom Service via 19 C.F.R. Section 177. NAFTA requires that Canada and Mexico provide similar pre-importation review. NAFTA, Article 509.

added in North America to be originated in North America. Further, the goods must have undergone a qualifying change in tariff classification.[43]

II. United States

Because NAFTA establishes minimum standards of protection, the member countries have sometimes chosen different means to implement the standards. This paper only addresses the specific intellectual property laws in the United States, Mexico and Canada to the extent they still differ from NAFTA, represent unique manners for implementing NAFTA, or represent a radical change in the law of the member country. Also, because the United States changed and updated many of its laws in 1988, NAFTA does not strongly effect current United States intellectual property laws.[44] Indeed, NAFTA does not change, or minimally changes, several provisions of the laws in the United States that one would expect to be effected, as is set forth below.

A. Copyright

As stated above in Section I(A), the member countries of NAFTA agreed to protect all copyrights under Article 2 of the Berne Convention. The United States ratified the Berne Convention in October 1988.

Notwithstanding the above stated desire to standardize intellectual property laws, and contrary to the trend in the rest of the world, the United States will not protect "moral rights" in works of authorship. "Moral rights" are rights retained by an author, despite a transfer of ownership in the copyrighted material, to limit misattribution, mutilation or other alteration of an author's work.[45] Industry in the United States

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[43] The rules regarding the accounting operations needed to determine the appropriate level of value added and the changes in tariff headings are beyond the scope of this paper. The schedules and rules for applying the tariffs are set forth in NAFTA and The Harmonized Tariff Schedule of the United States, International Trade Commission Publication 2567.

[44] In 1988, the United States changed its laws to presume infringement of a process if a product is the same as that produced by a patented process. 35 U.S.C. Section 295.

[45] As an example of moral rights, consider the rights owned by the author of a screenplay. The author might transfer his rights in the work to a company to produce the work. Absent language in the contract allowing substantial editing, the

threatened to withdraw support for NAFTA if protection of moral rights was forced upon the United States.

It should also be recognized that NAFTA has not altered the United States requirements for registering a copyright as a precondition to the recovery of attorney's fees and damages.[46] This requirement applies to all rightholders, foreign and domestic. Furthermore, United States authors must register a copyright to acquire jurisdiction in the courts before instituting an infringement suit.[47]

NAFTA does change one narrow aspect of United States copyright law. Before the United States joined the Berne Convention, the failure to affix a copyright notice to copies of works publicly distributed anywhere in the world, including countries that had no notice requirements, usually divested the work of copyright protection in the United States. Generally, rights lost due to publication without notice were lost forever. However, NAFTA expands United States copyright law to protect motion pictures published without notice in another country at any time, including before ratification of the Berne Convention.[48] It is important to note that this provision only applies to motion pictures.

B. Patent

NAFTA allows, but does not require, certain exceptions from patentability, including: inventions that would injure the public, environment, animal or plant life; diagnostic, therapeutic and surgical methods for the treatment of humans or animals; plants and animals other than micro-organisms; and essentially biological processes for the production of plants or animals. Broadly stated, in the United States

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author retains rights in precluding mutilation of the work, such as turning a tragedy into a farcial comedy.

[46] 17 U.S.C. Section 412.

[47] 17 U.S.C. Section 411.

[48] NAFTA, Article 1705(7) and Annex 1705.7. The United States is required to protect motion pictures produced in a member countries' territory that have been declared to be in the public domain under United States law for failure to comply with United States copyright notice requirements, to the extent such action is allowable within the United States Constitution and budgetary constraints.

organisms not naturally occurring in nature, often referred to as products of manufacture or compositions of matter, are protectable, as are processes for producing these organisms.[49]

NAFTA has been purported to reverse a longstanding bias in the patent law of the United States. Before NAFTA, Mexico and Canada strongly protested the United States regulations that precluded proving a date of first invention with evidence of use from outside the United States.[50] Under NAFTA, the United States must recognize inventive efforts in Mexico and Canada that establish a date of first invention.[51] Although the United States has enacted legislation enforcing this change of law, the legislation essentially puts the judiciary in the position of determining if evidence of a date of invention from Canada or Mexico will be accepted.[52] Specifically, if information relating to a date of invention from Canada and Mexico is not made available to the same extent it would be available in United States proceedings, the court or Commissioner in the United States can draw negative inferences concerning the existence of the information. This may allow United States courts to devalue evidence from Mexico and Canada of a date of invention.

C. Trade Secret

There has been significant concern over NAFTA trade secret provisions. Specifically, concern has focused on the "gross negligence" standard for

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[49] See Diamond v. Chakrabarty, 447 U.S. 303, 100 S. Ct. 2004 (1980); See also 35 U.S.C. Section 161 (plant patents).

[50] United States patent law precludes a patent where the invention is known, used or made in the United States before the date of invention by the individual seeking the patent. 35 U.S.C. Section 102(a), (g). Inventive effort in countries outside the United States is not recognized unless that effort is proven with a patent or description in a printed publication in a foreign country. This bias against inventors outside the United States has long been a source of concern regarding the United States patent laws.

[51] "...patent rights [shall be] enjoyable without discrimination as to ... the territory of the party where the invention was made." NAFTA, Article 1709(7).

[52] The American Intellectual Property Law Association recommended that Canada and Mexico be excluded from the meaning of "foreign country" in 35 U.S.C. Section 104(b), and the 1994 version of section 104(b) now includes reference to the NAFTA countries. AIPLA Bulletin, January-February-March, pgs. 357-58 (1993).

liability for theft of trade secrets. In the United States,[53] there is no wrongful intent requirement for a theft of trade secrets, rather misappropriation of a trade secret occurs when the secret is acquired "improperly" or disclosed when a duty of confidentiality is owed.[54] Thus, no breach of contract or like relationship between the parties is essential for a cause of action in the United States.[55]

Further relating to the protection of trade secrets, NAFTA stated that member countries may require that information be fixed to be protectable as a trade secret. The United States trade secret laws are broader in that they generally do not require that information be fixed to be protectable as a trade secret.

D. Design Patents

The United States provides protection for the physical appearance or ornamental design of an object via "design patents".[56] Only the appearance of an article, not its functioning or the method of manufacture, is protected by a design patent.[57]

III. MEXICO

Until very recently, Mexico was considered by some as one of the least

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[53] Trade secret protection in the United States is a state law cause of action, meaning that different states may enforce the law in slightly different manners. The discussion herein is generally applicable to the majority of states.

[54] E.I. Du Pont De Nemours & Co., Inc. v. Christopher, 431 F.2d 1012, 166 U.S.P.Q. 421, cert. denied, 400 U.S. 1024 (1971) (flying over competitor's plant and taking pictures of secret process is improper).

[55] Note that some states, including California, provide criminal and civil sanctions for theft of trade secrets. Where a criminal action is brought for theft of trade secrets, the theft must be "intentional" to be actionable.

[56] 35 U.S.C. Section 171.

[57] Design patents extend for 14 years from the issue date.

effective protectors of intellectual property in the world.[58] However, on June 25, 1991, the Mexican Law for the Promotion and Protection of Industrial Property was signed into effect and significantly strengthened intellectual property protection.[59] The new law was enacted in anticipation of NAFTA and represents a vast change in Mexican intellectual property law.

Despite the major changes in Mexican intellectual property law, enforcement of the newly created rights is still a concern. Mexico has traditionally mandated criminal, civil, and sometimes administrative proceedings for patent, trademark and copyright infringement and theft of trade secrets. Carrying out all three proceedings was often burdensome, time consuming, and led to unsatisfying conclusions, especially as regards damages and/or injunctions.

Effective October 1, 1994, Mexico substantially changed its intellectual property enforcement procedures. The effect of these changes on the above referenced problems is unknown. Before addressing specific provisions of Mexican intellectual property laws, the effect of the 1994 Amendments on the enforcement of intellectual property rights is discussed.

Until the October 1, 1994, Amendments to Mexican law, Mexico had a combination of civil, criminal and administrative proceedings to enforce intellectual property rights. Specifically, under the old Mexican law, a complaint had to be filed with a federal prosecutor. If enough evidence existed to presume infringement, as determined via a technical opinion from the patent office and an opinion by the prosecutor, the case was passed to the criminal court. Civil proceedings only occurred after the criminal case. These provisions were complex and time consuming, often inhibiting the speed and effectiveness of enforcement proceedings. [60] Also, Mexico had a history of small damage

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[58] See Frank Emmert, Intellectual Property in the Uruguay Round - Negotiating Strategies of the Western Industrialized Countries, 11 Mich. J. Int'l L. 1317, 1327-28 (1990).

[59] However, unfair competition and trade practices law is still generally undeveloped in Mexico. "Parallel imports" and grey market goods are not directly addressed by NAFTA, except as each country chooses. NAFTA, Article 1704. The 1994 Amendments to the Mexican Industrial Property laws specifically permit the sale of parallel imports and grey market goods.

[60] See Frank J. Garcia, Protection of Intellectual Property Rights in NAFTA: A Successful Case of Regional Trade Regulation, 8 Am. U.J. Int'l Law & Policy 817 (Summa 1993).

awards and its provisions for injunctive relief were not well enforced.

The 1994 Amendments have altered the procedural course of intellectual property actions. All illegal actions, such as patent and trademark infringement, are no longer crimes, but are administrative infringements. For the first patent, utility design or trademark infringement allegation, an action must be brought before the Mexican Institute of Industrial Property (IMPI). The IMPI has sweeping powers to authorize search warrants, grant injunctions and award significant damages.[61]

Thus, initial intellectual property infringement actions, except copyright infringement, are administrative proceedings. For theft of trade secret cases, trademark counterfeiting and, if the plaintiff so elects, for repeat allegations of infringement, a criminal action is still brought first.[62]

It is unclear whether the procedural move from criminal courts to having the IMPI hear "infringement cases" also marks a change in the substantive law.[63] For example, under the old law patent infringement had to be knowing or intentional to be enforceable, thus an intent to infringe had to exist.[64] Under the new law, products must be marked or the public must have been informed of the intellectual property rights before an injunction or damages can be granted. This indicates that infringement need not be intentional to be

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[61] The IMPI can issue temporary and permanent injunctions, including shutting down a business for repeat offenses. Damages can be no less than 40% of the total value of the sale of infringing goods.

[62] For repeat allegations of patent and trademark infringement another action before the IMPI may also be brought.

[63] Many changes to the Mexican law simply involve moving sections defining infringement from under the heading "criminal infringement" to the heading "administrative infringement".

[64] Manuel Gomiz-Maqueo, Perspective on NAFTA's Impact on Patents in Mexico and Recent Developments, Bufete Sepulveda, S.C., Mexico City; See Mexican Law for the Promotion and Protection of Industrial Property, Article 223(I-XV) (1991) (patent, trademark infringement and theft of trade secrets are criminal offenses). Yet another result of the old law treating infringement as a criminal offense was that the common law doctrine of equivalents was not applicable to patent infringement. Id.; Article 14, Mexican Political Constitution (the law must be strictly applied, it cannot be applied based on analogies). This may or may not still be true.

actionable. Rather, knowledge of infringement is imputed to the infringer via marking or general public information. Absent proof to the contrary, it may be that the old standards for patent and trademark infringement may remain. Alternatively, the tremendous changes to Mexican law may also indicate that the substantive law of infringement is now more similar to Canadian and United States law.

A. Copyright

Before NAFTA, sound recordings and computer software were not covered by the Mexican copyright laws. Under NAFTA, all Article 2 Berne Convention works must be protected, and Mexico amended its law to protect such works in 1991.[65] In Mexico, copyright actions may be brought in civil or criminal courts, with both civil and criminal penalties being available.

B. Trademark

The trademark provisions are probably the least controversial aspect of NAFTA. Generally, the trademark provisions in Mexico are similar to the trademark laws in the United States. As is mentioned above, however, enforcement of intellectual property rights, including trademark rights, may be difficult in Mexico.

As presently understood, under the 1994 law "administrative infringement" actions may be brought before the ministry and can result in fines of up to ten thousand times the general minimum wage, additional fines of up to five hundred times the general minimum wage for each day during which the infringement subsists, temporary shutdown for a period of up to ninety days, permanent shutdown (if temporary shutdown has previously occurred twice), and administrative imprisonment for up to thirty-six hours. Damages are to be no less than 40% of the total value of the infringing goods. Administrative infringement may require an inspection of the infringers goods, sometimes without warning, to determine if infringement is occurring. An investigation can commence ex-officio or at the request of an interested party.

Repetitive trademark infringement and trademark counterfeiting can lead to the imposition of both criminal and civil penalties in Mexico.

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65 Federal Copyright Law, Official Diary of Mexico (July 17, 1991).

Knowingly infringing a registered mark without authorization can be prosecuted in the courts of the Federation as a criminal offense with penalties including fifty to ten thousand times the general minimum wage and prison sentences of from six months to six years, depending on the willfulness and type of infringement.

C. Patent

Mexico has followed the rest of the world, rather than the United States, in establishing the duration of the patent term. In Mexico, patents have a term of twenty years starting from the filing date of the patent application and subject to the payment of government fees. However, patent rights can be extended to compensate for delays caused by regulatory approval processes. The 1991 patent law provides for a three-year extension for patents for chemical products, pharmaceutical products, or processes for obtaining these products, provided that the patentee grants a license to work the invention to a corporate entity with a majority of Mexican capital.[66]

Mexico will award a patent to the first entity to file a patent application for an invention. Therefore, first to file, rather than first to invent, will determine patent rights in priority contests.

Significant improvement has been made in Mexico regarding patent protection for plants and animals. Patent protection is available for plant varieties but not plant species.[67] Patent protection is available for inventions related to microorganisms, such as inventions made by using them.[68] The term microorganism includes bacteria, fungi, algae, virus,

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[66] The patent extension is granted by executing an agreement within six months from the grant of the patent or the date of registration allowing distribution of the patented product in Mexico, whichever is later. The agreement must be irrevocable and non-exclusive, extend through the extension period, and may be cancelled if the grantee does not work the patent according to the terms set forth in the agreement. Mexican Law for the Promotion and Protection of Industrial Property, Article 23.

[67] Mexican Law for the Promotion and Protection of Industrial Property, Article 20.

[68] When filing a patent application for biological materials in which the description of the invention cannot be set forth in detail therein, the application must

microplasms, protozoa and, in general, cells that do not reproduce sexually.[69] Biotechnological processes for obtaining pharmochemicals, medicines in general, foods and beverages for animal and human consumption, fertilizers, pesticides, herbicides, fungicides or products with a biological activity are all patentable.

Biological material found in nature and genetic material are not patentable. Essentially biological processes for obtaining or reproducing plants, animals or their varieties, including genetic processes or processes related to material which is capable of self-replication, by itself or by any other indirect manner, when they consist simply of selecting or isolating available biological material or leaving it to act under natural conditions are not patentable.[70] This exception extends to the processes for the production of plants or animals, other than non-biological and microbiological processes for such production. Also, inventions relating to the living matter that composes the human body is not patentable.

In general, Mexico has rejected compulsory licensing. However, Mexico does retain compulsory licensing for patented inventions that are not worked within the country. At any time after three years from the date a patent is granted or four years from the date a patent application is filed, whichever is later, during which time an invention has not been worked for two consecutive years, any person may apply to the Ministry for a compulsory license to work the invention.[71] A compulsory license will be granted absent justifiable technical or economic reasons for not working the invention.[72] The Ministry decides the terms of any compulsory patent license, including royalty and durational terms.

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be supplemented by a biological deposit in an approved institution. Id.

[69] Patent protection is also not available for animals.

[70] Id.

[71] Mexican Law for the Protection and Promotion of Industrial Property, Article 70.

[72] No compulsory licenses are granted where a patentee is importing the patented product or a product using a patented process. Also, the holder of the patent has one year after being notified about the compulsory license to begin working the patent, thereby avoiding the compulsory license.

The border enforcement provisions discussed above at Section I(F) were largely directed toward providing a seizure mechanism for infringing goods at the border.[73] NAFTA provided that Mexico may delay implementation of the special border provisions for three years.

D. Trade Secret

Mexico has adopted the provisions of NAFTA regarding trade secrets. Specifically, to be protectable as a trade secret information must be in fixed form, such as in a document.[74] The statutory language of the Mexican law indicates that the standard for proving a theft of trade secrets is gross negligence. The statutes list several actions that are considered to be theft of trade secrets, which actions fall into two categories. First, if a person has a relationship with the holder of the trade secret, such as employee/employer or as a third party vendor, that person has a duty not to disclose trade secrets. Second, the obtaining of trade secrets by illegal means leads to liability for damages.[75] It appears that if a third party with no contractual duty to the possessor of a trade secret legally flies a plane over a plant to discover trade secrets at the plant, such action would be justifiable as being both legal and not violating a duty not to disclose.

Data submitted as a condition for approving marketing of pharmaceuticals or agriculture chemicals using new chemical entities to determine the safety of the chemicals is protected against disclosure.[76] The data is also protected for at least five years against any third party relying on the data in their approval process

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[73] NAFTA, Article 1718.

[74] Mexican Law for the Promotion and Protection of Industrial Property, Article 83 (1991).

[75] Articles 84-87 of the Mexican Law for the Protection and Promotion of Industrial Property describe the situations where theft of trade secrets may be alleged. There is no discussion of asserting theft of trade secrets where the trade secrets are obtained through "improper", though not illegal means.

[76] Data is not considered disclosed when it is submitted to an authority under a legal provision or court order for obtaining licenses, permits, authorizations, registrations or other authority. Id. at Article 82.

E. Layout of Semiconductor Circuits

Mexico has not yet enacted laws to enforce this measure, but is required to implement this article within four years after the date of entry into NAFTA.

F. Geographical Indications

As stated above in Section I(B), the member countries of NAFTA agreed to protect rights in geographical indications, and to prevent the use or registration of misleading or otherwise unfairly competitive indications.[77] Mexico does allow for use of an appellation or designation of origin where approved by the government. Approval will only be given when the goods originate at the locale and the quality or characteristics of the goods are due exclusively to the geographic medium.[78]

G. Industrial Design

Industrial designs include all combinations of figures, lines, or colors that are incorporated into an industrial product for ornamental purposes, and that give it a special aspect.[79] Further, industrial models, constituted by tri-dimensional form that serves as a sample or model of an industrial product are registerable insofar as they do not imply technical effect. A design must be original for registration, and the rights granted are against "confusingly similar" designs. Rights are granted for fifteen years from filing, pursuant to payment of government fees.

IV. CANADA

Canada enacted a series of sweeping changes to its intellectual property laws from 1985 through 1993.[80] These changes made Canadian intellectual property

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[77] Mexican Law for the Promotion and Protection of Industrial Property, Article 89(10)-(11).

[78] Id. at Articles 156-168.

[79] Mexican law for the Protection and Promotion of Industrial Property, Article 32.

[80] Since 1985, Canadian patent law has been revised on seven different occasions. NAFTA - The Canadian Response or Why Does the Canadian Patent Act

law largely compliant with NAFTA before NAFTA was passed. Therefore, the laws of Canada are not significantly effected by NAFTA. Although the series of amendments were not all the result of NAFTA, because of their recency this paper devotes some time to the recent revisions of Canadian intellectual property law.

A. Copyright

One truly significant issue that NAFTA did not address is that Canada retains a "cultural exemption" to copyright protection for cultural works.[81] The "cultural exemption" allows Canada to take whatever action it deems in its national interest in choosing not to enforce copyrights for cultural materials, including books, records and motion pictures. Thus, if a work is deemed to effect the national interest, it may be ruled that the work is not granted copyright protection in Canada and can be copied freely. The cultural exemption can also be applied to excuse infringement of the satellite signal and sound recording provisions of NAFTA. It is unclear whether the cultural exemption could be used to remove computer program manuals and documentation from NAFTA projection in Canada.

As described above, NAFTA gives the owner of a work the "rental right" to control rentals of the work. Canada allows an exception to the rental rights for sound recordings and computer programs for non-profit rentals that are made in relation to the overall non-infringing operation of the person receiving the copy.[82] For example, a non-profit corporation could rent a copy of a spreadsheet program to do its books at the end of the year.

B. Trademark

Canadian trademark law has not been significantly effected by NAFTA. Of interest, intent-to-use applications are now permitted in Canada.[83] A

Keep Changing, 22 AIPLA Q. J. 65 (1994).

[81] NAFTA, Annex 2106.

[82] S.C. 1988, c.15.

[83] Trademarks Act, Section 40, S.C. 1993, c.44.

declaration of use must be filed within six months after allowance of the application, subject to extension. Registration is granted after the declaration of use is filed. Also, at any time following three years from registration, two consecutive years of non-use may be considered to be abandonment of a trademark. This revision makes Canadian law more lenient as regards abandonment of trademarks.

The biggest effect of NAFTA on Canadian trademark rights is on enforcement. Under previous law, there had to be "a final determination" on the merits at trial before a court would deny importation of infringing goods.[84] After amendment, goods may be detained via an ex parte application to the court and pending a determination of the legality of importing the goods. However, these new provisions have not been widely interpreted.

C. Patent

In general, Canadian patent law is similar to United States patent law.[85] For example, as in the United States, patent infringement in Canada is a civil matter with civil remedies.[86]

There are, however, some distinctions between Canadian and United States patent law. Canada is a first-to-file country,[87] meaning that the

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[84] NAFTA Changes IP Law On U.S.-Canada Border, The National Law Journal (May 16, 1994).

[85] Canada has enacted provisions for the re-examination of patents. Re-examination of a patent is an action taken before the patent office to review and determine the scope of a patent in a manner that is less expensive than litigation. When a patent is re-examined, the patent office reconsiders the validity and scope of the claims of the patent. Re-examination may be initiated by the patentee or by third parties. Canada has a re-examination procedure which is conceptually similar to that under United States law. Canadian Patent Amendment Act, Sections 48.1-5. In re-examination, claims can be cancelled, confirmed, amended or new claims can be added. Canada also recently instituted procedures permitting the filing of continuation-in-part applications. Id. at Section 28.1.

[86] Amendment to the Canadian Patent Act, S.C. 1993, c.2, s.1-7, Article 55.

[87] Canada changed from a first to invent system similar to the United States, to a first to file system on October 1, 1989. An Act to Amend the Patent Act, R.S.C. 1985 (3rd Supp.) c.33, ss. 1-26.

first party to file an application for an invention receives the patent regardless of who invented the invention first, and patent applications are laid open for inspection eighteen months after filing.

Also, until recently Canada would allow claims for a process for making naturally occurring substances prepared or produced by or significantly derived from microbiological processes and intended for food or medicine, but would not allow claims for the resulting food or medicine. The current practice is to accept product claims for foods and medicine.[88]

Another change in Canadian law results from the fact that until recently Canada had onerous compulsory licensing and pricing limitations on medicinal patents, especially regarding pharmeceuticals. For example, a compulsory license could be obtained under any Canadian patent on the grounds of non-use/working in Canada. This possibility has been eliminated.[89] The remaining grounds for a compulsory license are very narrow, and no demand for a compulsory license on these grounds has been successful to date.[90]

The 1992 Amendments to Canadian law repeals compulsory licensing laws for food and medicine patents, to the extent the laws are inconsistent with the above compulsory licensing provisions. Specifically with regard to pharmaceuticals, compulsory licensing is abolished for abuse of monopoly by virtue of non-working in Canada or importation hindering Canadian manufacture. However, any compulsory license granted before December 20, 1991 remains in effect. Compulsory licenses granted on or after December 20, 1991 expired on February 14, 1993.

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[88] See Canadian Manual of Patent Office Practice, Sections 9.01, 9.04; 22 AIPLA Q.J. 65 (1994).

[89] Patent Amendment Act, Section 12(1) (1992).

[90] Also, the Canadian government may still demand a grant non-exclusive use of a patent, but the government's rights have been limited. The purpose of any government use must be to supply the Canadian market, and the Government must first establish that it attempted to obtain authorization from the patentee on reasonable terms. However, in cases of extreme urgency or where the use is for the public and non-commercial, no such attempt is necessary. The patentee receives an adequate royalty, as determined by the Commissioner. NAFTA Implementation Act, Section 191(1), enacting Sections 19-19.3 (1993).

As set forth above, many of Canada's most troublesome provisions concerning intellectual property have been recently rectified. However, the Canadian Patented Medicine Prices Review Board still has the power to directly control prices of patented medicines (including ordering fines), the power to require patentees to forfeit excessive price margins to the Crown, and other price control powers.[91]

In order to enforce the above price control powers, patentees of inventions relating to medicines must disclose a significant amount of financial and technical information. For example, patentees must disclose the identity of the medicine, the costs of making and marketing the medicine, and the price at which the medicine was sold in any market in Canada and elsewhere. Failure to satisfy these requirements can lead to a fine of $5,000 and up to six months in prison for individuals and a $25,000 fine for corporations. Punishment for excessive pricing can be a fine of $25,000 and up to a year in prison for individuals and a fine of up to $100,000 for corporations. Technical information provided to the Board is kept confidential.

F. Plant Breeders'

NAFTA mandated that plant varietals be protected via either patent law or some other sui generis system. Unlike Mexico and the United States, which protect the rights of plant breeders' plants under patent laws, Canada has developed its own system for protecting the rights of breeders' of plant varietals.

The registration system for protection of new plant varieties is found under the title "Plant Breeders' Rights."[92] In Canada, certain categories of plants are protectable if the varieties are clearly distinguishable from existing varieties and if the varieties meet certain other criteria.[93] The holder of the breeders' right has the exclusive right to sell, use and license others to the protected variety.

G. Industrial Design

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[91] Patent Amendment Act, Articles 79-90 (1992).

[92] An Act Respecting Plant Breeders' Rights, S.C. 1990, c.20 (1991).

[93] Registerable varieties are listed, and other requirements for registration are discussed, in The Canadian Plant Breeders' Act. Id.

Industrial design rights in Canada are similar to the industrial design rights in Mexico set forth above in Section III(G). However, industrial designs can be registered in Canada for a term of five years, and may be renewed only once for an additional five years.[94]

The exclusive rights obtained by registration are the right to make, import, sell, rent, or offer for sale the design. The protection is for the design "or one not differing substantially therefrom."[95]

V. SUMMARY

NAFTA establishes minimum, non-discriminatory standards of protection for intellectual property. The member countries have ratified NAFTA and are moving fairly quickly to implement these provisions by amending their respective laws where required. However, significant distinctions remain among the laws of the member countries.

Copyright protection is mandatory for all works under Article 2 of the Berne Convention. Of special importance, computer programs, including databases are protected. Also, the unlicensed decoding of satellite signals is criminalized. However, the United States does not protect moral rights in works and Canada retains its right to exempt cultural works from copyright protection.

The trademark provisions of NAFTA provide non-controversial guidelines as to the registration and protection of trademarks that generally conform to the current United States laws.

NAFTA specifically limits what the member countries may deem as non-patentable subject matter. NAFTA also sets forth guidelines for the duration of patents, including extensions for regulatory delays as well as limiting compulsory licensing. The enforcement provisions of NAFTA also provide minimum standards of protection, such as injunctions and seizures at the border, for patents and other intellectual property.

NAFTA defines what information is entitled to trade secret protection. NAFTA also establishes rights in the layout of semiconductor circuit designs. This right in circuit designs extends to articles incorporating the design.

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[94] Intellectual Property Law Improvement Act, Industrial Design Act, Article 10 (1993).

[95] Intellectual Property Law Improvement Act, S.C. 1993, c.15.

In summary, NAFTA does a good job of providing for a minimum standard of intellectual property protection in the member countries. However, all of the implementing provisions have not been fully enacted and interpreted. Further, each member country has exceptions or unique interpretations of some provisions of NAFTA, necessitating a close look at a member country's laws before relying upon those laws for protection.

(1) Title:

ECONOMICAL BLOCK AND INTELLECTUAL PROPERTY

(2) Date:

October, 1994 (25th Plemary Meeting at Hamamatsu)

(3) Source:

1) Source: PIPA
2) Group: Japan
3) Committee: 2

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EU (EC), NAFTA, DUTY OF THE FIRST APPLICATION , ANTI-TRUST LAW, TECHNICAL STANDARDS, TRADE SECRET, LICENSE, JOINT RESEARCH AND DEVELOPMENT

(6) Statutory Provisions:

NORTH AMERICAN FREE TRADE AGREEMENT, ROME TREATY

(7) Abstract:

There is a trend for different nations to form an economical block.

We have studied the influence of these movements of regional cooperation and economical unification to the member states, which may cause problems, with other states in terms of the intellectual property rights, more precisely, patent application, standardization, anti-trust law, and protection of trade secrets.

EU (EC) is proceeding with commonization of policies of member states in the various fields.

Anti-trust policy is one of those, and assumes an important roll to realize a free circulation principle of commodities within the territory according to Rome Treaty. We can see such thought here and there in a rule of block exemption with respect

to patents, know-how license, and joint research and development established by EC commission. And a special committee is studying the effects on standardization. There is no common policy on patent application and trade secret, but we have tried to investigate into it from several points of view.

ECONOMICAL BLOCK AND INTELLECTUAL PROPERTY

Introduction

In recent years, an internationalization of economy has advanced progressively, and many states or regions have formed an economical block removing trade barriers among its member states, and regulating mitigated.

Both EU (EC), which was established after the World War II and developed through several reformations, and the North American area, where North American Free Trade Agreement (NAFTA) was concluded, are good examples.

EC consists of three communities, European Coal and Steal Community (ECSC) established according to Paris Treaty signed in 1951, European Economic Community (EEC) established according to Rome Treaty signed in 1957, and European Atomic Energy Community (EURATOM). At present, the organizations of each community are unified and operated by EC which has EC Commission, European Council of Ministers, European Parliament, European Court of Justice etc.

The idea of EU consists in the unification of European politics and economy, and Maastricht Treaty being ratified by European countries aims at commonization of security and foreign politics, as well as the unification of currencies.

On the other hand, the United State, Canada and Mexico, who have signed the North American Free Trade Agreement (NAFTA) aim at achieving regional development by lowering economical and trade barriers through mild regional cooperation when compared to EU (EC).

By this text, it was investigated how the idea of block formation economies will affect the operation of the concerned regulations on intellectual property, particularly in view of patent application, anti-trust law, standardization and trade secret protection. The influence on the states outside the block is also considered.

Chapter 1: Duty of the First Application in EU

Technical achievement created in territory outside the EU shall be legally transfered. In cases where the technical achievement is obtained as a result of a parent company outside the territory investing in its affiliated company inside the teritory, the achievement will be transferred to its own state. It is necessary to pay an attention if such transfer is subject to the rule of export of technical information, in accordance with a law of export control established by respective EU state. If an invention is concluded in the technical achievement concerned, a patent will be normally applied. There will never be the case of infringing any law of export control if a patent application is filed first in a state where the invention was made and then the application to the foreign states is filed in accordance with the patent law of the concerned state.

In the U.K., an invention which was made by a resident is obliged to be filed first in the U.K., and no conflict with the law of export control will occur as a result. However, in such a country as Germany where a patent invention (which is not corresponding to a state secret) can be filed first in a foreign state, it is advisable to check whether the application is not subject to the law of export control.

With respect to the duty of first application, or a confidential patent about state secret, the patent law of each states in the territory of EU does not distinguish a foreign state, whether belongs to EC or not. Therefore, in the states where a patent application to a foreign states is restricted, an application under European Patent Convention (EPC) or under Patent Cooperation Treaty (PCT) shall be subject to above-mentioned rule.

1. GERMANY

(1) Secret Patent

German Patent Office is entitled, as a representative organization of German Defence Ministry, to investigate whether an invention under patent application corresponds to a state secret. In cases where a patent application filed to the German Patent Office is deemed to contain a state secret defined in

Section 93 of the Penal Code, publication of such patent application, issuance of the patent, and its peruse shall be suspended, and such patent application is handled as a secret within the German Patent Office.

Concerning secret patents, there are stipulations in Articles 50-55 of the Patent Law.

The patent application containing a state secret defined in the Penal Code Article 93, shall not be submitted to any foreign countries without the written consent of the highest competent federal authority. Furthermore, violation of the said provisions shall be subject to a prison sentence not exceeding 5 years or a fine (Patent Law Article 52). Incidentally, if, within 4 months after filing the application to the Patent Office, no order under Article 50 is served upon the applicant, he may, when in doubt as to whether the invention is required to be kept secret, assume that the invention need not be kept secret (Article 53 of the Penal Code).

(2) EPC or PCT Application

European Patent Office is a representative organization established under an international treaty among independent countries, and performs the investigation on behalf of the contracting states. The European Patent Office, however, has no right to investigate into a state secret of any contracting state on its behalf. According to the Article 75 of European Patent Convention, the contracting states are entitled to give an order to submit the EPC application first to the competent authority of their state when the application may involve state secrets. In accordance with this provision, in Germany, such EPC or PCT applications which may contain a state secret defined under Article 93 of the Penal Code, shall be submitted to the German Patent Office as an international receiving office in conformity with the Article 2 paragraph 4,and the Article 3 paragraph 2 of the German Law on International Patent Treaty.

German citizens or any applicant having its residence or office in Germany, are entitled to file its EPC application not only to the European Patent Office located in Munich, but also to the German Patent Office in Munich or in Berlin. However, in

case it contains a state secret, the application shall be filed to the German Patent Office first. Any EPC or PCT application, which is deemed to contain a state secret, shall be handled ex officio as a German domestic patent application. EPC application which is deemed not to contain a state secret shall be transferred to the European Patent Office.

(3) Actual Procedure

In the case where a patent application with respect to an invention created in Germany is filed to a foreign country belonging to EC or not, it is necessary that the application must be filed first to the German Patent Office, if the invention may contain a state secret defined under Article 93 of the Penal Code. On the contrary, in case an invention does not contain a state secret, one may file the patent application first to any other country than Germany, and may then file the application to Germany claiming a priority in accordance with the Paris Convention.

In an actual procedure, almost all inventions created by private enterprises are seldom to contain a state secret, and cases where the restriction to submit an application to the German Patent Office first rarely occur.

However, when 4 months elapsed after an application to the German Patent Office, any foreign application including EPC and PCT becomes legal. Therefore it is desirable to file the application, concerning the invention created in Germany,first to the German Patent Office if the invention may seem even a bit related to a military technology or state secret.

2. The United Kingdom

(1) Duty of the First Application

In the U.K, any invention created by a resident in the U.K., shall file its patent application first to the U.K. Whether the invention contains a secret patent or not, does not come to the question. Namely, in accordance with Article 23 of the patent act, "no person resident in the United Kingdom shall, without written authority granted by the comptroller, file or

cause to be filed outside the United Kingdom an application for a patent".

However, the following cases are not applicable to this provision:

1) The application of an invention to the U.K. has been filed 6 weeks prior to the application to a country outside the U.K.

2) If an invention was ascertained by the secretary of the state to be harmless to the defence of the state.

This provision is, according to the same section, not applicable to patent applications which have been filed first to a state outside the U.K. by a resident outside the U.K.

(2) Security and Safety

In case a patent application is filed to the Patent Office of the U.K., a comptroller is entitled, in accordance with the Article 22 of the Patent Act, if he thinks its publication might be prejudicial to the defence of the state, to prohibit or restrict the publication of the concerned information, or to transfer such information to any specified person or description of persons, within a period not exceeding 3 months after the expiration of the period specified in relation to the publication of the application.

In such particular case,the patent application will not be sent,if it is a EPC application, to the European Patent Office, and its copy will not be sent, if it is a PCT application, to the international research organization appointed by the international bureau or in accordance with the provision under the Patent Cooperation Treaty.

(3) EPC, PCT Application and Actual Procedure

In accordance with Article 77 of the Patent act, a European patent application designated to the U.K. is dealt with in the same manner as a patent granted according to the application on basis of the Patent Act of the U.K., and in accordance with Article 89, a PCT application designated to the U.K. is deemed

to be the same as a domestic application according to the Patent Act of and has the same effect.

Most applications filed by a person other than a resident in the U.K. will correspond to either of the above cases, however, an affiliated company resident in the U.K. (its parent company resident outside) has an obligation to file the application first to the Patent Office of the U.K. according to Article 23 of the Patent Act.

This obligation is independent of whether such invention contains a state secret or not, and accordingly, there will be no case in the practical procedure that an affiliated company in the U.K. may violate the rule with regard to the secret patent.

Chapter 2: Technical Standard at NAFTA and EU

Both NAFTA and EU recognize that the technical standards (technical standards as well as inspection standards) established independently by each state will create a non-tariff trade barrier, and thus think it important to unify them.

Each member has, both in NAFTA and EU, provided its own technical standard in order to assure the quality, safety and compatibility of the goods and services. However, these contents are different in each state and disturb a free circulation of the goods and services.

In the case when a supplier will export his goods or services to the other member states, it is usual at present to remodel and reconstruct many things to adhere to the technical standard of the concerned state, and the necessary cost therefore is very expensive. As a result, it will be reflected in the price of the goods and services and increase the burden to the consumers. Therefore, both NAFTA and EU make their first target the unification of technical standards as well as rectifying the custom house problem.

However, in spite of the fact that each state of NAFTA and EU has agreed to the basic idea, the adoption of respective common standards affect the interests of each state, and it is difficult to achieve a common result, and a proper timing of settlement is occasionally missed.

1. Technical Standard of NAFTA

(1) Basic Concept

The technical standards of NAFTA are applied to the range of the process of compatibility assessment to show that the goods and services are suited to the standards or criteria under the related regulation established by the government.

The member states shall recognize that the technical standards will have an important role in expanding the safety; in keeping the life and health of human beings, animals and plants, and in protecting the circumstances and consumers, and shall cooperate with each other. Also, the member states shall not adopt any bill related to the technical standards which may create an unnecessary trade disturbance, and shall cooperate to establish their consistency.

The member states shall have the right, under NAFTA, to adopt, to apply and to enforce a bill related to the technical standards, to select the level of protection obtained through such bill, to undertake an evaluation to confirm such level, and to recognize the right and obligation of other states under GATT Treaty and the other international treaty including protection of circumstances and natural resources.

Also, the member states assure that the bill related to the technical standards shall satisfy both national treatment most-favored-nation treatment.

(2) International Standards and its Relationship

The NAFTA states may, if the international standards is an effective and appropriate measure to implement their own purposes, utilize such international standards, as the base of their own bill related to the technical standards.

Also, they shall, for the purpose of trade promotion and cost saving due to making the different standards for each states, endeavor to establish more consistency of the laws related to the technical standards, considering in the progress of establishing work of international standards.

(3) Transparency of Procedure

In case of application or revision of a bill or the law related to the technical standards, "Transparency of Procedure" shall be fulfilled.

"Transparency of Procedure" means to notify the public the pending influence to the trade of North America before application of the law related to the technical standards and to include the purpose and the reason of such law in the notification.

The member states of NAFTA as well as their people are permitted to express their opinion thereon and the registlator shall be obliged to reply to such opinion.

(4) Committee on the Bills related to the Standards

In order to make such agreements effectively, a committee on the bills related to the standards was established, which will inspect the performance of the laws, promote the consistency, develop, apply and cooperate in order to execute the bills or the laws.

2. Technical Standard of EU

(1) Basic Concept

The basic concept can be found in Articles 30 and 36 of the Rome Treaty.

Article 30 (Prohibition of restriction of import quantity)

Quantitative restrictions on imports and all measures having equivalent effect shall, without prejudice to the following provisions, be prohibited between Member States.

Article 36 (Exceptional approval)

The provisions of Articles 30 to 34 shall not preclude prohibitions or restrictions in imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property. Such

prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or disguised restriction on trade between Members States.

In this connection, there are some juridical precedents of the European Court of Justice, as follows;

1) Goods which are manufactured and sold under the law of the country concerned shall be accepted by the other member states. The case when this principle is exempted, shall be limited only to such case that may affect health, security, circumstances, or business custom. (1979)

2) Onus Probandi of the importing country about the case below-mentioned was made clear.

If the import is restricted by reason of its additives, it must be proven that such additives will injure the peoples' health,which is sufficient to overcome the principle that the goods are free to transport within the territories.

(2) <u>As to the Unification of Technical Standards</u>

Because it is not efficient to discuss the technical standards item by item at the Council of Ministers, the following three step methods have been tried since 1985.

1) Mutual Recognition

Goods which are sold in the market of one member state, shall be accepted by other member states.

2) Selective Agreement

Interpretation, as to such necessity and indispensable items to protect health, safety and circumstances with regard to some goods groups shall be agreed by the Council of Ministers. Then, the detail specifications shall be relayed to the European Committee for Standardization (CEN), European Committee for Electro-Technical Standardization (CENELEC), European Telecommunications Standards Institute (ETSI) and be decided by majority vote.

ETSI undertakes a co-work with CEN by work-sharing concerning the communication specification of a smart card(ID

card), and with CENELEC concerning the measuring method of various equipment.

3) Advance Notice

Since 1983, the member states shall be obliged to make a notice in advance if a new technical standard is introduced.

(3) Views from Outside

The idea seems to be similar to that of NAFTA, however, Japan and the US are worrying if this idea will strengthen the protective measure. On the contrary, EU maintains that GATT will be strictly followed, and that with a country who tends to close its market, a negotiation will take place in order to achieve a balance of interest. By the way, the definition of the words "Mutual Principle" and "Open" used by EU are not clear.

(4) Characteristic Patent Policy of ESTI

Among three standardization organizations of EU, ESTI declares its active idea, but others like CENELIC are not so investigative by members. It may be inappropriate to assume that ETCI's policy represents the entire patent policy of EU, however, it does represent one expression of intention. It is said that the policy was worked out by a person in charge of patents, and not by a lawyer.

The patent policy of ETSI was studied, in order to solve a problem regarding Intellectual Property Right (IPR), which came up to the surface, when the specification of Groupe Spécial Mobile (GSM) was worked out. As a result, if a standard contains IPR necessary to its execution, the owner of such IPR is obligated to make it public under adequate conditions to other member of ETSI.

The members shall be obliged to sign ,within 6 months, on an Undertaking prescribed as per the Patent Policy, and in case of negligence of this signing, such member will be dismissed from the membership.

Furthermore, the provision of this Undertaking will be effective not only to the signer but also to the related organization, in regard to its right and duty. That is, in

cases where an affiliated company resident in EU is a member of ETSI, the effect of the Patent Policy will will also hold for the European patents held by its mother company resident outside EU. In spite of the fact that such mother company outside EU would agree to license the members, it is not clear if such concerned company outside EU is able to enjoy a license of patents held by other members of ETSI. A question was raised in this respect mainly by companies who have no manufacturing base in EU.

Chapter 3: Investigation from the Anti-thrust Law EU's Provision Concerning Anti Trust Law

(1) Basic View

EU aims to achieve, by establishing a common market, progressive improvement of living standards as well as continuous and balanced development of economic activities. (Establishment of EEC, Article 2 of Rome Treaty. Rome Treaty is hereinafter abbreviated as "Treaty")

For this purpose, Article 3 of the Treaty provides to establish a system to secure that the custom duty and the restriction of quantity (free movement of goods) is removed and that a free competition is not distorted (to keep a free movement of goods by laws to accelerate competition).

A principle of free movement of goods is further realized by Article 30 through Article 36. It was discussed in the "Standardization" about the content of Article 30, which provides as follows;

... The restriction of import quantity or any measure equivalent to have the similar effect shall be prohibited between member states, without prejudice the provisions stated hereunder.

1. Provision about Law on Competition Relating to Intellectual Property

Articles 85 and 86 provide a rule of competition. Article 86 provides to prohibit an abuse of a dominant status and will not be discussed here.

Article 85, Section 1 basically prohibits the acts of agreement between the undertakings of decision, and of cooperative action by association of undertakins which may affect the trade of the member states and is for the purpose of, or has an effect of, prevention, restriction, or distortion of competition within a common market.

On the other hand, it is stated in Article 85 Section 3 that "In spite of such agreement, if it will contribute to improving the production of goods, to improving the distribution of goods, or to promoting the technical and economical progress, and will fairly distribute its result of benefit to the consumers, and a) the undertakings are not unnecessarily restricted to achieve the purpose and b) not to eliminate a possible competition about the essential parts of the concerned products", that it can be declared as an exception of the Law that Article 1 shall not apply.

The power to declare such exception is authorized to the commission by the regulation No. 17 of the Council Article 9, section 1. In order to get an approval of the exception of application in a contract, either an individual application on such exception of application is filed to the council, or the conditions may be fitted to those provided as a regulation for the block exception of application which has been announced by the commission.

Up to now, there are three commission regulations relating to intellectual property which have been announced to the public, as follows;

a. Commission Regulation (EEC) 2349/84 of July 23, 1984 on the application of Article 85(3) of Treaty to certain categories of patent licensing agreements.
b Commission Regulation (EEC) 418/85 of December 19, 1984 on the application of Article 85(3) of the Treaty to categories of research and development agreements.
c. Commission Regulation (EEC) 556/89 of November 30, 1988 on the application of Article 85(3) of the Treaty to certain categories of know-how licensing agreements.

2. Regarding License within EU Territory

(1) Basic View

As to license agreement, a block exemption has been approved which is in accordance with the Commission Regulation (2349/84) on the application of Article 85(3) of the Treaty to certain categories of patent licensing agreements and Commission Regulation (556/89) on the application of Article 85(3) of Know-how license agreement.

In the Commission Regulations we pick up a specific part of the Regulation, which regards the sales of licensed products as shown below.

(2) Regulation on Sales of Products under Patent License (Commission Regulation 2349/84)

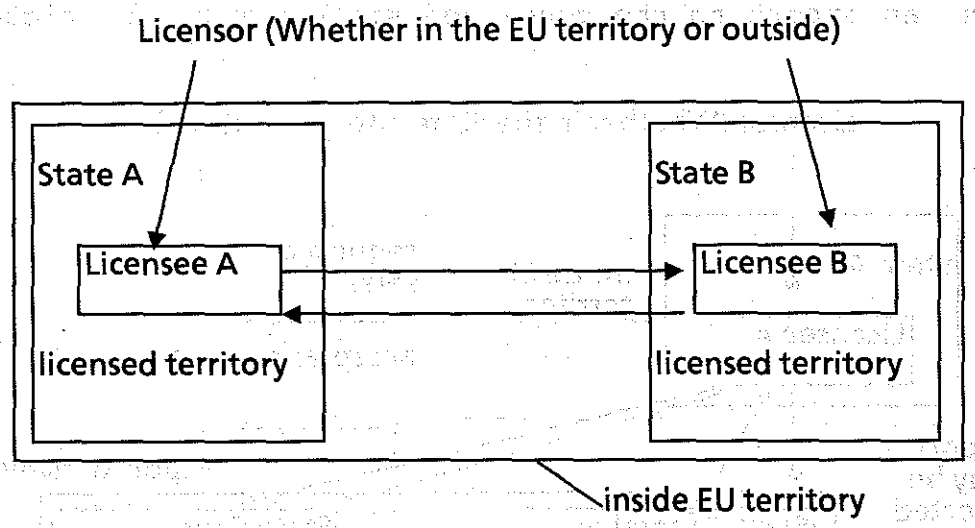
A regional restriction is permitted in the EU territory with respect to the manufacture and its use of patented products, however, the handling of the sales territory is different, and the concerned part of the regulation is characterized for the purpose of building up an EU common market.

i) Restriction of active sales policy (Article 1, Section 1, Sub-section 5)

It is permitted in the concerned states (A and B), in so far as the licensed products are protected by the parallel patents, that the licensee (A) is bound, not to pursue an active policy to sell the licensed products into the territory of Licensee (B), in particular not to engage in advertising specifically, or to establish any branch or maintain any distribution depot.

There is no difference from an usual license act in this respect.

Licensor is entitled to prohibit the following act of Licensee.

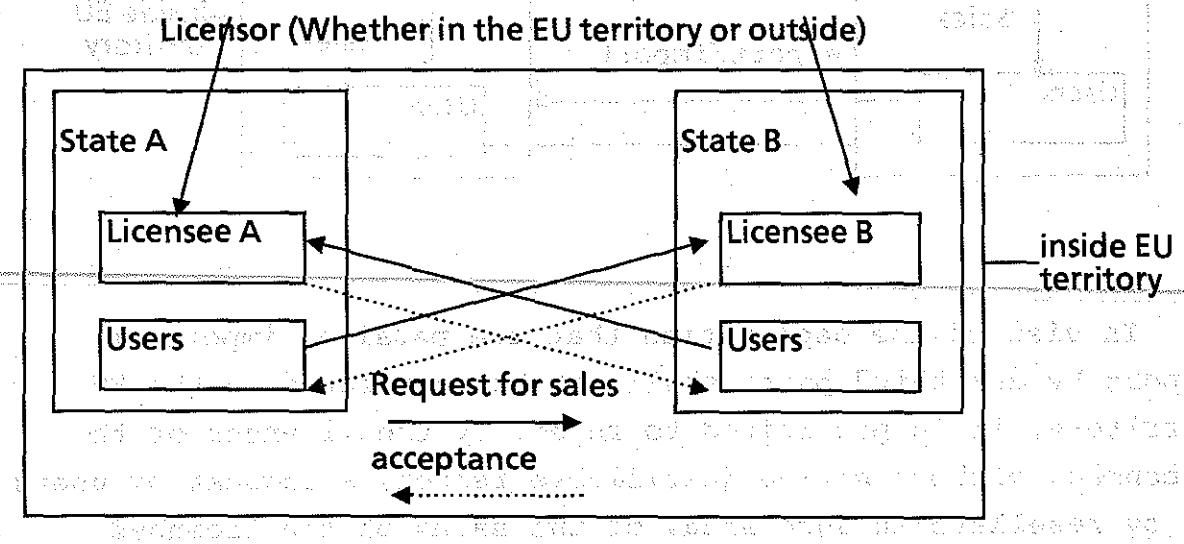


ii) Restriction of passive sales activity (Article 1 Section 1 Subsection 6, Article 3 Sub-section 10)

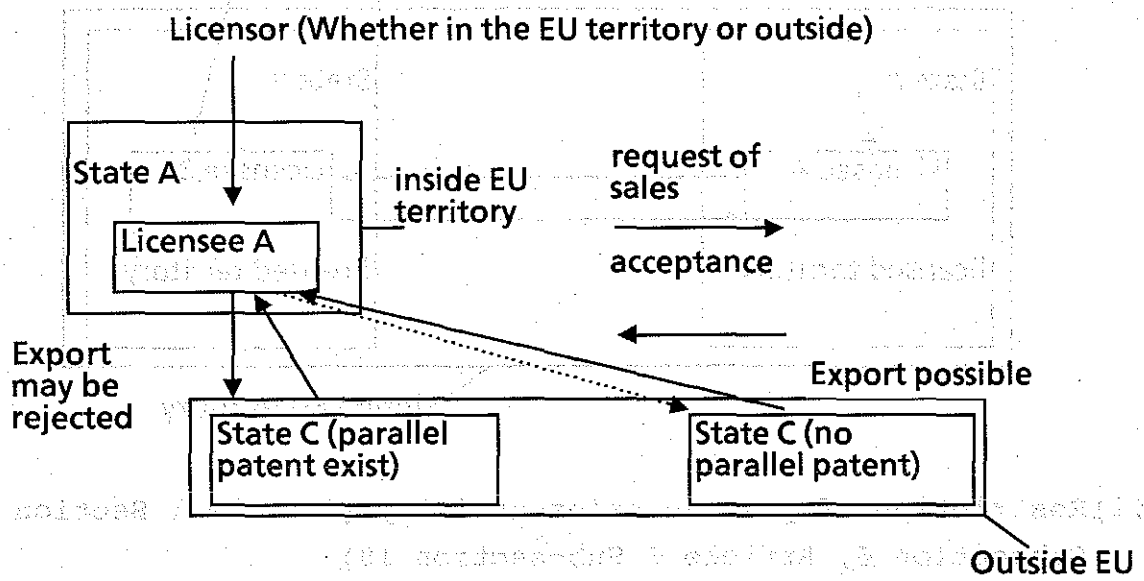
Obligation on the licensee not to meet a request of sales of the licensed products into the territory of other licensee is effective during 5 years from the date when the products are first put on EU common market by the licensor or licensee, and thereafter, no restriction may be made.

It is so within the EU territory, but the prohibition of sales outside EU territory is permitted, if there is a parallel patent in the concerned territory.

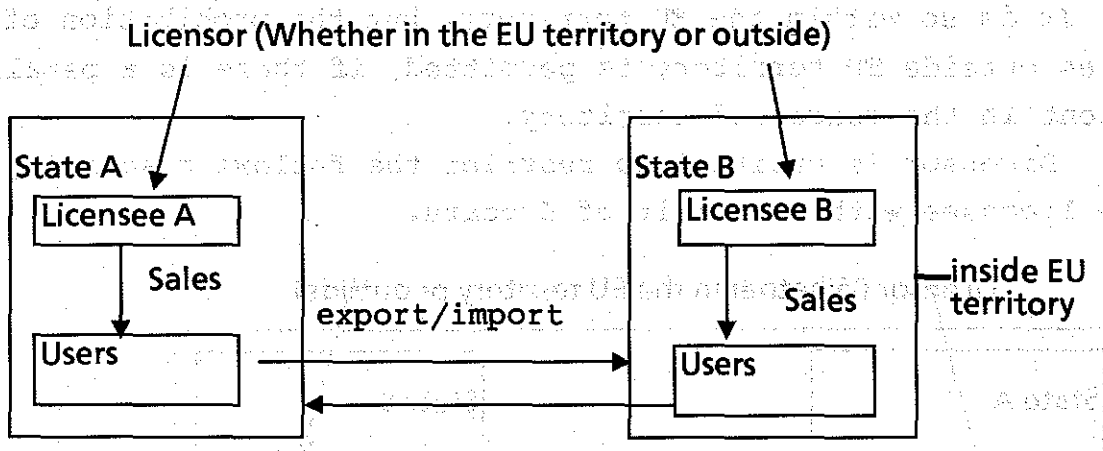
(a) Licensor is entitled to restrict the following activity by the licensee within a limit of 5 years.



(b) During the period when a parallel patent outside the EU exists, an export to the concerned state may be restricted.



iii) Prohibition to provide articles to restrict parallel import/export



In view of the declaration that the parallel import or export by any third party shall not be restricted in the EU territory, it is prohibited to reject by the licensor or the licensee, without having justifiable reason, a request by users or by resellers in such area, of the sales of the licensed products for the purpose of sales in such other area within EU

common market, or to make it difficult by the licensor or the licensee, for users or resellers to obtain such products from other resellers within the common market.

It is prohibited to restrict the sales of products to the below-mentioned user by the licensor or licensee.

(3) Regulation on the Sales of Products under Know-How License (Commission Regulation 556/89)

i) Restriction of active sales policy (Article 1, Section 1, Sub-section 5, Article 1, Section 2)

The idea is the same as those of the products under patent license. However, the period may not exceed 10 years after the date of signing the contract on the same technology in the EU territory. It is possible to extend such period in the licensed territory, where the patent exists, for the time of the patents effectiveness, over 10 years.

ii) Restriction of passive sales (Article 1, Section 1, Sub-section 6, Article 1, Section 2, Article 3, Sub-section 11)

This is the same as those of the products under patent license. However, the period may not exceed 5 years after the date of signing the contract on the same technology in the EU territory.

iii) Prohibition to provide articles to restrict the parallelimport/export (Article 3, Sub-section 12)

The idea is the same as those of the products under patent license.

(4) Regarding New Regulation of Block Exception of Application about Patent, Know-How License

On June 30, 1994, a draft of new regulation was announced by the Commission. It was proposed that the regulation of block exception of application about patent, know-how, license will be terminated by the end of this year, and that new regulation will be provided integrating the present regulation of general exception of application about patent, know-how license. From

the draft of the new regulation, there are some big changes introduced, but as to the parts described before, there is no change. Anyway, it will take some time for the EU to come to a formal decision.

3. Characteristics of Commission Regulation (418/85) on the Joint Research and Development

(1) Basic View

EC commission assumes a favorable attitude toward joint research and development that will contribute to economical and technical progress, and that will increase the competitiveness of the enterprises, while the EC takes a severe stance on the rule to such acts by a private enterprise, which will prevent EC's purpose of market integration, as you will see from the Article 6, section h.

(2) Characteristics

i) Restriction of the sales territory beyond the period of block exemption. (Article 6, Section f)

After the expiration of 5 years after the first sales, the sales prohibition of the products to the sales territory in EU, which is reserved to the third party concerned, is not permitted. (The regulation about passive sales of the licensed products)

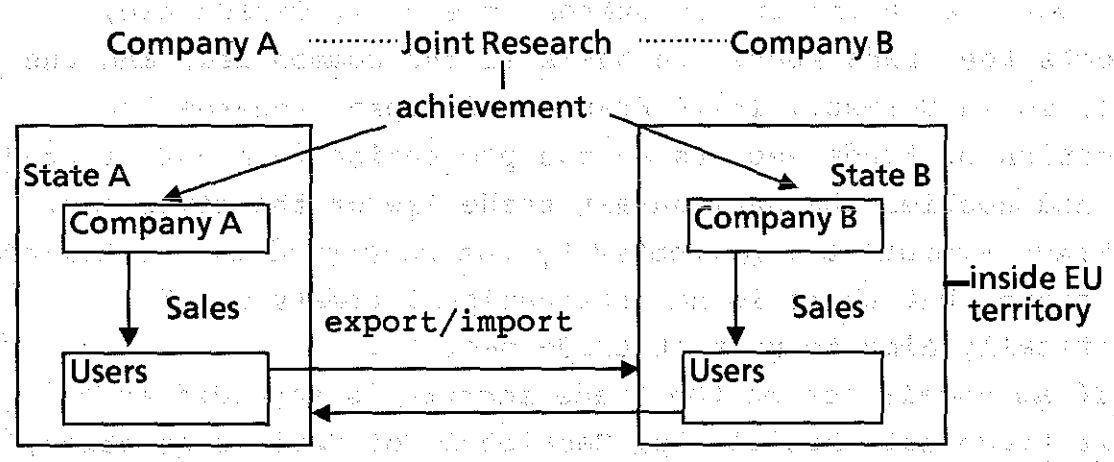
ii) Handling of the fruits obtained by the joint act due to the joint research and development. Joint production:

The products under joint research and development may be jointly produced in 5 years after the first delivery to the common market. If the market share is less than 20% after the 5 years period, the exception of application will be continued.

Joint sales: By the notice given in February 1993, a provision about joint sales of the fruits has been added. Joint sales of the contract products may be permitted when the total market share is less than 10%.

iii) Regulation of parallel export prohibition Article 6, Section h (Similar intention as in the case of licensed products)

There is a provision that the clause to block exemption is not applied to such cases, to reject, without justifiable reason, the sales of the contract products to users or to resellers who wish to sell the concerned products to other areas within the EU territory, or to make difficult for them to obtain the products, particularly if they disturb the obtaining or the sales of the products sold under an intellectual property right in a certain territory, of which intellectual property right expired, by using the same intellectual property right.



(3) Example

In the case of joint venture within EC territory, for the purpose of joint research and development by such monopolized undertakings, whose market share exceeds 50% in a certain field of market,if a license of the fruits to third party is restricted subject to an approval of the other contract party, while a free independent use of the fruits by the contracting companies is possible for each other, the EC Commission has rejected to extend the period of black exemption, because it makes it unreasonably difficult for the third party to enter into the market under the conditions of highly monopolized markets and of high barriers for newcomers.

4. CONCLUSION

The problem of anti-trust law in the EC has been strongly recognized since the Rome Treaty was established, in view of a free movement principle of the goods.

The above regulations for block exemption give an indication in order to proceed smoothly the license activity or the joint research and development work without causing any problem in respect to the anti-trust law.

From these regulations, we can see an attitude to pursue an ideal beyond the frame of each state.

Chapter 4: Trade Secrets in EU

The law systems to protect trade secrets are divided into two. One, as in the United States, the U.K., Canada etc, protects the trade secret on basis of the common law, and the other, as in Germany, Italy France and Japan, regards the protection of trade secrets as the protection from unfair trade acts and applies the anti unfair trade law or the civil law.

Trade secrets are protected by the concerned law system of each state, but there is no international treaty which specifically aims to protect trade secrets.

If an unfair act on the trade secrets is regarded as an unfair trade act, Article 10, Section 2, of Paris Convention, concerning the protection of industrial property provides "To protect effectively from an unfair trade act against the fair industrial and trade practice".

In the Uruguay Round Negotiation on Trade-related Aspects of Intellectual Property (TRIP) concluded in December 1993, the protection of trade secrets was regarded as protection from the unfair trade act defined under the Paris Convention.

In this article, we describe the current situation of protection of trade secret in the economical blocks in EC and in North America.

1. Protection of Trade Secrets in NAFTA

NAFTA details its trade secret policy in Article 1711. The outline concerning trade secrets covers its protection, its required condition, a request of proof, and protection of data submitted in connection with safety and effectiveness of medicines and agricultural chemicals.

In comparison with the Agreement on TRIP of Uruguay Round Negotiati established at the same period, the provisions include

more advanced protective contents regarding the following points: the object to protect as the trade secrets is defined clearly (Article 1711, Section 1 (a)-(c)); documentation may be requested (Article 1711, section 2); the limitation of the protection period of trade secrets is prohibited (Article 1711, Section 8); and the undue restriction of licensing the trade secrets is prohibited.

2. Protection of Trade Secrets in EU

Each EU member state intends to protect the trade secrets by the anti-unfair competition law or by the common law of each country as specified in the table below.

In the EU, negotiations about harmonization of the anti unfair trade law has stagnated. There is a provision to protect the data of a preceding person regarding the medicine, as in the draft of TRIP.

Law System of Each State as to the Trade Secrets

Country	Protection Law system	Country	Protection Law system
U.K.	Common Law, Penalty code	U.S.	Common Law, Trade Secret Law, Penalty code
France	Civil Code (juridical precedent about unfair competition), Penalty code	Canada	Common Law, Penalty code
Germany	Anti-unfair Competition Law, Penalty code, Civil Code	Austria	Anti-unfair Competition Law
Italy	Civil Code (juridical precedent about unfair competition), Penalty code	Japan	Anti-unfair Competition Law
Switzerland	Anti-unfair Competition Law		

With respect to the protection of the trade secrets in EU, the law system of each country is applied correspondingly, and as the representative examples, the law systems of Germany and Italy will be investigated here.

(1) The Law System in Germany

There is no definition in Germany defining a trade secret. However, the trade secret is deemed to be an information, knowledge or technology, being kept confidential and having a value as property to be commercially usable, which is not limited to those belonging to a scientific or technical field. The trade secret will be protected for the holders benefit, in so far as it is kept confidential to the third party.

Some laws in respect to protection of the trade secret have been established in Germany.

Concerning the illegal use of the trade secrets, the general provisions under the German Civil Code and the German Penalty Code in conjunction with the Anti Unfair Competition Law (especially Articles 17 - 20a) will be applied.

With respect to trade secrets to be considered as state secrets and with respect to "high treason", Articles 93 and 94 of the German Civil Code are related. As to the contract on the trade secrets, there are provisions under the German Antitrust Law (especially Articles 20 and 21).

With regard to the trade secrets created by the employee of a German enterprise, the German law on Employee's Inventions is applicable.

There are provisions for acquiring the trade secret by the employer and for compensation to the employee, under Articles 1, 17 and 20 of the same law.

Penal Code is provided under Articles 17 - 20a of the Anti Unfair Competition Law for the deed mentioned below.

a) Betrayal of a secret by an employee during the term of employment: Article 17(1)
b) The procurement, securement or reconnaissance of a trade secret without permission: Article 17(2)
c) The unauthorized exploitation of the trade secret: Article 17 (2) No. 2

d) The unauthorized utilization of a trade secret by third party: Article 18.
e) Inducement or offer to conduct activities under above a)-d):
f) Acts covered by Articles 17, 18 and 20 committed outside of Germany: Article 20 a.

It is stated in the German Penalty Code Article 4 (7) cited in Article 20 a of the Anti Unfair Competition Law as follows; "German Penalty Code shall, irrespective of the law of the state where a crime was undertaken, apply to the below mentioned act undertaken abroad. ... (7) The commercial or business violation of the secret by the enterprise which residents in the domain where this law is effective or by the foreign enterprise which is subordinated to a joint enterprise established with the resident enterprise".

In addition to such act of crime undertaken in the domain of Germany provided under Article 17-20 of the Anti Unfair Competition Law, the act above-mentioned undertaken abroad shall be judged by the German court of justice. The act of crime provided under Article 17-20 of the Anti Unfair Competition Law in relation to the trade secrets retained by any German enterprises, by enterprises resident in Germany, or by such affiliated enterprises resident outside of Germany of the enterprises resident in Germany, shall be governed by Germany and subject to penalties provided in Article 17-20 of the Anti Unfair Competition Law.

The effectiveness of the German laws shall not cover the enterprises abroad to be operated independently, which are established between the enterprises on an equal status or which are retained by a German owner.

There is provided in Article 28 of the Anti Unfair Competition Law of the following;

"Anyone lacking a principal seat of business in Germany may claim protection pursuant to this law, only if a German businessmen enjoy corresponding protection in the state where such principal seat of business is located."

This mutual condition to protect a foreigner is fulfilled by a mutual agreement between Germany and the other state. The

Paris Convention is, in relation to not only the industrial property such as patent but also unfair trade, deemed in Germany to be multilateral between the member states, to provide with mutual protection. Therefore, all enterprises and peoples resident in the member states of the Paris Convention shall be entitled to exercise the right of trade secret in Germany. This will be applied to Japan, too.

(2) The Law System in Italy

In Italy, the trade secret will be protected by Article 623 of the Criminal Code, and Article 2598 Sub-section 3 of the Civil Code (The Unfair Competition Law). According to Article 623 of the Criminal Code, a person, who has used or leaked illegally the trade secrets retained by the others, for the benefit of his own or of the third person, shall be condemned to the maximum 2 years penal servitude. Furthermore,according to Article 2598, Section 3 of the Civil Code, the illegal commercial use of the trade secret is deemed to be an act of unfair competition.

There is no definition about the trade secrets in the Italian Laws. But it is stated to provide the conditions to be new, to be controlled confidentially, and to be commercially valuable. According to the precedent, (a judicial decision of the supreme court of justice No. 14285 of November 11, 1977) the Penal Code protects the trade secret, the secret know-how, and the scientific discovery even if it fails to have an immediate industrial, commercial practicality, or applicability.

3. Examples of Protection

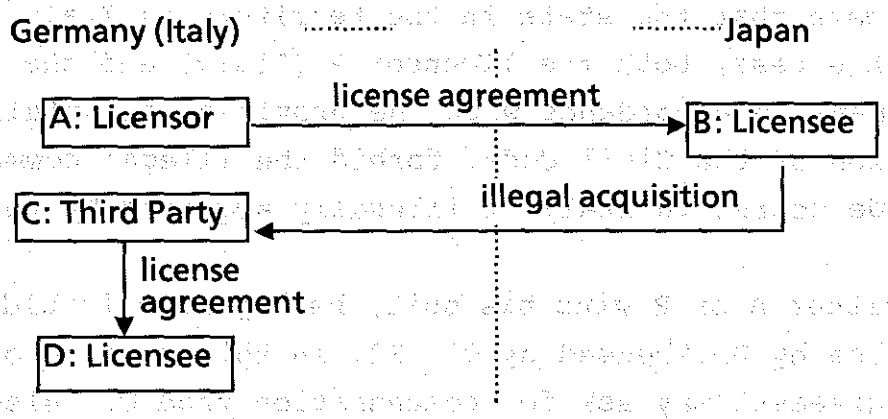
With regard to the illegal use in cases where the trade secrets within the territory of the EC economical block is leaked abroad, or where the trade secret of outside the territory is leaked in the territory, we study to what extent the owner of the trade secret will be protected. As the state in the territory, Germany and Italy, and as the state outside the territory, Japan are given as the cases of example.

CASE 1

The case that the trade secret of a certain state within the territory is acquired abroad illegally and is used in the same state again.

The enterprise A of a certain state in the territory (Germany or Italy): the licensor has granted a license of the trade secret on the base of a license agreement to the enterprise B (licensee).

The enterprise B has managed the licensed trade secret confidentially, but the enterprise C (third party) of the same state in the territory (Germany or Italy) has accessed illegally such trade secret retained confidentially by the enterprise B, and not only has brought it back to and used it commercially in its ow state, but also has granted its license to another third party D (licensee) by an agreement.



a) The case that the state in the territory is Germany

If both licensor A(Germany) and licensee B(Japan) are not in the form of the joint enterprise, German Penalty Code is not applied to the licensee B. Also, the German Penalty Code is not applied to the act of illegal acquisition abroad by the third party C (Germany) from the licensee B (Japan).

However, the act by the third party C is interpreted to be included in the act provided in Article 17(2) No.2 of the Anti Unfair Competition Law,and is subject to the German Penalty Code. It is deemed to be the use of the trade secrets without permission and penalized that the third party C grants the license to another third party D (Germany).

Whether or not Article 18 or 20 of the Anti Unfair Competition Law will be applied depends on whether or not it is guaranteed by C, without any suggestion that the trade secret was illegally acquired by C from B, or whether D has instigated C to acquire the trade secret illegally. If D has instigated C's act, or is aware of C's deed, A may, in accordance with Articles 18 and 20 of the Anti Unfair Competition Law, accuse D.

If D has used it bona fide, in accordance with an agreement with C, he will not be accused by A or B.

In the case when C discovers the trade secret by a reverse engineering of the products obtained in the Japanese market, for instance such case that he gets to know the content of program by analyzing the soft ware products sold on the market, Articles 17-20 of the Anti Unfair Competition Law will not be applied and accordingly C and D will not be penalized due to illegal use.

b) The case that the state in the territory is Italy

In this case, both the licensor A (Italy) and the licensee B (Japan) may, in accordance with the provision of unfair competition of the Civil Code, forbid the illegal commercial use of a trade secret in Italy if illegally acquired by third party C.

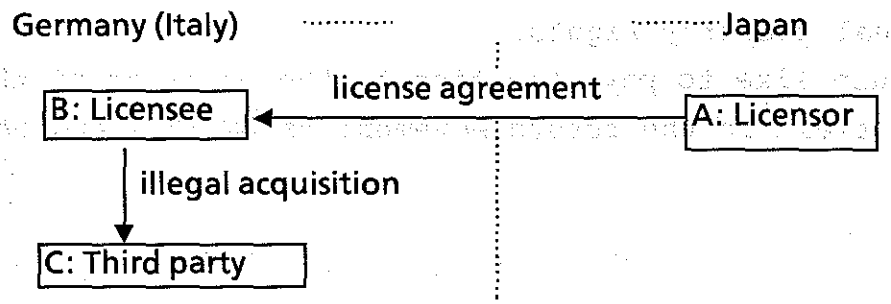
If either A or B wins his suit, he may also forbid the further use by D licensed by C. If, in this case, D on the base of the agreement may ask for compensation from C. Also A and B may take a criminal lawsuit against C, producing the evidences provided in the Article 628 of the Penalty Code, claiming that C uses the illegally acquired trade secret commercially. In so far as D is licensed bona fide by C, one cannot take a criminal lawsuit against D.

If C has found access to the trade secret by a reverse engineering of B's soft ware products, and if this access has been made legally, neither A nor B can accuse C or D.

CASE 2

Different from case 1, the licensor A is a foreign enterprise and the licensed trade secret to the licensee B in the state in the territory (Germany or Italy) is acquired

illegally by the third party C in the same state (Germany or Italy).



a) The case that the state in the territory is Germany

The Articles 17-20 of the Anti Unfair Competition Law is applied. The licensee B, whose trade secret was illegally acquired by the third party C, may exercise the application of the same articles. However, such action cannot be taken unless it is otherwise approved in the agreement by the licensor A. Licensor A may, while he is a foreign enterprise, ask to discontinue the illegal use.

b) The case that the state in the territory is Italy

In the case when the trade secret licensed by Licensor A (Japan), retained by Licensee B in Italy, is acquired by the third party C (Italy), if it is verified that C has made an illegal access, both A and B may ask to discontinue such illegal use by taking a civil or criminal lawsuit.

4. Summary

In the EU, a negotiation to harmonize the protection of trade secrets is not so advanced as in NAFTA, and the protection of trade secrets applies the independent law systems of each state. There is no special treatment between the member states in the territory. Whether or not the licensor and licensee of the trade secret are an enterprise of the state in the territory, the protection to discontinue the illegal use of the trade secrets by a third party is accepted in each state of the territory, being slightly different in each law, though.

Conclusion

As examined above, the economical block has considerablly affected the laws of the member states in relation to intellectual property rights.

We would like to pay attention to the progress of the concerned field in the future movement of EC (EU) and NAFTA.

(1) Title:

Study on comparison between the GATT-TRIP Agreement and the Patent Laws of Japan, U.S., Germany and Korea

(2) Date:

October, 1994 (the 25th International Congress in Hamamatsu)

(3) Source:

1) Source: PIPA
2) Group: Japan
3) Committee: 3

(4) Authors:

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(5) Keywords:

GATT-TRIP, Uruguay Round, Patentable Subject Matter, Rights Conferred, Compulsory License, Term of Protection, Process Patents Burden of Proof and ITC

(6) Statutory Provisions:

the GATT-TRIP Agreement:	Articles 27 to 34
the Japanese Patent Law:	Sections 2(3), 32, 67, 68, 83, 92, 93 and 104
the U.S. Patent Law:	Sections 104, 154 and 271(a)
the German Patent Law:	Sections 9, 24 and 139(3)
the Korean Patent Law:	Sections 2(3), 32, 88, 94, 106, 107, 129 and 138
the U.S. Tariff Act:	Section 337

(7) Abstract:

Under the final draft of the TRIP Agreement, Members are obliged to adjust their whole national legal systems and practices to higher levels of protection and enforcement procedures of intellectual property rights compared with those of the existing Paris Convention, etc. We took up for our study Articles 27 to 34 of the TRIP Agreement made comparisons between the provisions of the TRIP Agreement and the corresponding provisions of the national patent laws of Japan, the United States, Germany and Korea.

1. Introduction

The United States made a proposal to take up the matter of making rules of intellectual property as an agenda of the GATT, and Japan as well as the EC supported this proposal. As a result, the subject of intellectual property rights was adopted as an agenda of the Uruguay Round negotiations by the Ministerial Conference at Punta Del Este in September 1986. After extensive negotiations an amended draft of comprehensive agreement proposed by Mr. Sutherland, Secretary-general of the GATT was adopted, and the long protracted Uruguay Round negotiations were finally concluded in December 1993. And the final draft of the Agreement was signed by the Member countries at the Ministerial Conference held in Morocco on April 15 this year.

The final act of the Uruguay Round consist of Agreement Establishing the Multilateral Trade Organization (MTO), General Agreement on Tariffs and Trade 1994, Agreement on Trade-related Aspects of Intellectual Property Rights (TRIP), Understanding on Rules and Procedures Governing the Settlement of Disputes and so on. Under this GATT-TRIP Agreement (hereinafter referred to as "the TRIP Agreement"), Members are obliged to rearrange their systems of intellectual property rights in line with the TRIP Agreement which is on higher levels of protection and enforcement procedures of intellectual property rights than those of the Paris Convention, etc. It seems that the Member countries will proceed with making various revisions of their domestic legal systems including those of intellectual property rights (e.g., Patent Law) to comply with the TRIP Agreement, as a result of signing the Agreement.

At the Congress of PIPA held two years ago in Okayama, a report was already made by Japan Group of Committee No.3 on the TRIP Agreement based on so-called "Dunkel Paper". But we will make a report on this subject again now that the TRIP Agreement was finalized this time.

2. Subjects of Our Study

The TRIP Agreement consists of following 7 parts with 73 Articles:

Part I: General Provisions and Basic Principles (Articles 1 to 8)

Part II: Standards Concerning the Availability, Scope and Use of Intellectual Property Rights (Articles 9 to 40)

Part III: Enforcement of Intellectual Property Rights (Articles 41 to 61)

Part IV: Acquisition and Maintenance of Intellectual Property Rights and Related Inter-Partes Procedures (Article 62)

Part V: Dispute Prevention and Settlement (Articles 63 to 64)

Part VI: Transitional Arrangements (Articles 65 to 67)

Part VII: Institutional Arrangements; Final Provisions (Articles 68 to 73)

In this report, our study was focused on the Articles directly related to patent rights. Specifically, we conducted comparisons between Articles 27 to 34 of Section 5 (Patents) of Part II of the TRIP Agreement and corresponding provisions of national patent laws of Japan, the United States, Germany and Korea, and examined with respect to inconsistency of each national law with the TRIP Agreement and finally pointed out the provisions of the individual patent law which were deemed in need of amendments.

3. Results of Our Study

3.1 Difference from "Dunkel Paper"

We find little substantial changes in the TRIP Agreement signed this time compared with so-called "Dunkel Paper" which was prepared in 1991 and presented to all the countries concerned for their review.

With respect to provisions relevant to patent, amendments made to "Dunkel Paper" are as follows.

(1) The following sentence was added in the latter part of subparagraph (c) of Article 31 "Other Use Without Authorization

of the Right Holder":

"and in the case of semi-conductor technology shall only be for public non-commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive."

This addition in the latter part of subparagraph (c) was said to have been inserted principally in compliance with the request made by U.S. Semi-conductor Industry Association (SIA) for fear of the export of products made in Korea.

(2) The following paragraphs 2 and 3 were added in Article 64 "Dispute Settlement":

"2. Sub-paragraphs XXIII:1(b) and XXIII:1(c) of the General Agreement on Tariffs and Trade 1994 shall not apply to the settlement of disputes under this Agreement for a period of five years from the entry into force of the Agreement establishing the Multilateral Trade Organization.

3. During the time period referred to in paragraph 2, the TRIPS Council shall examine the scope and modalities for Article XXIII:1(b) and Article XXIII:1(c)-type complaints made pursuant to this Agreement, and submit its recommendations to the Ministerial Conference for approval. Any decision of the Ministerial Conference to approve such recommendations or to extend the period in paragraph 2 shall be made only by consensus, and approved recommendations shall be effective for all Members without further formal acceptance process."

Above added provisions are concerned with relationship between the TRIPS council and the MTO (renamed WTO hereinafter) which was decided to be established through the adoption of the final draft this time and also with the dispute settlement procedures of the MTO.

3.2 Comparison between the TRIP Agreement and the National Patent Law of each Country

Comparisons were made between the provisions of Articles 27 to 34 of the TRIP Agreement directly related to patent and the corresponding provisions of national patent laws of Japan, the United States, Germany and Korea. The summary of this comparison between TRIP and Japan and the United States is attached hereto as Table 1 "GATT-TRIP Agreement and Corresponding Current National Patent Laws". Further, the provisions of Japanese patent laws, the United States, Germany and Korea which are presumed to need amendments to adjust to those of the TRIP Agreement are summarized as Table 2 "Desirable Amendments of National Patent Laws to Conform with GATT-TRIP Agreement" attached hereto.

As shown in Table 2, the provisions of the national laws needed amendments were compared with corresponding provisions of Articles of the TRIP Agreement such as Article 27 "Patentable Subject Matter", Article 28 "Rights Conferred", Article 31 "Other Use Without Authorization of the Right Holder (Compulsory License)", Article 33 "Term of Protection" and Article 34 "Process Patent: Burden of Proof".

The following explanations are made in the order of Articles of the TRIP Agreement, based on the result of our study with respect to the provisions which would be required to amend in accordance with the Agreement.

(1) Article 27 "Patentable Subject Matter"

Abstract

Article 27 of the TRIP Agreement provides for patentable subject matter. Paragraph 1 of the Article are summarized as follows:

1) Patents shall be available for any inventions, whether products or processes,in all fields of technology, provided that they are new, involve an inventive step (non-obviousness) and are capable of industrial application (utility).

2) Patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

Above 2) is subject to paragraph 4 of Article 65 "Transitional Arrangements" and further subject to paragraph 8 of Article 70 "Protection of Existing Subject Matter".

Further, in paragraphs 2 and 3, the following inventions are mentioned as exclusions from patentability set forth in paragraph 1:

1) Inventions, the prevention of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment;

2) diagnostic, therapeutic and surgical methods for the treatment of humans and animals;

3) plants and animals other than microorganisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes.

Above 3) is to be reviewed four years after the entry into force of the Agreement Establishing the MTO.

Comparison with National Patent Laws

A. Japan

Under Section 32 of Japanese Patent Law, the following inventions are not patentable subject matter:

(i) inventions of substances manufactured by the transformation of the atom subject matter;

(ii) inventions liable to contravene public order, morality or public health.

In light of Paragraph 1 of Article 27 of the TRIP Agreement, it would be necessary for Japan to delete the above wording of "inventions of substances manufactured by the transformation of the atom" specified as exclusion from patentability.

B. the United States

According to Section 104 of U.S. Patent Law, a date of invention may not be established by reference to knowledge or use thereof, or other activity in a foreign country other than a NAFTA country. This provision would constitute a discrimination as to the place of invention which is set forth in paragraph 1 of Article 27 of the TRIP Agreement. Thus, it would be necessary for U.S. to amend the provision so that a date of invention may be established in any foreign Member country other than a NAFTA country as well.

Further, Section 104 of U.S. Patent Law is deemed to be inconsistent with the fundamental principle of most-favored-nation treatment provided in Article 4 of the TRIP Agreement.

C. Germany

No inconsistency with the Agreement and no amendment needed.

D. Korea

In the same way as in the case of the Japanese Patent Law, Section 32 of the Korean Patent Law provides that any of the following inventions shall not be patentable:

(i) inventions of substances manufactured by the process of transformation of the atomic nucleus; and

(ii) inventions liable to contravene public order or morality or to injure public health.

In light of paragraph 1 of Article 27 of the TRIP Agreement, it would be necessary for Korea to delete the wording, "inventions of substances manufactured by the process of transformation of the atomic nucleus" like Japan.

(2) Article 28 "Rights Conferred"

Abstract

Article 28 of the TRIP Agreement lays down "rights conferred" and the first paragraph provides with respect to exclusive rights to be conferred on a patent owner, dividing into product and process in the subject matter of patent as follows:

(a) where the subject matter of a patent is a product, to prevent third parties not having his consent from the acts of: making, using, offering for sale, selling, or importing for these purposes the product;

(b) where the subject matter of a patent is a process, to prevent third parties not having his consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process.

Further, second paragraph of the Article stipulates that "patent owners shall also have the right to assign, or transfer by succession, the patent and to conclude licensing contracts."

Comparison with National Patent Laws

A. Japan

Section 68 of Japanese Patent Law provides as effects of patent right that "a patentee shall have an exclusive right to commercially work the patented invention". Paragraph 3 of Section 2 defines "working" of an invention, dividing into "an invention of a product", "an invention of a process" and "an invention of a process of manufacturing a product" as follows:

(i) in the case of an invention of a product, acts of manufacturing, using, assigning, leasing, displaying for the purpose of assignment or lease, or importing, the products;

(ii) in the case of an invention of a process, acts of using the process;

(iii) in the case of an invention of a process of manufacturing a product, acts of using, assigning, leasing, displaying for the purpose of assignment or lease, or importing, the products manufactured by the process, in addition to the acts mentioned in the preceding paragraph.

Compared with exclusive rights stated in paragraph 1 of Article 28 of the TRIP Agreement, above provisions relating to patent rights in Japanese patent Law does not refer to the right of "offering for sale". Thus, it would be necessary for Japan to add "offering for sale"with respect to the "definition" of

"working" (e.g. Section 2(3)).

B. the United States

Section 271 of U.S. Patent Law stipulates that whoever without authority makes, uses or sells any patented invention, or imports into the United States a product which is made by a process patented in the United States infringes patent.

Nothing is mentioned in this provision as to "offering for sale" as referred to in paragraph 1 of Article 28 of the TRIP Agreement. There would not be any problem involved, if "offering for sale" is also dealt with as a kind of sale in the actual application of the Law, however it would be preferable to state "offering for sale" expressly in the relevant provisions for clarification purpose.

With respect to importation, only the imports of products which are made by a process patent are set forth, but nothing is referred to the imports of "infringing products" themselves. It would be necessary for the United States to add imports of "infringing products" as infringement as well.

C. Germany

With respect to the effects of patent rights, Section 9 of German Patent Law provides acts from which the third party not having consent of patentee are prohibited, dividing into an invention of a product, an invention of a process and an invention of a process of manufacturing a product. It prohibits the third party without consent 1) from making, offering, putting on the market, using a product in the case of a product invention, 2) from using a process in the case of a process invention, and 3) from offering, putting on the market, using, or importing or stocking the products obtained directly by a process in the case of an invention of a process of manufacturing a product.

Compared with paragraph 1 of Article 28 of the TRIP Agreement, this Section of the German Patent Law does not use the wording of "offering for sale" but just "offering". However, since the act of "offering" of the German Patent Law is deemed

to cover all acts intending to purchase, lease or rent products, or to induce the third parties to own products, and accordingly to cover "offering for sale", above provisions are considered consistent with those of the TRIP Agreement.

D. Korea

Section 94 of Korean Patent Law provides as effects of patent right that "a patent shall have an exclusive right to work the patented invention commercially and industrially". Paragraph 3 of Article 2 defines "working" of an invention, dividing into "an invention of a product", "an invention of a process" and "an invention of a process of manufacturing a product" as follows:

(i) in the case of an invention of a product, acts of manufacturing, using, assigning, leasing, importing or displaying (for the purpose of assignment or lease) the products;

(ii) in the case of an invention of a process, acts of using the process;

(iii) in the case of an invention of a process of manufacturing a product, acts of using, assigning, leashing, importing, or displaying (for the purpose of assignment or lease) the products manufactured by the process, in addition to acts mentioned in the preceding paragraph.

Compared with exclusive rights stated in paragraph 1 of Article 28 of the TRIP Agreement, above provisions relating to patent rights in the Korean Patent Law does not refer to the right of "offering for sale". In order to comply with paragraph 1 of Article 28 of the TRIP Agreement, it would be necessary for Korea to add "offering for sale" with respect to the "definition" of "working" (e.g. Section 2(3)) like Japan.

(3) Article 31 "Other Use Without Authorization of the Right Holder" (Compulsory License)

Abstract

With respect to the issue of compulsory license,there were differences in opinion between the advanced countries and the developing countries. The former intended to limit compulsory license to the minimum, while the latter desired to hold the

right for the governments to grant authorization at their own discretion with a view to promoting the introduction of technologies.

Finally, the issue of authorization of such use of patents was left to individual choice of each Member, but minimum requirements to satisfy were formulated in the case of authorization by the government of such use without authorization of the right holder.

The minimum requirements are summarized as follows:

(a) authorization of such use shall be considered on its individual merits;

(b) prosed user is required to conduct prior consultations with the right holder. In the case of public non-commercial use, the requirement for prior consultations may be exempted, but the right holder shall be informed;

(c) the scope and duration of such use shall be limited to the purpose for which it was authorized, and in the case of semi-conductor technology shall only be for public non-commercial use or to remedy an anti-competitive practice;

(d) such use shall be non-exclusive (the grant of license to a third party other than a grantee of a compulsory license and the use of the patent by the right holder is allowable);

(e) such use shall be non-assignable, except with the enterprise or goodwill;

(f) such use shall be authorized predominantly for the supply of the domestic market;

(g) authorization shall be terminated when the circumstances which led to it cease to exist and are unlikely to recur;

(h) the right holder shall be paid adequate remuneration;

(i) the legal validity of any decision relating to the authorization shall be subject to judicial or other independent review;

(j) a decision relating to the remuneration for such use shall be subject to judicial or other independent review;

(k) the conditions set forth in above (b) and (f) are not

applied where such use is permitted to remedy anti-competitive practices;

(l) where the authorization is concerned with the exploitation of "the second patent",

(i) the invention claimed in the second patent shall involve an important technical advance of considerable economic significance,

(ii) the owner of the first patent shall be entitled to a cross-license on reasonable terms to use the second patent.

Comparison with National Patent Laws

A. Japan

Since Sections 83, 92 and 93 of Japanese Patent Law allow "other use of a patent without the authorization of the right holder", it would be necessary for Japan to supplement Patent Law with adequate provisions which are lacking now in order to be consistent with sub-paragraphs (a) to (l).

Following amendments to Japanese Patent Law are considered necessary:

(i) an amendment corresponding to sub-paragraph (c), "in the case of semi-conductor technology shall only be for public non-commercial use or to remedy an anti-competitive practice."

(ii) an amendment corresponding to sub-paragraph (e), "such use shall be non-assignable, except with the enterprise or goodwill."

(iii) an amendment corresponding to sub-paragraph (f), "any such use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use."

(iv) an amendment corresponding to sub-paragraph (g), "authorization for such use shall be liable to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur."

(v) an amendment corresponding to sub-paragraph (l), "where such use is authorized to permit the exploitation of a patent ("the second patent"), the following additional conditions

shall apply:

the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent;

the owner of the first patent shall be entitled to a cross-license on reasonable terms to use the invention claimed in the second patent."

B. the United States

U.S. Patent Law does not provide a use without authorization of the right holder. Under the TRIP Agreement, a Member may not allow for "other use of the subject matter of a patent without the authorization of the right holder". Therefore, no amendment to its Patent Law is required in respect of this subject.

However, there are several laws which allow compulsory licenses for a use of an invention on atomic power in the interests of the public, and for a compulsory license under Clean Air Act and Plant Variety Protection Act etc. In even those circumstances where a compulsory license is granted by the government, amendments might be needed in order to be strictly consistent with the requirement of notification to the right holder (sub-paragraph (b) of Article 31) and the requirement of adequate remuneration to the right holder (sub-paragraph (h) of Article 31).

C. Germany

Section 24 of German Patent Law provides for the grant of a compulsory license only if such grant is indispensable in the public interest. Adequate remuneration for the right holder in such circumstances is also taken into consideration under the German Patent Law. Thus, no substantial amendment would be necessary in this respect.

However, the insertion of following provisions would be required to meet the requirements enumerated in subparagraphs (a) to (l) of Article 31 of the TRIP Agreement:

(i) an amendment corresponding to sub-paragraph (c), "in the case of semi-conductor technology shall only be for public

non-commercial use or to remedy an anti-competitive practice."

(ii) an amendment corresponding to sub-paragraph (e), "such use shall be non-assignable, except with the enterprise or goodwill."

(iii) an amendment corresponding to sub-paragraph (f), "any such use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use."

(iv) an amendment corresponding to sub-paragraph (g), "authorization for such use shall be liable to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur."

D. Korea

Since Sections 106, 107 and 136 of Korean Patent Law allow "other use of a patent without the authorization of the right holder", it would be necessary for Korea to supplement Patent Law with adequate provisions which are lacking now in order to satisfy the requirements under sub-paragraphs (a) to (l).

Following amendments to Korean Patent Law are considered necessary in the almost same manner as in the case of Japan.

(i) an amendment corresponding to sub-paragraph (c), " in the case of semi-conductor technology shall only be for public non-commercial use or to remedy an anti-competitive practice."

(ii) an amendment corresponding to sub-paragraph (e), "such use shall be non-assignable, except with the enterprise or goodwill."

(iii) an amendment corresponding to sub-paragraph (f), "any such use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use."

(iv) an amendment corresponding to sub-paragraph (g), "authorization for such use shall be liable to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur."

(v) an amendment corresponding to sub-paragraph (l), "where such use is authorized to permit the exploitation of a patent ("the second patent") the following additional conditions shall apply:

the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent."

With respect to above (v), though the current Korean Patent Law provides in such case that a compulsory license shall be granted only where the patented invention of the later application constitutes a substantial technical advance compared with the other party's patented invention, the amendment would be necessary so as to be more strictly consistent with the TRIP Agreement.

(4) Article 33 "Term of Protection"

Abstract

Article 33 of the TRIP Agreement provides that:

> "The term of protection available shall not end before the expiration of a period of twenty years counted from the filing date."

The term of protection under patent law varies with the country at present. The level of protection was raised this time by establishing a minimum standard in above provision. In the course of negotiation, setting up an upper limit in the term of protection was proposed, but the United States asserted that such upper limit should not be stipulated in the TRIP Agreement. As a result only a minimum level was prescribed in the Agreement this time.

This article is considered applicable to patents and pending applications existing at the date of application of the TRIP Agreement under second paragraph of Article 70 thereof.

Comparison with National Patent Laws

A. Japan

Section 67 of Japanese Patent Law stipulates that the term of the patent right shall be 15 years from the date of publication of examined application (not exceed 20 years from filing). Thus, it is necessary for Japan to amend this provision, e.g. " The term of the patent right shall expire after

20 years from the filing date of the patent application."

B. the United States

It would be necessary for the United States to amend Section 154 of U.S. Patent Law which provides for the term of a patent as 17 years from the date of issue thereof.

Further, it is highly desired that an upper time limit be stipulated in the term of a patent right (e.g. "the term of a patent right shall be 20 years from the filing date of the first application of the parent patent with respect to continuations, continuation-in-part applications, divisional applications and the like thereof") to protect against a so-called "submarine patent", which would be issued after the elapse of 30 to 35 years from the date of first filing through abusing continuation-in-part applications and other means and suddenly emerges as a valid patent.

C. Germany

Since German Patent Law is consistent with Article 33 of the TRIP Agreement, no amendment is necessary.

D. Korea

Section 88 of Korean Patent Law stipulates the term of the patent right as 15 years from the date of publication of examined application (not exceed 20 years from filing). Thus, like Japan it is necessary for Korea to amend this provision, e.g." The term of the patent right shall expire after 20 years from the filing date of the patent application."

(5) Article 34 "Process Patent: Burden of Proof"

<u>Abstract</u>

In spite of oppositions by developing countries, the following provision was adopted with a view to affording better protection to process patents:

1. For the purposes of civil proceedings in respect of the infringement of the rights of the owner referred to in paragraph 1 (b) of Article 28 above, if the subject matter of a patent is a process for obtaining a

product, the judicial authorities shall have the authority to order the defendant to prove that the process to obtain an identical product is different from the patented process. Therefore, Members shall provide, in at least one of the following circumstances, that any identical product when produced without consent of the patent owner shall, in the absence of proof to the contrary, be deemed to have been obtained by the patented process:

(a) if the product obtained by the patented process is new;

(b) if there is a substantial likelihood that the identical product was made by the process and the owner of the patent has been unable through reasonable efforts to determine the process actually used.

2. Any Member shall be free to provide that the burden of proof indicated in paragraph 1 shall be on the alleged infringer only if the condition referred to in sub-paragraph (a) is fulfilled or only if the condition referred to in sub-paragraph (b) is fulfilled.

3. In the adduction of proof to the contrary, the legitimate interests of the defendant in protecting his manufacturing and business secrets shall be taken into account.

From a viewpoint of promoting the protection of process patents, we deem it reasonable to apply the reversal of the burden of proof not only to new products but also to the case in which the patentee has been unable through reasonable efforts to determine the process of the identical product actually made.

Comparison with National Patent Laws

A. Japan

Section 104 of the Japanese Patent Law lays down already the provision corresponding to paragraph 1 of Article 34 of the TRIP Agreement but nothing corresponding to the provision of

paragraph 3 is provided in the same law. With respect to protecting manufacturing and business secrets, the current Civil Proceedings Act would possibly protect it to some extent, but in order to ensure such protection adequate amendment to the Patent Law or the Civil Proceedings Act would be required.

B. the United States

In this respect, Section 295 of the U.S. Patent Law provides as to presumption relating to products made by patented process. In addition civil procedures of discovery system would also serve the purpose. Thus no amendment is deemed necessary.

C. Germany

Since Section 139 of the German Patent Law stipulates for the provision corresponding to Article 34 of the TRIP Agreement, no amendment is necessary.

D. Korea

Section 129 of the Korean Patent Law lays down already the provision corresponding to paragraph 1 of Article 34 of the TRIP Agreement but nothing corresponding to the provision of paragraph 3 is provided in the same law. Thus the amendment is deemed necessary like Japan.

3.3 Other Matters concerning Patents

(1) Examination Period of Japan

It is provided in paragraph 2 of Article 62 "Inter-Partes Procedures" of the Agreement that the granting and registration of an intellectual property right should be within a reasonable period of time.

The delay in examination by the Patent Office of Japan as to patent applications were criticized in Japan as well as abroad. However, since 1988 the period of time for such examination has been steadily improved. The Patent Office of Japan has proceeded with a paper-less project, increased the number of the examiners, and conducted a fundamental review of the patent system and its practices. The companies which file many patent applications have promoted the rationalization of patent applications through evaluation of inventions and

proceeded more adequate request for examination. These new measures are considered to have contributed effectively to the recent improvement in the examination period.

(2) Article 337 of the U.S. Tariff Act

The panel of the GATT submitted to the GATT Council in January 1989 a decision, based on a complaint by the EC Commission, that Article 337 of the U.S. Tariff Act was inconsistent with paragraph 4 of Article 3 of the GATT, and the decision was adopted by the Council in November 1989. The grounds on which the decision was based were discriminatory treatment in the choice of courts between the cases of imported products and the cases of domestic products, fixed time-limits of procedures concerned, the absence of counterclaim procedures and so on.

This time the TRIP Agreement provided in Article 3 "National Treatment" with respect to treatment of other Members' nationals no less favorable than the Member's own nationals, and provided further in paragraph 2 of Article 41 "General Obligations":

> "Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays."

In view of above respects, new amendments to the U.S. Tariff Act are highly desirable.

4. Conclusion

Each Member of the TRIP Agreement, through its signing of the Agreement, was obliged to adjust its systems and practices of intellectual property rights as a whole to higher levels of protection and enforcement procedures of intellectual property rights, compared with those of existing Paris Convention, etc. It seems that Member countries are going to make a move to amend their legislation of intellectual property rights hereafter in

conformity with the TRIP Agreement toward the targeted effective date of the Agreement (January 1995).

It is deemed most desirable for the promotion of the effective and adequate protection of intellectual property that the legal system of intellectual property rights of the Members would develop toward further harmonization in future, taking this opportunity of amending their relevant domestic laws.

Table 1: GATT-TRIP Agreement and Corresponding Current National Patent Laws

GATT-TRIP Agreement	Japanese Patent Law	U.S. Patent Law
Article 27 (Patentable Subject Matter) (1) Inventions, in all fields of technology, with novelty, inventive step, and capability of industrial application. No discrimination is permissible as to the place of invention, the field of technology and whether products are imported or locally produced.	Section 29 (Requirements for Patentability) Inventions with capability of industrial application, novelty, and inventive step.	Section 101 (Inventions Patentable) Inventors of new and useful inventions may obtain patents. Sections 102 and 103 (Conditions for Patentability) The invention was not known before the invention ; the invention was not publicized more than one year prior to the date of the application, and was not obvious at the time of invention. Section 104 (Invention made abroad) A date of invention may not be established in a foreign country other than NAFTA country.
(2) Inventions, the preventions of the use of which is necessary to protect public order or morality may be excluded from patentability. (3) The followings may be excluded form patentability: (a) diagnostic, therapeutic and surgical methods for the treatment of humans and animals; (b) plants and animals other than microorganisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, plant varieties may be protected by patents or by sui generis system.	Section 32 (Unpatentable Inventions) (i) inventions of substances manufactured by the transformation of the atom; (ii) inventions liable to contravene public order, morality or public health.	Section161 (Patents for Plants) Whoever invents or discovers any distinct and new variety of plant may obtain a patent.

GATT-TRIP Agreement	Japanese Patent Law	U.S. Patent Law
Article 28 (Rights Conferred) (1) The following exclusive rights shall be conferred : (a) In the case of a product patent, to prevent the third parties from making, using , offering for sale, selling, or importing that product; (b) in the case of a process patent, to prevent third parties from using the process, and from using , offering for sale, selling. or importing the product obtained directly by that process.	Section 68 (Effects of Patent Right) A patentee shall have an exclusive right to commercially work the patented invention. Section 2 (3) (Definition of "Working") (i) in the case of an invention of a product, acts of manufacturing , using, assigning, leasing, displaying for the purpose of assignment or lease, or importing, the products; (ii) in the case of an invention of a process, acts of using the process; (iii) in the case of an invention of a process of manufacturing a product, acts of using, assigning, leasing, displaying for the purpose of assignment or lease, or importing, the products manufactured by the process, and acts of using the process.	Section 271 (Infringement of Patent) (a) Whoever without authority marks, uses or sell any patented invention infringes the patent. (g) Whoever without authority imports, sells or uses a product made by a patented process shall be liable as an infringe.
(2) Patent owners shall have the right to assign the patents and to conclude licensing contracts.	Section 77 (Exclusive License) Section 78 (Non-exclusive License) Section 94 (Transfer of Non-exclusive License)	Section 261 (Ownership; Assignment) Applications for patent, patents, or any interest therein, shall be assignable by an instrument in writing. The applicant, patentee and so on may in like manner grant and convey an exclusive right.
Article 29 (Conditions on Patent Applicants) (1) An applicant shall disclose the invention clearly and completely and may be required to indicate the best mode for carrying out the invention.	Section 36(4) (Applications for Patent) An applicant is required to describe objective, construction and effects of the invention to such an extent that persons having ordinary knowledge in the relevant field of art is able to carry out the invention easily.	Section 112 (Specification) The specification should be described in such full, clear, concise, and exact terms as to enable any person skilled in the art to make and use the same and it should set forth the best mode of carrying out the invention.
(2) An applicant may be required to provide information concerning his corresponding foreign applications and grants.	No corresponding provision.	37 CFR 1.56(a) (Duty of Disclosures) The inventors are required to disclose such information that are considered to affect the examination of the application.

GATT-TRIP Agreement	Japanese Patent Law	U.S. Patent Law
Article 30 (Exceptions to Rights Conferred) Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.	Section 69 (Limits of Patent Right) The effects of the patent shall no extend to: (1) the working of the patent right for the purposes of experiment or research,. (2) vessels or aircraft merely passing through Japan, (3) products existing in Japan prior to the filing of the patent application, and (4) acts of preparing medicines in accordance with the prescriptions and medicines prepared in such manner, in the case of the patent rights on medicines or on process for manufacturing medicines.	Section 271(e) (Infringement of Patent) It shall not be an act of infringement to make , use, or sell a patented invention solely for uses reasonably related to the development and submission of information under Federal law regulating drugs. Section 272 (Temporary presence in the United States) The use of any invention in vessel, aircraft or vehicle entering U.S. temporarily or accidentally shall not constitute infringement of the patent.
Article 31 (Other Use Without Authorization of the Right Holder) "Compulsory License" The following shall be respected where the Law of a Member allows for other use (Compulsory License) (a) authorization of such use shall be considered on its individual merits; (b) proposed user is required to conduct prior negotiations with the right holder. In the case of a national emergency or other circumstances of extreme urgency or in cases of public non-commercial use, the requirement for prior negotiations may be waived; in the former case, the right holder shall be notified as soon as reasonably practicable, and in the latter case , where the government or contractor, without making a patent search, knows or has demonstrative grounds to know that a valid patent is used or will be used, the right holder shall be informed promptly. (c) the scope and duration of such use shall be limited to the purpose for which it was authorized, and in the case of semi-conductor technology shall only be for public non-commercial use or to remedy an anti-competitive practice; (d) such use shall be non-exclusive ; (e) such use shall be non-assignable, except with the enterprise or goodwill; (f) such use shall be authorized predominantly for the supply of the domestic market ;	Compulsory License under the Japanese Patent Law I. Section 92 (Arbitration Decision on Grant of Non-exclusive License on one's own Patented Invention) (1) The owner of the second patent may request the owner of the first patent to hold consultations on the grant of a non-exclusive license, (2) The owner of the first patent may request the owner of the second patent to grant a cross-license. (3)(4) The owner of the second patent and the owner of the first patent may request the Director General of the Patent Office for an arbitration decision. (5) If, in the case where the grant of a license would unduly injure the interests of the owner of the first patent or the owner of the second patent shall not render an arbitration decision to be granted. II. Section 83 (Arbitration Decision on grant of Non-exclusive License in Case of Non-working) (1) Consultations may be requested, (2) An arbitration decision may be requested to the Director General of the Patent Office. III. Section 93 (Arbitration decision on grant of a Non-exclusive license in public interest) (1) Consultations may be requested, (2) An arbitration decision may be requested to the Minister for International Trade and Industry.	* U.S. Patent Law does not provide a use without authorization of the right holder. However, there are several laws which allow compulsory licenses. ex.) Atomic Energy Act (42 USC 2183) allows a compulsory license for a use of an invention on atomic power in the interest of the public. Clean Air Act (42 USC 7608) and Plant Variety Protection Act (7 USC 2404) also allow a compulsory license.

GATT-TRIP Agreement	Japanese Patent Law	U.S. Patent Law
(g) authorization shall be terminated when the circumstances which led to it cease to exist and are unlikely to recur. The competent authority shall have the authority to review, upon request, the continued existence of these circumstances; (h) the right holder shall be paid adequate remuneration; (i) the legal validity of any decision relating to the authorization shall be subject to judicial or other independent review; (j) a decision relating to the remuneration for such use shall be subject to judicial or other independent review; (k) the conditions set forth in above (b) and (f) are not applied where such use is permitted to remedy anti-competitive practices; Termination of authorization shall be refused when the conditions which led to such authorization are likely to recur. (l) where the authorization is concerned with the exploitation of "the second patent", (i) the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent, (ii) the owner of the first patent shall be entitled to a cross-license on reasonable terms to use the second patent, (iii) the use authorized in respect of the first patent shall be non-assignable except with the assignment of the second patent.	<u>Section 85 (Hearing of Industrial Property Council, etc.)</u> <u>Section 86 (Formal Requirements of Arbitration)</u> (2) An arbitration decision shall state the scope of the non-exclusive license and the consideration for the license and the method of payment. <u>Section 87 (Transmittal of Arbitration Decision)</u> A copy of an arbitration decision shall be transmitted. <u>Section 94 (Transfer, etc., of Non-exclusive License)</u> (1) A non-exclusive license resulting from an arbitration, with the exception of the cases of non-working and second patent, may be transferred i) only together with the business or ii) only with the consent of the patentee or iii) in the case of general succession. (3) In the case of non-marking, a non-exclusive license resulting from an arbitration may be transferred i) only together with the business or iii) in the case of general succession. (4) In the case of the second patent, a non-exclusive license resulting from an arbitration may be transferred together with that patent. <u>Section 90 (Cancellation of Arbitration Decision)</u> (1) Where a person who has obtained a non-exclusive license under an arbitration decision fails to work the invention sufficiently, the arbitration decision may be canceled upon the request of the interested persons or ex-officio. (2) "Submission of written reply", "hearing of Industrial Property Council" and "formal requirements" of Arbitration. <u>Section 84 (Submission of Written Reply)</u> The patentee and other right holders shall be given an opportunity to submit a written reply.	

GATT-TRIP Agreement	Japanese Patent Law	U.S. Patent Law
	Section 183(1) (Action on Amount of Remuneration) Instituting an action for an adequate remuneration is allowable. Section 91 bis Section 195 ter (Objection to Arbitration Decisions) Objections may be raised under the Administrative Appeal Law. [cf. Section 184 bis An action for the annulment of measures may be instituted.]	
Article 32 (Revocation/Forfeiture) An opportunity for judicial review of any decision to revoke or forfeit a patent shall be available.	Section 178 (Appeal of decisions by the Patent Office) The Tokyo High Court has the exclusive jurisdiction over the appeal of various decisions made by the Patent office.	Section 141 (Appeal to CAFC) An applicant dissatisfied with the decision in an appeal to the Board of Patent Appeals and Interferences may appeal the decision to CAFC. Section 145 (Civil Action to Obtain Patent) An applicant dissatisfied with the decision in an appeal to the Board of Patent Appeals and Interferences may also have remedy by civil action in the U.S. District Court for the District of Columbia. Section 306 (Appeal) The patent owner involved in a reexamination proceeding may appeal to the Board and may seek court review with respect to any decision adverse to the patentability.
Article 33 (Term of Protection) The term of protection shall not end before the expiration of a period of 20 years counted from the filing date.	Section 67 (Term of Patent Right) The term of the patent right shall be 15 years from the date of publication of examined application; (not exceed 20 years from the filing date of the patent application).	Section 154 (Contents and Term of Patent) The term of patent is 17 years from the date of issuance thereof.

GATT-TRIP Agreement	Japanese Patent Law	U.S. Patent Law
(Article 34 (Process Patent: Burden of Proof) (1) In the case of a process patent, the judicial authorities shall have the authority to order the defendant to prove that the process to obtain an identical product is different from the patented process. Therefore, Members shall provide, in one of the following circumstances, that any identical product when produced shall, in the absence of proof to the contrary, be deemed to have been obtained by the patented process: (a) if the product obtained by the patented process is new; (b) if there is a substantial likelihood that the identical product was made by the process and the owner of the patent has been unable through reasonable efforts to determine the process actually used. (2) Any Member shall be free to provide that the burden of proof indicated in (1) shall be on the alleged infringer only if the condition referred to in (a)or (b)is fulfilled. (3) In the adduction of proof to the contrary, the legitimate interests of the defendant in protecting his manufacturing and business secrets shall be taken into account.	Section 104 (Presumption of Manufacture by Patented Process) In the case of a patent on a process of manufacturing a product, where such product was not publicly known in Japan, any identical product shall be presumed to have been manufactured by that process.	Section 295 (Presumption: Product Made by Patented Process) In the case of a process patent, if the court finds (1) that a substantial likelihood exists that the product was made by the patented process, and (2) that the plaintiff has made a reasonable effort to determine the process actually used in the production of the product and was unable to so determine, the product shall be presumed to have been so made, and the burden of establishing that the product was not made by the process shall be on the party asserting that it was not so made. Discovery System Fed. R. Civ. P. 26 to 37 Protection Order Fed. R. Civ. P. 26(c)(7) Fed. R. Crim. P. 16(d)(1)

Table 2: Desirable Amendments of National Laws to Conform with GATT-TRIP Agreement

GATT-TRIP Agreement	Japanese Patent Law	U.S. Patent Law	German Patent Law	Korean Patent Law
Art. 27 (Patentable Subject Matter) (1) Requirement for Patentability: No discrimination is allowed as to the place of invention, the field of technology, etc. (2) Exclusion from patentability to protect public order or morally. (3) Exclusion from patentability regarding medical treatment, etc.	Deletion of "transformation of atom" clause	Extension of applicability to any Members other than a NAFTA country.		Deletion of "transformation of atom" clause
Art. 28 (Rights Conferred) (1) Prevention of acts by the third parties. (2) Licensing.	Addition of "offering for sale"	Addition of "offering for sale" and "import of infringing products"		Addition of "offering for sale"
Art. 29 (Conditions on Patent Applications) (1) Requirements for disclosing the invention in specifications. (2) Requirement for corresponding foreign patent information.				
Art. 30 (Exceptions to Rights Conferred)				
Art. 31 (Other Use without Authorization of the Right Holder) "Compulsory License" (b) Prior consultations / be informed (c) Provisions for semi-conductor technology. (e) Assignment of compulsory license. (f) For the supply of the domestic market. (g) Termination due to cessation of the circumstances led to the compulsory license. (h) Adequate remuneration. (l) Exploitation of the second patent.	Addition of (c) Addition of (e) Addition of (f) Addition of (g) Addition of (l)	Respect for requirements. (e.g. (b), (h)) in the special laws.	Addition of (c) Addition of (e) Addition of (f) Addition of (g)	Addition of (c) Addition of (e) Addition of (f) Addition of (g) Addition of (l)
Art. 32 (Revocation/Forfeiture)				
Art. 33 (Term of Protection)	Modification of term	Modification of term		Modification of term
Art. 34 (Process Patents: Burden of Proof) (1) Presumption of using a patented process in the absence of proof to the contrary. (2) Reversal of the burden of proof. (3) Protection of manufacturing and business secrets of the defendant.	Addition of (3)			Addition of (3)

SUMMARY OF PROPOSED CHANGES IN THE U.S. LAW IMPLEMENTING THE TRIPS PORTION OF THE GATT AGREEMENT

TO BE PRESENTED BY DONALD W. BANNER

OCTOBER, 1994

B. ACTION REQUIRED OR APPROPRIATE TO IMPLEMENT THE AGREEMENT

1. Implementing Bill

Title V of the implementing bill makes changes in federal law with respect to:

- rental rights in computer programs;
- protection against the unauthorized fixation in a sound recording or music video of a live performance or the communication to the public of the sounds of a live performance;
- restoration of copyright protection to works already in existence and not protected by federal copyright in the United States, but that are subject to neighboring rights or copyright protection in the WTO member country that is the source of the work;
- the definition of "abandonment" under the trademark law;
- registrability under the trademark law of a misleading geographic indication identifying wines or spirits;
- treatment of inventive activity occurring in WTO member countries for purposes of establishing the date of invention under U.S. patent law;
- the definition of infringing activity under a patent relating to offers for sale and importation of a patented good;
- the term of protection of a patent; and
- establishment of a provisional patent application system and a right of internal priority for patent applications filed originally in the United States, as well as enabling a patent applicant to extend the term of patents that are delayed by interference proceedings, secrecy orders, and successful appeals to the Board of Patent Appeals or Interferences or a federal court.

Other areas of U.S. intellectual property law are unaffected by the Agreement on TRIPs. For example, the Agreement does not require any change in current U.S. law or practice with respect to parallel importation of goods that are the subject of intellectual property rights.

a. Rental Rights in Computer Programs

Article 11 of the Agreement requires member countries to provide exclusive "rental rights" (the right for authors or their successors in title to authorize or prohibit commercial rental to the public of originals or copies of their copyrighted works) in respect of at least computer programs and cinematographic works. Federal law provides rental rights for computer programs but those rights currently are subject to a "sunset" provision in the Computer Software Rental Amendments Act of 1990 (17 U.S.C. 109 note). Section 511 of the implementing bill eliminates the sunset provision so that authors of computer programs and their successors in title will enjoy rental rights on a permanent basis.

Article 11 also provides that member countries need not provide rental rights in respect of cinematographic works unless rental has led to widespread copying that is having a material effect on the author's exclusive right of reproduction of the work. Because the rental of motion pictures has not caused a widespread problem of copying in the United States, the bill does not provide for rental rights in respect of motion pictures.

b. Bootleg Sound Recordings and Music Videos

Article 14 of the Agreement requires WTO members to make it possible for performers to prevent the unauthorized fixation in a sound recording of their performances and to prevent the reproduction of such recordings. Various state statutes and judicial decisions presently provide criminal sanctions and civil remedies for "bootleg" recordings or reproduction of such recordings. However, these laws and decisions are not entirely uniform and may not provide the necessary basis for border enforcement against bootleg sound recordings. Sections 512 and 513 of the bill implement Article 14 of the Agreement by creating new federal civil and criminal remedies against bootlegging. These remedies will supplement, rather than preempt, state laws and judicial decisions on this subject.

Section 512 amends Title 17 of the U.S. Code to provide that bootleggers are subject to civil remedies under the Copyright Act. In addition, section 513 makes bootlegging "knowingly and for purposes of commercial advantage or private gain" a crime. It is intended that neither civil nor criminal liability will arise in cases where First Amendment principles are implicated, such as where small portions of an unauthorized fixation are used without permission in a news broadcast or for other purposes of comment or criticism.

The United States has led efforts to combat the rise in piracy of sound recordings in countries around the world. The new federal remedies will ensure that performers enjoy a high and uniform level of protection in the United States as well, and will aid efforts by the Customs Service to combat bootleg sound recordings.

c. Restoration of Copyright

Article 9 of the Agreement requires WTO countries to comply with the requirements of Article 18 of the *Berne Convention for the Protection of Literary and Artistic*

Works (1971). In addition, Article 14 of the Agreement explicitly extends this requirement to sound recordings. Before the United States adhered to the Berne Convention in 1989, Congress determined that the United States was in compliance with Article 18 of the Convention but called for further study concerning whether to restore copyright protection to works from Berne Union member countries that had fallen into the public domain in the United States.

Since 1989, Congress, the Administration, the private sector, and the academic community have debated various approaches to restoring copyright protection to certain works in the public domain. The North American Free Trade Agreement Implementation Act (Pub. L. Law 103-182) took a first step by adding a new section 104A to the Copyright Act, which authorized the restoration of copyright protection to certain Mexican and Canadian motion pictures and works included in those films.

Section 514 of the implementing bill replaces the current version of section 104A and restores protection to virtually all copyrighted works, including sound recordings, from members of the WTO or the Berne Union that are not in the public domain in their source country through the expiration of term but are not protected under copyright law in the United States. Section 514 also provides for restoring copyright to works from countries that are not WTO or Berne Union members if they provide reciprocal treatment for U.S. works. The Administration will work to ensure that other countries provide protection for U.S. works, including sound recordings, that are not in the U.S. public domain through the expiration of their term in the United States, but are in the public domain in such countries.

Section 514 provides protection to works from eligible countries if the works are not protected by copyright in the United States because:

- the copyright owner failed to comply with one or more of the formalities required by U.S. copyright law, for instance by publishing the work without a proper copyright notice, failing to renew the copyright, or by failing to comply with the manufacturing clause or *ad interim* provisions of the copyright law;

- the work is a sound recording fixed prior to February 15, 1972, and was not entitled to copyright protection; or

- the work is from a country with which the United States did not have copyright relations at the time of the work's publication.

The bill uses the term "restoration" without distinguishing between those copyrights actually "restored" by the bill and those that have never before enjoyed copyright protection in the United States. Protection is provided in both cases.

In general, copyright will be restored on the date when the TRIPs Agreement's obligations take effect for the United States, which means that the owners of restored copyrights may seek remedies against any infringements occurring on or after that date.

However, section 514 includes special provisions that will apply when a "reliance party" in the United States has commenced and continued to engage in exploitation of a restored work or has acquired one or more copies or phonorecords of a restored work. The term "reliance party" also includes a person who is a successor, assignee, or licensee of another reliance party who has sold or otherwise disposed of a derivative work based upon a restored work. It further includes a person who has acquired "significant assets" of a predecessor reliance party. Reliance parties will have a 12-month grace period, after filing of constructive or receipt of actual notice that has been served by a copyright owner to enforce the restored copyright, during which the reliance party may exploit the work in any manner except for reproduction.

(1) Copyright Restoration

Under subsection (a) of amended section 104A, copyrights in restored works will arise automatically on the date of restoration as defined in subsection (h)(2) of amended section 104A. No special steps other than those set out elsewhere in Title 17 will need to be taken to make a restored copyright fully enforceable against parties other than "reliance parties." Owners of restored copyrights will also be permitted to file for registration of the copyright simultaneously with the filing of a notice of intent to enforce a restored copyright. The notice and other formal requirements in subsections (c) through (e) of amended section 104A will apply *only* when restored copyrights are being enforced against "reliance parties."

Restored copyrights will last for the term that they would have enjoyed had they arisen and remained in force under the Copyright Act. Thus, for example:

- a French short story that was first published without copyright notice in 1935 will be treated as if it had both been published with a proper notice and properly renewed, meaning that its restored copyright will expire on December 31, 2010 (75 years after the U.S. copyright would have come into existence);

- a Chinese play from 1983 will be protected until December 31st of the fiftieth year after the year in which its author dies; or

- a Mexican sound recording first published in Mexico in 1965 will be protected until December 31, 2040.

This provision is intended to deal only with duration and does not encompass reversion or termination rights under chapters 2 and 3 of the Copyright Act.

Motion pictures and certain works included in motion pictures produced in Mexico and Canada for which copyrights were restored under the NAFTA Implementation Act will continue to enjoy copyright protection, but such protection will be governed by the new section 104A substituted by the implementing bill. Similarly, other works from NAFTA countries that are in the public domain in the United States, including motion pictures for

which no NAFTA restoration was sought, will be subject to copyright restoration under the new section 104A.

(2) Ownership of a Restored Copyright

Subsection (b) of amended section 104A provides that a restored copyright is owned, in the first instance, by its author or initial right holder, as determined by the law of the restored work's "source country." This means that in certain instances it will be necessary to refer to foreign law to identify the initial owner of the restored copyright. There can be only one source country for any particular work. In the case of sound recordings, compilations, and other fixations that are "works" under U.S. law, but are protected by "neighboring rights" under some foreign laws, subsection (b) grants rights to the initial beneficiary of such "neighboring rights" regimes.

If the author or initial right holder at any time assigned, licensed, or otherwise alienated or disposed of an exclusive or non-exclusive interest in the copyright, that disposition is to be given effect according to the terms of the agreement, taking into account the expectations of the parties and relevant laws (including those concerning copyright, neighboring rights, contracts, descent and distribution, estates, and conflicts of law). For example, a U.S. company may have obtained rights in an underlying literary or musical work for exploitation in a motion picture "throughout the world" at a time when the underlying work was in the public domain in the United States but protected in the source country. Such a transfer would be given effect in the United States, depending on the terms of the contract as a whole.

(3) Enforcement Against "Reliance Parties"

Subsection (c) of amended section 104A provides that any owner of any exclusive interest in a restored copyright may file in the Copyright Office or serve on a reliance party a notice of intent to enforce that copyright against "reliance parties." It also makes clear that no statement or claim made in any such notice will enjoy any presumption as to its truthfulness. This provision is intended to avoid any implication that "reliance parties" (or others) face an augmented burden in contesting claims made in such notices.

The concept of "reliance party" is intended to grant, for a limited time, to persons having acted in good faith reliance on the public domain status of the now-restored work, the ability to exploit such works in most manners. It applies to two classes of persons: (1) those who acted in a certain manner prior to the date of enactment of the bill (or, for restored works from source countries not in the Berne Union or WTO until after the WTO Agreement becomes effective with respect to the United States, the date of adherence or proclamation) and (2) those who bought or otherwise acquired an interest in restored works (or derivative works created before the date of enactment that are based on a restored work) from someone having the status of a reliance party. The first class consists of persons who either (a) engaged in acts with respect to a particular restored work, prior to the date of enactment of the Uruguay Round Agreements Act, that would have been infringing had it been copyrighted at the time (i.e., acts such as reproduction, public performance, or creation

of a derivative work) *and* continued such acts after restoration, or (b) made or acquired one or more copies of a particular restored work prior to the date of enactment. Acquisition of works incorporating a material portion of a restored work are also encompassed by this provision.

The other class comprises persons who at any time either (a) bought or otherwise acquired an interest in a derivative work based upon a restored work from someone having the status of reliance party with respect to such derivative work or (b) bought or otherwise acquired "significant assets" -- including multiple copyrights, or a back list, imprints, or tangible inventory -- from someone having the status of a reliance party.

While sometimes not technically a "reliance party," immunity from liability on like grounds is intended to be available to related parties who might otherwise be liable under doctrines such as *respondeat superior*, contributory infringement or vicarious liability, including, but not limited to, parent organizations, subsidiaries, officers, directors, shareholders, employees, agents and the like.

(4) Remedies

Subsection (d)(1) of amended section 104A provides that persons other than "reliance parties" accused of infringing restored copyrights are subject -- beginning on the date of restoration -- to full liability for acts occurring on and after that date. A restored copyright is meant to be indistinguishable from any other copyright and the holder of a restored copyright is to have exactly the same rights and remedies as any other copyright holder, except in respect to "reliance parties."

Pursuant to subsection (d)(2) of amended section 104A, no remedy may be invoked against a "reliance party" until:

- the Copyright Office has published in the Federal Register a list identifying the particular restored copyright, or
- the owner of the restored copyright serves actual notice upon the "reliance party."

Notice filed with the Copyright Office will be effective against any "reliance party," whereas actual notice will be effective with respect to the specific reliance party notified, and other reliance parties who know both of the fact of service and the contents of the notice. The Copyright Office will publish regulations that govern the filing of such notices, no later than 90 days before the TRIPs Agreement takes effect for the United States.

Any actual notice must, at a minimum, comply with the applicable provisions of subsection (e)(2) of amended section 104A, discussed below, and must be served -- whether in person or by mail -- in a manner that comports with due process. That is, "the means employed must be such as one desirous of actually informing the party

might reasonably adopt to accomplish it." *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 315 (1950). The contents of actual and constructive notices will differ in important respects because subsection (e) requires that actual notice identify the particular use to which the owner of the restored copyright objects and the work in which the restored work is used.

The "reliance party" must cease reproducing a work in which a restored copyright subsists, and cease preparing new derivative works that reproduce significant elements of a work in which a restored copyright subsists, on the date the Copyright Office publishes the title or description of the work in the *Federal Register* or the "reliance party" receives actual notice. For 12 months thereafter, however, a "reliance party" may sell off previously manufactured stock, publicly perform or publicly display the work, or authorize others to conduct these activities. The grace period will also provide an opportunity for the parties to reach a licensing agreement to permit continued use of the work. In the absence of an agreement, the reliance party must cease using the work at the end of the grace period.

Subsection (d)(3) of amended section 104A sets out additional provisions that apply to the continued exploitation, by reliance parties, of derivative works based upon restored works, where the derivative work was created prior to the date of enactment of the bill (or, for restored works from source countries not in the Berne Union or WTO until after the WTO Agreement becomes effective with respect to the United States, the date of adherence or proclamation). Such a derivative work may continue to be exploited by a relevant reliance party if the reliance party pays the owner of the restored copyright reasonable compensation. Such compensation is due in respect of any infringing conduct for which the reliance party would be liable in the absence of the provisions of subsection (d)(3).

Although it is likely that the owner of the restored copyright and the reliance party will agree on the amount of compensation to be paid, should they fail to do so, the amount of compensation would be determined by an action in federal district court, or if the parties agree, through mediation, or binding arbitration. A judge, arbitrator or mediator should set such compensation to reflect, among other things, (a) harm to the actual or potential market for or value of the restored work and (b) the relative contributions of expression of the authors of the restored work and the derivative work. In some cases, the harm to the actual or potential market of the restored work will exceed the revenue generated by the exploitation of the derivative work. Subsection (d)(3) is not intended to limit compensation due to the owner of a restored copyright in such cases.

Section 412 of the Copyright Act generally restricts the award of statutory damages and attorney's fees to copyright holders who registered their copyrights before the infringement began. Under subsection (d)(4) of amended section 104A, in the case of reliance parties, infringement will be deemed to have commenced prior to registration, so that statutory damages and attorney's fees will not be available, when activities that would have been infringing prior to the date of restoration had the restored work then been subject to copyright, were commenced prior to the date of restoration.

Remedies are available against "reliance parties" when the owner of the restored copyright has either filed constructive notice or served actual notice under subsection (d)(2) of amended section 104A. In considering whether an injunction should issue in respect of an infringement of a restored copyright, it is expected that a court would apply all of the traditional canons of equity. See *Campbell v. Acuff-Rose Music*, 114 S.Ct. 1164, 1171 n.10 (1994).

(5) Notices of Intent

Subsection (e) of amended section 104A establishes rules concerning notices of intent to enforce a restored copyright against reliance parties. First, in order to permit clear identification of the work subject to restored copyright and the owner of that right, subsection (e) specifies the minimum information that must be included in such a notice. All notices must identify the title of the restorable work in a manner that minimizes uncertainty as to the identity of the copyright that is intended to be enforced. Thus, an owner must provide English translations of foreign-language titles and alternative titles by which the work might be known of which the owner is aware. For a work, such as a photograph, that is unlikely to be known by any title it might have, the owner must describe the work to the extent necessary for its identification.

In addition, the notice must be signed by the owner of the restored copyright or his agent. An agent's signature is effective only if the owner has created the agency in writing prior to the time the agent signs the notice. Actual notice served on a "reliance party" must identify the allegedly infringing use but no such requirement exists for constructive notice filed with the Copyright Office.

The filing of a notice of intent to enforce a restored copyright shall not prejudice the ability of a person to seek at any time a judicial determination that a particular work was never in the public domain in the United States.

Subsection (e)(1) specifies certain information that must be included in constructive notices and also requires the Copyright Office to publish lists of restored copyrights that have been the subject of filings in the Copyright Office. The lists will be published quarterly and cumulated on an annual basis for two years after the relevant date of restoration for a particular country. The Administration expects that the initial 24-month period will be the relevant date of restoration for most countries, since more than 100 countries are Members of the Berne Union and many countries will be original members of the WTO when that Agreement enters into force. For countries that become "eligible countries" through adherence or proclamation, there will be a separate 24-month period for filing notices under subsection (e)(1) and the Copyright Office will publish lists of notices as specified above. The Copyright Office will keep at least one complete list of all notices published in its Public Information Office.

Subsection (e)(3) provides that a notice will be void as to a particular restored work if it contains any knowingly false statements or claims with respect to that work. Thus, any notice listing multiple titles, one or more of which the purported owner

does not in fact own or for which the copyright has not been restored, will be void in respect of such work and "reliance parties" may continue all uses until a proper notice is made.

(6) Immunity from Liability

Subsection (f)(1) of amended section 104A provides that when a party has warranted that a work containing (or based on) a restorable work does not infringe a copyright, and the warranty was made prior to January 1, 1995, that party will not be liable for breach of warranty when the breach is due solely to later restoration of the copyright. Subsection (f)(2) provides that neither the remedy of specific performance nor damages shall be available for a reliance party's failure to perform an obligation undertaken before January 1, 1995 when such performance has become infringing by virtue of restoration of a copyright under this Act.

(7) Other Provisions

Subsection (g) of amended 104A permits the President to proclaim a foreign country that is neither a member of the WTO nor of the Berne Union an "eligible country" for purposes of section 104A when that country makes restoration of copyrights available to U.S. works on substantially the same basis as that provided in the United States.

(8) Amendment to Section 109(a)

Section 514 also amends section 109(a) of the Copyright Act by adding a provision clarifying that the sale or other disposition of copies or phonorecords manufactured before the date a copyright is restored under amended section 104A, or in the case of a reliance party before publication or service of notice under 104A(e), will be authorized for purposes of direct or indirect commercial advantage only during the 12-month post-restoration grace period provided in section 104A(d).

d. Definition of "Abandonment" under the Trademark Act

Under the current version of the Trademark Act of 1946, a mark is considered "abandoned" when its use has been discontinued with intent not to resume use. Furthermore, under the Trademark Act, non-use for two consecutive years is *prima facie* evidence of abandonment. Article 19.1 of the Agreement on TRIPs provides that a registration may be canceled only after three years of non-use. Accordingly, section 521 of the implementing bill amends section 45 of the Trademark Act to provide that three consecutive years of non-use will constitute *prima facie* evidence of abandonment. Section 521 makes no change in the provision in current law that permits a party to prove abandonment based on non-use (with intent not to resume use) during a shorter period of time.

e. Misleading Geographical Indications

Article 23.2 of the Agreement requires WTO member countries to refuse

registration of any trademark consisting of a geographic indication misleadingly identifying wines or spirits or to invalidate any existing such trademark. Section 522 of the implementing bill amends section 2 of the Trademark Act of 1946 to provide that trademarks that consist of, or comprise, a geographical indication for wines or spirits that do not in fact originate in that geographic area will be refused registration if the mark was first used after the WTO Agreement has been in effect for one year. Any trademark containing a geographic indication that is currently registered or in use, or that is registered or in use during the period before the WTO Agreement has been in effect for a year, may be maintained.

As amended, section 2 of the Trademark Act will prohibit the registration of marks which contain a geographical indication which refers to a place other than where a good actually originates. "Geographical indications" are defined in TRIPs Article 22.1 as "indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin." The Administration expects that this definition will be applied in the context of trademark registration and that a "geographical indication" as used in this provision will be interpreted to comprise only those areas which have a reputation for being associated with the specific goods at issue. Obscure areas or those that do not have a reputation or other characteristics generally associated with wines or spirits should not be prohibited from registration.

f. Treatment of Inventive Activity

Section 531(a) of the implementing bill amends section 104 of the Patent Act (35 U.S.C. 104). The amendment is necessary to conform to Article 27.1 of the TRIPs Agreement, which specifies that patents are to be available without discrimination as to the place of invention. These changes will permit a patent applicant or patentee to establish a date of invention only for the purposes of obtaining an invention by using evidence of inventive activity that occurs in any WTO member country.

The ability of an inventor to establish a date of invention can be a crucial factor affecting whether the inventor can obtain patent protection in the United States. For instance, if two or more parties independently develop and seek patent protection for the same invention, the patent will be granted to the party that can establish the earlier date of invention. Under current law, no evidence can be introduced by a party seeking to prove a date of invention if the evidence is based on activity that took place outside of the United States, Canada, or Mexico. The amendment to section 104(a)(1) will remove this restriction with respect to inventive activity that occurs within WTO member countries.

The implementing bill does not change present practice regarding the effect of a determination that establishes which of two or more inventors was the first inventor. This practice precludes the losing party from separately patenting the invention in dispute, even if the invention of the winning party was not made "in this country", pursuant to application of section 102(g) of Title 35, U.S. Code. Thus, a losing party is and will continue to be precluded through interference estoppel from separately patenting the invention in dispute or

an invention that is not patently distinguishable from the invention in dispute (see *In re Deckler*, 24 U.S.P.Q.3d 1448 (Fed. Cir. 1992)).

As foreign inventive activity may now be considered in a determination of which inventor was the first to invent, fairness to both U.S. and foreign inventors demands a certain identity of treatment with regard to reliance on inventive activity in the United States and abroad. Consequently, the inability of an inventor to rely on a date of invention in the United States where the invention has been subsequently abandoned, suppressed or concealed the invention under patentability determinations under Section 102(g) should apply equally to the inventor relying on foreign inventive activity.

Section 531(a) extends existing safeguards in section 104 of Title 35 to ensure fairness to U.S. inventors. Under the current section 104(a)(3), which was added by the NAFTA Implementation Act, when a party in a proceeding before the Patent and Trademark Office, a court, or another competent authority requests information in Mexico or Canada relevant to the date of invention by an opposing party, and the information is not made available to the same extent as it could be made available in the United States, the adjudicative body must "draw appropriate inferences" or take other action permitted by statute, rule, or regulation in favor of the party that requested but could not obtain the information. The implementing bill makes this provision applicable to information in any WTO member country.

Section 531(a) also extends section 104(a)(2) to address inventive activity by individuals in government service, where the activity takes place outside their home country. Under current law, an individual in government service can rely on evidence of inventive activity outside the United States to prove a date of invention. This privilege was extended to domiciliaries of NAFTA members by the NAFTA Implementation Act. The implementing bill extends this privilege to domiciliaries of any WTO member country.

Section 531(b) addresses the effective date of the changes to section 104. This section specifies that the changes to section 104 will apply to all patent applications filed on or later than one year after the entry into force of the WTO Agreement with respect to the United States. The provision also specifies that an applicant for patent or a patentee may not establish a date of invention that is earlier than one year after the entry into force of the WTO Agreement with respect to the United States by reference to knowledge, use or activity in a WTO country other than provided in sections 119 and 365 of Title 35.

g. Term of Patent Protection; Domestic Priority System; Provisional Applications

Under present law, the term of a U.S. patent lasts 17 years from the date of its grant, provided the required fees for maintaining the patent in force are paid. Article 33 of the Agreement requires WTO member countries to provide a patent term of at least 20 years, measured from the date the application for patent was filed.

Section 532(a) of the bill changes the manner in which the term of a U.S.

patent is measured. It amends section 154 of Title 35 to provide that the term of a patent will commence on the date of issue, and end twenty years after the date on which the application resulting in the patent was filed. If priority to an earlier application or applications is claimed under sections 120, 121, or 365(c) of Title 35, the 20-year period is measured from the date of the earliest of such applications. The term of a patent that results from any application that is filed on or after the date that is six months after the effective date of this Act shall end twenty years after the date said application was filed, or if priority to an earlier application or applications is claimed under sections 120, 121 or 365(c) of Title 35, 20 years from the date of the earliest of such applications.

Section 532(a) further amends section 154 of Title 35 to provide that priority under sections 119, 365(a), or 365(b) of Title 35 is not to be taken into account in determining the term of a patent. This provision is necessary to comply with the requirements of Article 4 *bis*(5) of the *Paris Convention for the Protection of Industrial Property* under which countries must exclude from their measurement of patent term any periods for which an applicant has based a claim of priority to an earlier foreign-filed application.

Section 532(a) also amends section 154 of Title 35 to provide for extension of the term of patents for up to a total of five years under certain circumstances. These circumstances include delays caused by interference proceedings under section 135(a), by the imposition of secrecy orders under section 181, or when a patent is issued after an adverse determination of patentability has been reversed on appeal by either the Board of Patent Appeals and Interferences or a federal court.

In calculating the period of time of the extension of term of a patent due to an interference proceeding, the Patent and Trademark Office will include time attributable to proceedings before the Board of Patent Appeals and Interferences, as well as time before a federal court. In calculating the period of time of the extension of term under section 154(b)(2) for an appeal, section 154(b)(3)(A) directs the Patent and Trademark Office to rely on the date an appeal was taken under section 134 or 141, or an action was commenced under section 145, whichever occurs first.

The length of a patent term extension provided under the authority of section 154(b)(2) may be reduced in two instances. First, the period of patent term extension for appeal will be reduced, pursuant to section 154(b)(3)(B), for periods of time attributable to appellate review before the expiration of three years from the filing date of the application leading to the patent. Second, under section 154(b)(3)(C), an extension will be reduced for time attributable to periods during which the applicant did not act with due diligence. Although extensions under section 154(b) are limited to a total of five years, patentees will continue to be able to obtain extensions of patent term for up to five years to compensate for delays caused by pre-marketing regulatory review under the authority of existing section 156 of title 35.

A further change in U.S. law incident to the change in how patent term is measured is required by virtue of the operation of Articles 33, 70.2 and 70.4 of the TRIPs

agreement. Specifically, section 532(a) of the implementing bill amends section 154 to provide that the term of a patent in force on, or that results from an application filed before, the date that is six months after the date of enactment of the Uruguay Round Agreement Act will be the greater of 17 years from the date of patent grant or 20 years from the date of filing of the application leading to the patent. A patent whose term has been disclaimed under section 253 of Title 35 due to another patent on an invention that is not patentably distinct from but was owned by or subject to an obligation of assignment to the same person shall expire on the date of the other patent. A patent whose term has been disclaimed under section 253 of Title 35 independent of another patent shall be reduced by the length of the originally disclaimed period.

Section 532(a) also adds sections 154(c)(2) and (3). These sections address situations where a third party begins use of a patented invention before the date that is six months after the date of enactment of the Uruguay Round Agreements Act and such use becomes infringing because of a change in patent term due to operation of section 154(c)(1). In such circumstances, the patent owner will not be able to obtain an injunction, recover a reasonable royalty, or obtain attorneys fees as provided for in sections 283 to 285 of Title 35, but will be able to recover equitable remuneration from a third party who infringes the patent during the period in question.

Section 532(b)(1) of the bill amends section 119 of title 35 to establish a domestic priority system. Claims to domestic priority will be made possible through use of the provisional application system established by section 532(b)(3) of the bill. Provision of a domestic priority right is important to ensure that applicants who file originally in the United States are not placed at a disadvantage in relation to applicants who file originally in foreign countries. As noted above, the Paris Convention precludes the United States from including in the measurement of patent term any period of time attributable to a claim for priority under 119, 365(a), or 365(b) of Title 35. The new section 119(e) extends this right to applicants that file in the United States a provisional application under section 111(b) of title 35. This will provide applicants who take advantage of this section a period of up to 12 months in which to file the formal application but claim priority based on the provisional application filed in the United States, which period will not be included in the calculation of patent term.

Section 532(b)(3) amends section 111 of title 35 to establish a provisional application system. Section 111(b) will permit an applicant to file a simplified "provisional" application for a fee of $150, or $75 for small entities, that can serve as a basis for a claim of priority if the applicant subsequently files a formal patent application within 12 months of the filing of the provisional application. The provisional application must contain a specification and any necessary drawings, in compliance with 35 U.S.C. 112 and 113, and the applicant must pay the required fee, in order to obtain a filing date for the provisional application. The provisional application need not include claims. The provisional application will not be examined, and will expire twelve months after it was filed. The inventor must present an application in compliance with all statutory requirements in order to begin the patent examination process; a provisional application cannot mature into a patent. The new section 111(b)(6) explicitly permits an applicant that has filed an application in full

compliance with section 111(a) to treat said application as a provisional application under section 111(b).

Finally, section 532(c) makes conforming changes to sections 156, 172, 173, 365, and 373 of Title 35.

h. Extending the Definition of Infringing Activity

Article 28 of the Agreement sets out the rights that WTO member countries must provide through the grant of a patent. Under Article 28.1, a product patent must confer on its owner the right to prevent others from making, using, offering for sale, selling, or importing the protected invention. Under Article 28.1, a process patent must confer on its owner the right to prevent others from using the process, and from using, offering for sale, selling, or importing the product obtained directly from the process.

Under current law, a patent in the United States provides its holder the right to exclude others from making, using, or selling the invention in the United States, and to prevent importation of a product produced outside the United States using a process subject to a U.S. patent. Section 533 of the bill amends section 154 of title 35 to conform to the requirements of Article 28. This section adds to the current rights provided by section 154 the right to preclude others from offering for sale or importing a product covered by a United States patent. In addition, it enables the holder of a U.S. process patent to prevent others from offering to sell the products made by the patented process. Section 533 of the bill also makes appropriate conforming changes to sections 41(c)(2), 252, 262, 271, 272, 287, 292, 295 and 307 of Title 35.

2. <u>Administrative Action</u>

a. Compulsory Licensing

Article 31 of the Agreement on TRIPs limits the extent to which WTO member countries may grant "compulsory licenses," that is, permit the use by the government or third parties of a patented product or process without the patent owner's permission. The article sets out a number of conditions a government must meet before granting such a license.

U.S. law currently provides for the issuance of compulsory licenses under three statutes -- the Atomic Energy Act, the Clean Air Act, and the Energy Policy Act (which amended the Atomic Energy Act). Regulations governing the grant of compulsory licenses under each of these statutes currently require satisfaction of all of the conditions set out in Article 31 except the requirement in paragraph (c), which specifies that compulsory licenses on semiconductor technology may be granted only for a public non-commercial use or to remedy an anticompetitive practice.

The Department of Energy will modify regulations set out at 10 CFR Part 780, and the Environmental Protection Agency will amend its regulations implementing

section 308 of the Clean Air Act, to meet the requirements of Article 31(c) for any compulsory licenses they issue in respect of semiconductor technology or designs. In addition, the President will issue an Executive Order ensuring that all government agencies that may invoke "government use" provisions meet those requirements as well.

b. Patent Applications

To facilitate the completion of prosecution of applications pending in the Patent and Trademark Office as of the effective date of section 154(a)(2), section 532(a)(2) directs the Commissioner of Patents and Trademarks to establish regulations for two purposes.

The first purpose is to provide for further limited reexamination of an application pending for two years or longer as of the effective date of section 154(a)(2) of title 35, taking into account any reference made in such application to any earlier filed application under sections 120, 121 or 365(c) of title 35. The further limited reexamination will permit applicants to present for consideration a submission after the Patent and Trademark Office has issued a final rejection on an application.

The types of submissions shall include, but shall not be limited to, an information disclosure statement, an amendment to the specification or claims, or new substantive arguments or new evidence in support of patentability of the claimed invention. The Patent and Trademark Office will consider on the merits the first and second such submissions, to the extent that such submissions would have been entitled to consideration if made prior to final rejection. The Patent and Trademark Office will modify such final rejection or allow such application, as appropriate, based on the consideration of such submissions. As is current practice, the Patent and Trademark Office shall consider any submission which, in the opinion of the Patent and Trademark Office, places the application in condition for allowance or in better condition for appeal. The Commissioner will determine an appropriate fee, related to the reexamination provided, for the filing of such submissions.

The second purpose for the new regulations is to address Patent and Trademark Office restriction requirements and filings of divisional applications, and to ensure that there is an opportunity for an applicant to respond to a requirement for restriction or for the filing of a divisional application. After the effective date of section 154(a)(2), the Patent and Trademark Office will not make or maintain a requirement for restriction or the filing of a divisional application for an application that has been pending for three years or longer as of the effective date of said section, taking into account any reference made in such application to any earlier filed application under sections 120, 121 or 365(c) of title 35. This limitation does not apply if such a requirement was first made in such application or a predecessor application more than two months prior to such effective date, or if there has not been at least one Patent and Trademark Office action due to actions by the applicant. The Commissioner will determine an appropriate fee for examination of each independent and distinct invention in an application in excess of one.

Measuring the term of a patent from the filing date of the patent application instead of from the date of grant of the patent increases the importance of expeditious processing of applications by the Patent and Trademark Office. The Administration continues to be committed to working with the Congress to ensure that adequate resources are available for prompt processing of all patent applications. The Patent and Trademark Office will continue its efforts to hire and retain sufficient numbers of highly qualified examiners to enable it to handle the increasing number of applications being filed in complex technological areas, such as biotechnology, computers, and software. The Patent and Trademark Office will also continue its efforts to provide adequate legal and technical training for its examiners to ensure that the patent examining corps is equipped to handle increasingly complex patent applications expeditiously.

Some in industry have expressed concerns over possible sources of delay during examination of patents that could lead to a decrease in effective patent term. Such concerns focus on the Office's application of the utility requirement during examination of patent applications claiming pharmaceutical inventions. Under U.S. law, if a patent application contains a disclosure of utility that corresponds in scope to the subject matter sought to be patented, the specification must be taken as sufficient to satisfy the utility requirement of section 101 of title 35 for the entire claimed subject matter, unless there is reason for one skilled in the art to question the objective truth of the statement of utility or its scope. If the Office rejects an application on the grounds that the invention lacks utility, the applicant may provide evidence supporting the truth of the statement of utility and its scope as found in the specification. If the evidence is persuasive, a rejection for lack of utility may be overcome. An applicant may satisfy the utility requirement for a pharmaceutical invention by demonstrating evidence of pharmacological activity in either *in vitro* or *in vivo* experiments such that a person skilled in that field would conclude that utility has been established. Under most circumstances, human clinical data is not necessary to establish utility. And, to ensure that concerns related to utility are fully addressed, the Patent and Trademark Office will sponsor a public hearing to ascertain whether patentees claiming protection for biotechnological inventions lose effective patent term in the course of developing evidence to establish that such inventions are in fact useful.

c. Geographical Indications

The United States will implement the Agreement's provisions on geographical indications for wine and spirits through the labeling regulations of the Bureau of Alcohol, Tobacco and Firearms of the Department of the Treasury. The Agreement specifically recognizes that rights in geographic indications for wine and spirits may be enforced through administrative action.

d. Border Enforcement

The Agreement on TRIPs contains detailed provisions on border enforcement against imports of pirated and counterfeit goods. Although U.S. law and customs regulations already meet the minimum TRIPs requirements, current customs regulations do not provide for uniform procedures in the treatment of copyright and trademark infringement actions.

The Customs Service will issue revised regulations to harmonize those requirements.

(1) Title:

Possible Amendments to 35 USC Section 104 Implementing GATT TRIP Agreement and Future Courses of Action to be Taken with Respect thereto by Japanese Companies

(2) Date:

October, 1994 (the 25th International Congress in Hamamatsu)

(3) Source:

1) Source: PIPA
2) Group: Japan
3) Committee: 3

(4) Authors:

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(5) Keywords:

GATT TRIP, Uruguay Round, WTO, Interference, and Establishment of dates of Invention

(6) Statutory Provisions:

GATT TRIP Agreement Article 27
35 USC 104

(7) Abstract:

The GATT TRIP Agreement was signed in Morocco in April, 1994. Compliance with Section 27 of this agreement requires the United States to make amendments to the current provisions in 35 USC Section 104 disallowing the establishment of dates of invention under the first-to-invent system in any other country than the United States in such a manner as to recognize of dates of invention made in the WTO Member countries. If such amendments are made, it is probable that in the near future an interference in the United States will become a worldwide struggle involving the establishment of dates of invention made in the WTO Member countries and therefore that any evidence supporting dates of invention made in those countries can become decisive proof.

The 3rd Committee has conducted a questionnaire survey of Member companies in Japan relating to their future courses of action to be taken in connection with this matter.

Possible Amendments to 35 USC Section 104 Implementing GATT TRIP Agreement and Future Courses of Action to be Taken with Respect thereto by Japanese Companies

1. Preface

The long-running GATT Uruguay Round of multilateral trade negotiations were brought to a conclusion by the adoption of the final comprehensive agreement proposal last December and its subsequent official signing this April in Morocco. In line with the decisions made through the negotiations, on the trade related aspects of intellectual property rights, the Member countries are required to make amendments to their respective domestic law concerning intellectual property rights in such a manner as to comply with the agreement with implementation by July 1995 as a target.

Article 27 of the final comprehensive agreement proposal provides that "... patent shall be available and patent rights enjoyable without discriminations as to the place of invention the fields of technology and whether products are imported or locally produced...". This provides a great possibility that amendments may be made in the very near future to the current provisions in 35 USC Section 104 under the first-to-invent system disallowing the establishment of dates of invention made in any other country than the United States.

On the other hand, the Secretary of Commerce, Brown, made an official announcement denying any shift toward the first-to-file system in January 24 this year, so that there is currently no possibility whatever of such a shift. It should be assumed, therefore, that an interference, namely a procedure of competition in the establishment of prior inventions under the first-to-invent system in the United States, will continue to exist. The administration's draft regarding an amendment to section 104 was introduced as S 2368 by Senator Dennis De-Concini on August 5 for the public review prior to the formal submission of the final bill. In the draft, the term of "or a WTO Member country" was inserted after "NAFTA country" in the provision designating the exceptional area, and an outline of the effective date clause thereof reads that the application of the amendment

shall apply to all patent applications that are filed on or after the date that is 1 year after the date of entry into force of the WTO Agreement except that an applicant for a patent may not establish a date of invention that is earlier than the effective date of this amendment by reference to activity with respect thereto in a WTO country.

Conventionally, all that an applicant making an invention in any other country than the United States is allowed to do in an interference procedure, as far as the establishment of any prior invention is concerned, used to be to claim a priority date as a date of invention (37 CFR 1. 633 (f)). On the other hand, the U.S. business could easily win an interference even when a date of reduction to practice was later than a priority date of non-US invention only by establishing a date of conception prior to the priority date and proving continuing activity of diligence beyond the priority date until the date of reduction to practice by submitting necessary evidences such as labolatory notebooks and records of relevent activities. (There have recently been completed such amendments as to treat inventions made in any NAFTA Member countries similarly to those made in the United States.)

Further, in an interference set up among applications of non-U.S. inventions, all that such applicant is allowed to do used to be to claim a priority date as a date of invention as far as the establishment of any prior invention is concerned.

However, if amendments are made to Section 104 approving the establishment of dates of invention made in any other WTO Member country than the United States, it follows that a competition to be a senior inventor will be arouse based on dates of conception, dates of reduction to practice and priority dates as long as opposing parties are applicants in any WTO-member country irrespective of whether it be the United States or not.

Under these circumstances, the 3rd Committee conducted the present questionnaire of the member companies in Japan relating to their experiences with the current provisions in Section 104 and their courses of action to be taken for possible amendments thereto in an attempt to grasp the present state of affairs in

this matter as well as make an analysis report on the findings of the present questionnaire to provide guidance for such future courses of action.

2. Questionnaire

2-1. Outline of Questionnaire

Questionnaire has conducted on 85 Member companies of the Japanese Group of the PIPA, of which 67 companies returned answers.

When the companies surveyed are classified by industry, 9 companies belong to the mechanical and metal industries (hereinafter referred to simply as "mechanical businesses"), 17 companies to the electrical equipment industry (hereinafter referred to simply as "electrical businesses"), 39 companies to the chemical industry, and 2 companies to the industries other than those mentioned above (hereinafter referred to simply as "other businesses") (see Fig. 1). Of these respondents, 3 companies are foreign-capitalized ones (all US-capitalized).

The questionnaire included the six main categories of questions listed below. (For more details, see Questionnaire (Appendix 1) attached hereto.)

Section [1] Questions on corporate information

Section [2] Questions on the number of patent applications and interferences

Section [3] Questions on the current provisions of 35 USC Section 104

Section [4] Questions on the establishment of dates of invention made in the United States in compliance with the current provisions of 35 USC Section 104

Section [5] Questions on future courses of action for this matter

Section [6] Other questions

2-2. Analysis of Questionnaire Findings

The findings of the present questionnaire survey are

analyzed below question by question. It should be noted here that relevant studies including comparisons among industries are directed only to the mechanical business, electrical, and chemical businesses.

2-2-1. Number of Patent Applications and Interferences

(1) Number of Patent Applications (Question 1 in Section [2])

The average number of patent applications both in Japan and the United States a year is high in the electrical, mechanical, and chemical businesses in a decreasing order with the electrical businesses boasting overwhelming predominance over the others (see Figs. 2 and 3). Such predominance of the electrical businesses seems to be a result of such factors as an abundance of electrical product types and production cycles.

Referring to the ratio of patent applications in the United States by industry, more than 30% of the mechanical businesses and more than 50% of the electrical businesses file more than 100 patent applications annually to the United States while more than 90% of the chemical businesses file less than 100 patent applications annually to the United States (see Fig. 4).

In another respect, the ratio of patent applications in the United States to those in Japan is also the highest with the electric businesses, followed by the chemical and mechanical businesses in this order.

(2) Number of Interferences (Question 2 in Section [2])

The number of interferences experienced by a single business during the past five years is an average of 2.88 cases overall, which means that about one half of the businesses surveyed experience one interference annually (see Fig. 5). By industry, the number of interferences is the highest with the chemical businesses, followed by the mechanical and electrical businesses in this order.

In this connection, the frequency of interferences the number of patent applications in the United States is 0.36% overall for each patent application in the Unites States (see Fig. 6). By industry, the frequency of interferences against the

number of patent applications in the United States is also the highest with the chemical businesses, followed by the mechanical and electrical businesses in this order. In terms of this frequency, there is observed a great disparity among these three types of businesses with the chemical businesses boasting overwhelming predominance over the others. Incidentally, the frequency of interferences against the number of patent applications in the United States is 1.27% for the chemical businesses as compared with 0.21% for the mechanical businesses and 0.04% for the electrical businesses, in which respect the chemical businesses outnumber the mechanical businesses by about 6 times and the electrical businesses by about 31 times.

Although such a great disparity has been predicted to some extent prior to the present questionnaire survey, it is somewhat shocking as an actual figure derived from the findings of the present questionnaire. This seems to arise from the differences in nature among inventions and patent applications relating to different lines of products handled by those three types of businesses.

In analyzing the findings of the present questionnaire, it is necessary to bear in mind this disparity among industries in the frequency of interferences for each patent application in the United States as well as the characteristic features of the businesses surveyed. In this connection, due consideration should also be given to the high possibility that there are some similarities in nature among patent applications by different types of businesses.

(3) Time and Cost of Interferences (Question 3 in Section [2])

To the question on the time and cost of interferences, there are observed two patterns of answers: some respondents have spent no time in interferences and others no time and cost in interferences despite their experiences with interferences. These patterns of answers seem to reflect the case where no actual interference procedure by an applicant has been taken or the case where a solution has been reached halfway through an interference procedure. Strictly speaking, however, there is no

determining which case has witnessed the completion of an entire interference procedure, so these patterns have treated as inclusions in population parameters in averaging the time and cost of interferences.

[Time]

The time of a single interference is an average of 16.7 months overall (see Fig. 7). This figure would become greater if an entire interference procedure were to be completed. Incidentally, the maximum value is an average of 60 months reported by a certain chemical business, indicative of the time-consuming nature of interferences.

By industry, the chemical businesses average is 19.0 months, thus outnumbering the other businesses.

[Cost]

The cost of a single interference is an average of 6,420,000 yen overall (see Fig. 8). This figure would also become greater if an entire interference procedure were to be completed. Incidentally, the maximum value is an average of 30,000,000 yen reported by a certain chemical business and indicative of the great cost burden of interferences upon many businesses.

By industry, the chemical businesses average 8,190,000 yen, a slightly greater figure than the mechanical businesses, while the electrical businesses report a fairly small value of 2,630,000 yen. Such relatively favorable showings of the electrical businesses can be assumed to reflect not so much that the cost of interferences is this low for electrical patent applications as that the electrical businesses very often withdraw the establishment of any prior inventions at an early stage of an interference procedure.

2-2-2. Current Provisions of 35 USC Section 104

(1) <u>Whether applicants in any other country than the United States are considered to be more disadvantageous than those in the Unites States. (Question 1 in Section [3])</u>

Most of the businesses surveyed answered that the current provisions of 35 USC Section 104 discriminate against inventions made in any other country than the United States, thus placing applicants making such inventions at a disadvantage (see Fig. 9). Very few responded that such applicants are not at a disadvantage.

(2) The presence or absence of experiences of suffering losses from interferences (Question 2 in Section [3])

About one half of all the businesses excluding the mechanical businesses answered that they have suffered disadvantage from the first-to-invent system (see Fig. 10).

(3) The presence or absence of experiences of missing patent rights in the United States due to interferences while gaining them in any other country under the first-to-file system and the number of patent rights which have been missed. (Questions 3 and 4 in Section [3])

About one third of all the businesses surveyed have failed to obtain some patent rights in the United States due to interferences (see Fig. 11). By industry, the chemical businesses have missed the greatest number of patent rights, followed by the electrical and mechanical businesses in this order (see Fig. 12). In particular, a chemical businesses have missed an average of 3 patent rights during the past five years.

From the findings shown in (1) to (3) above, it has come to light that the chemical businesses, in particular, suffer great losses from the current provisions of 35 USC Section 104.

(4) The presence or absence of experiences of missing business chances in the United States. (Question 5 in Section [3])

Case 1 (Electricals):

A patent for a prior invention made in Japan was obtained by some other company in the United States.

Case 2 (Chemicals):

A royalty fee on some other company's product selling for more than 1 to 2 hundred million dollars annually in the United States could not be charged and was instead paid.

Case 3 (Chemicals):

A patent right, which was supposed to be obtained for a certain product, was missed in the United States, so that it is now under consideration whether to develop the product on an international basis (which seems to mean developing the product as a strategic product abroad).

Thus, it has come to light that there actually exist some cases where patents have failed to be obtained only in the United States under the first-to-invent system, thus causing great commercial losses.

(5) <u>The presence or absence of experiences of suffering losses from any other factor than interferences. (Question 6 in Section [3])</u>

Case 1 (Mechanicals):

Antecedence over a cited reference could not be claimed and was rejected.

==> This is a loss deriving from the current provisions of 35 USC Section 102 (a).

Case 2 (2 electrical businesses and others):

Loss incurred at the time of nullification of a third party's rights.

* Re reasons for nullification

==> Reasons for nullification are the reverse of requirements for patentability. As such, the reasons for invalidation as provided for in 35 USC Section 102 (a) apply to applicants in any other country more easily than those in the United States.

* The current provisions of 35 USC Section 102 (b) are unreasonable in stipulating that any nullifying information for United States patents must have been published one year before

the date of their application.

Despite the existence of information capable of nullifying a United States patent and published within one year before the date of its application, a challenge for its nullification has been waived leaving no alternative but to enter into a licensing agreement.

==> This is a case where a failure in the establishment of dates of inventions leads to suffering of losses in business negotiations.

Case 3 (Others):

The existence of a third party's United States patent leaves no alternative but to limit claims.

==> This is a case concerning the requirements for patentability and arising naturally from the current provisions of 35 USC Section 104.

Case 4 (2 chemicals):

Extremely disadvantaged in negotiations for interference settlement with a certain company in the United States in that this side's priority date is known to the other side while the other side's date of invention is unknown to this side.

==> This is also a case where a failure in the establishment of dates of inventions leads to suffering of losses in business negotiations.

Case 5 (Chemicals):

The chance was missed for a patent application in a country other than the United States for an invention made by an American. (There was an obstacle to acquisition of a patent right for the invention.)

==> This is a case arising from joint development with businesses in the United States or transfer from those businesses of the right for patent applications in any other country than the Unites States. This represents a typical problem occurring to patent applications in countries under the first-to-file system owing to the fact that the first-to-invent

system is adopted only in the United States and that any resulting losses are compensated for by such means as the current provisions of 35 USC Section 104. To avoid this problem, some leading companies in the United States are said to have already implemented such patent application management as accommodates to the first-to-file system even under the first-to-invent system for fear that a failure to do so would likely to invite the possibility of businesses in the United States obtaining patent rights only in the United States as opposed to the impossibility of businesses in any other country obtaining patent rights only in the United States.

2-2-3. Establishment of Dates of Invention under the Current Provisions of 35 USC Section 104

(1) <u>The presence or absence of experiences of attempting to establish dates of invention by sending their disclosures or samples to subsidiaries or institutes in the United States to import their concept into the United States.</u>
(Question 1 in Section [4])

Only about 10% of all the businesses surveyed, or about seven businesses, answered "yes" to this question (see Fig. 13). By industry, they are made up of three of the electrical businesses and four of the chemical businesses. The affirmative respondents include no mechanical businesses, which seems to reflect the cost effectiveness considerations given by the mechanical businesses, which have hardly suffered actual losses as is obvious from the answers to the foregoing question 2 in Section 3.

(2) <u>The presence or absence of experiences of attempting to overcome rejections of inventions pursuant to novelty bar of 35 USC Section 102 by establishing the dates of their conception and reduction to practice in the Unites States prior to the priority dates of their applications.</u>
(Question 2 in Section 4)

All the businesses surveyed answered "no" to this question.

(3) How to cope with the then prevailing situation if the answer to Question 1 in Section [4] is "yes".

(Question 3 in Section [4])

Unfortunately, no business surveyed answered this question.

All the seven businesses answering "yes" to Question 1 in Section [4] answered "no" to Question 2 in Section [4]. This means that they have established dates of inventions for any other purpose than overcoming their rejections pursuant to novelty bar of 35 USC Section 102. Such answers seem to reflect their experiences with interferences, which might derive from their intention to overcome the rejections pursuant to not novelty but obviousness bar. In any case, no further detail is known because of the absence of any specific comment on how to cope with the then prevailing situation.

2-2-4. Future Courses of Action

(1) The presence or absence of experiences of making specific case studies assuming the establishment of dates of inventions in Japan. (Question 1 in Section [5])

Overall, only a little more than 10% of all the businesses surveyed answered "yes" to this question with a little less than 90% making no such specific case study.

By industry, the chemical businesses have made number of case studies, followed by the electrical and mechanical businesses in this order (see Fig. 14). Indeed, a little more than 20% of the chemical businesses have already made such case studies.

(2) Whether any laboratory notebooks with a signature column are used which are intended for the establishment of date of inventions. (Question 2 in Section [5]

Most of the businesses surveyed use no laboratory notebook with a signature column; nor do they use laboratory notebooks as such at all (see Fig. 15).

In rare cases, laboratory notebooks with a signature column are used by two of the chemical businesses, one of which is a US-capitalized company.

Incidentally, it is generally believed that all US-capitalized companies use signed laboratory notebooks, but this is not necessarily the case.

(3) How to address the establishment of dates of invention. (Questions 3, 5, 6, and 7 in Section [5])

Overall, about 80% of all the businesses surveyed positively address the establishment of dates of invention as a future task to be considered while some of the mechanical and electrical businesses have already "determined not to address the establishment of dates of invention", from which it may be gathered that different types of businesses address this matter in different ways (see Fig. 16).

Some of the negative respondents stated that their reason for not addressing this matter is "the absence of cases where the establishment of dates of invention is necessary".

In contrast, about one half of the chemical businesses answered that they have already "started" or are "planning on" addressing the establishment of dates of inventions while some of them are "reserving" addressing the establishment of dates of inventions but expected to give it positive consideration. This means that overall about 90% of the chemical businesses show a positive attitude toward this matter. Incidentally, two of the chemical businesses have already "decided not to" address the establishment of dates of inventions but these two show no particular common industrial characteristics.

Generally speaking, the businesses which are "reserving addressing the establishment of dates of invention" can be classified chiefly into two groups in terms of their attitude: a prudent group which will "watch the progress of legislation and reserve addressing the establishment of dates of invention until official amendments to 35 USC Section 104 is finalized" and a pragmatic group which is "now investigating cost-performance trade-offs between the additional cost and labor involved in the establishment of dates of invention and the significance of cases where the establishment of dates of invention is necessary".

(4) The cost and measures of addressing the establishment of dates of invention. (Question 4 in Section [5])

By industry, the mechanical businesses estimate by far the highest cost for addressing the establishment of dates of inventions (see Fig. 17), which seems to reflect the additional cost of any laboratory notebooks that may be newly introduced by the mechanical businesses, which use currently none at all as described above.

About one half of all the businesses surveyed intend to use laboratory notebooks as the measure of addressing the establishment of dates of inventions (see Fig. 18). What is noteworthy is that the mechanical and electrical businesses attach as much importance to operational diaries as laboratory notebooks while the chemical businesses are considering the use of weekly or monthly reports in addition to laboratory notebooks.

From the findings shown in (1) to (4) above, it has come to light that the chemical businesses show a marked tendency to positively address the establishment of dates of inventions while the other types of businesses generally do not show very positive attitude toward this matter.

As far as the number of experiences with interferences is concerned, these non-chemical businesses are comparable to the chemical businesses. The difference in their attitude despite this fact seems to be triggered by the disparity between them in the frequency of interferences against patent applications in the United States and the significance of each patent application in the United States. More specifically, it may be assumed that the chemical businesses cannot avoid addressing the establishment of dates of invention in a more positive attitude than the non-chemical businesses because they tend to experience interferences with a higher frequency against patent applications in the United States, each having a greater significance.

Nevertheless, it is believed that the absolute number of interferences and the significance of each patent application in the United States are both great with the non-chemical businesses. In this sense, it seems necessary that all the businesses including the chemical businesses should address the

establishment of dates of invention depending on the significance of patent applications therefor to the United States. To this end, they are well advised to select more significant inventions at their research and development stage and more positively address the establishment of dates of those inventions. In fact, it seems most likely that this approach will be adopted by an increasing number of businesses in the future.

2-2-5. Other Details

(1) Whether the United States should shift to the first-to-file system even after possible amendments to the current provisions of 35 USC Section 104.

(Question 1 in Section [6])

More than 90% of all the businesses surveyed answered "yes" to this question (see Fig. 19).

By industry, the chemical businesses answered "yes" in the greatest numbers, followed by the mechanical and electrical businesses in this order.

(2) Reasons for the answers to Question 1 above.

On the whole, the reasons for the answers to Question 1 in Section [6] above can be classified as follows.

Reasons for the answer "yes":

a. Any amendments to the current provisions of 35 USC Section 104 would lead to competition in the establishment of prior inventions across the national borders, which would, in turn, result in more numerous, complicated, and expensive interference procedures.

b. The presence of any unique system only to the United States is unfavorable from the viewpoint of international harmonization.

c. Maintenance of the first-to-invent system would be accompanied by uncertainty of rights.

d. Maintenance of the first-to-invent system would work to the disadvantage of Americans.

Reason for the answer "no":

Maintenance of the first-to-invent system would work to the disadvantage of American businesses from a global viewpoint and consequently to the advantage of foreign businesses over American businesses.

Reason for the answer "cannot say yes or no":

Once the equality of domestic and foreign applicants is guaranteed under the Paris Convention, the rest is for Americans to be decided.

Admitting some differences in expression, the reasons for the answers to Question 1 in Section [6] can be classified under "a" and "b" above, namely to the effect that the maintenance of the first-to-invent system is unfavorable in terms of the complexity and expense of interference procedures and from the viewpoint of international harmonization. What is the most remarkable is that the possible disadvantage to the American people is cited as a common reason for both the answers "yes" and "no".

2-2-6. Conclusion

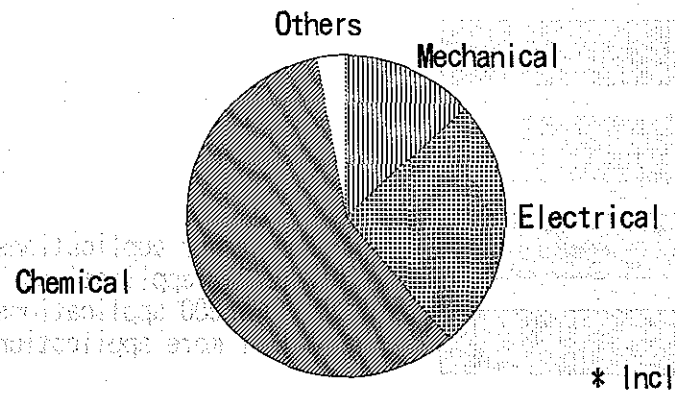
The above itemized analysis has thrown into relief a variety of disadvantages and irrationalities under the current provisions of 35 USC Section 104. It has also revealed that different types of businesses have quite different experiences with interferences and are making different preparations for worldwide interferences which would be brought by possible amendments to the current provisions of 35 USC Section 104.

On the other hand, most of the businesses surveyed entertain some apprehensions as to a future increase in the burden of handling interferences and share a strong desire for a shift to the first-to-file system in the United States.

In conclusion, the requirements for laboratory notebooks as a means of providing the most decisive proof establishing dates of invention are summarized comprehensively under the title of "Overview of Laboratory Notebooks" (Appendix 2). There is fear of the impracticality of some of the enumerated requirements, on which appropriate advice is expected to be derived from experienced American Member companies at the 25th International

Congress in Hamamatsu. The overview clearly itemizes the requirements of laboratory notebooks under the headings of: (1) requirements for laboratory notebooks, (2) requirements for marking instruments, (3) requirements for marking methods, (4) requirements for proving methods, and (5) other requirements. It is hoped that the overview will serve as an aid to the Japanese Member companies in their future task of consulting with lawyers in the United States.

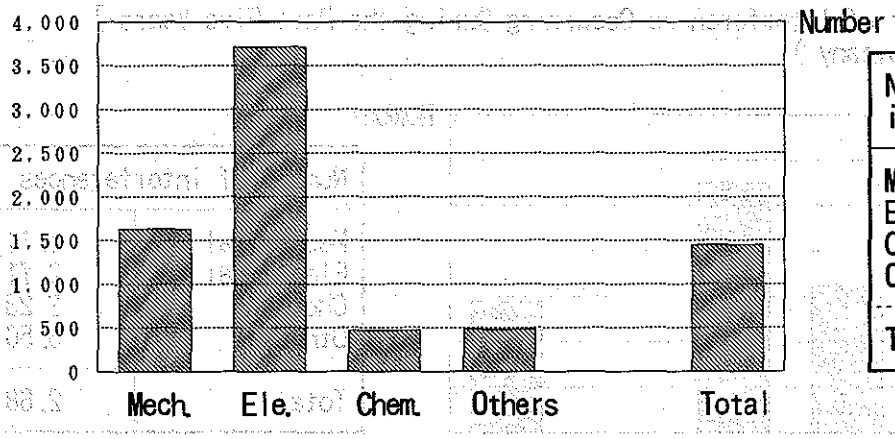
Figure 1 [Breakdown of Businesses Surveyed]



Number	
Mechanical	9
Electrical	17
Chemical	39
Others	2
Total	67

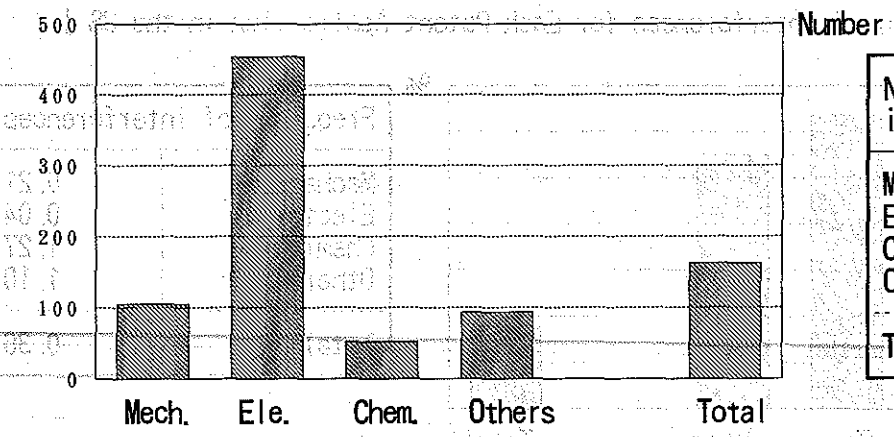
* Included are three US-capitalized companies

Figure 2 [Average Number of Patent Applications in Japan / a company per year]



Number of patent applications in Japan	
Mechanical	1,630
Electrical	3,710
Chemical	467
Others	481
Total	1,446

Figure 3 [Average Number of Patent Applications in the US / a company per year]



Number of patent application in the US	
Mechanical	105
Electrical	453
Chemical	51
Others	93
Total	162

Figure 4 [Ratio of Patent Applications in the US by Industry]

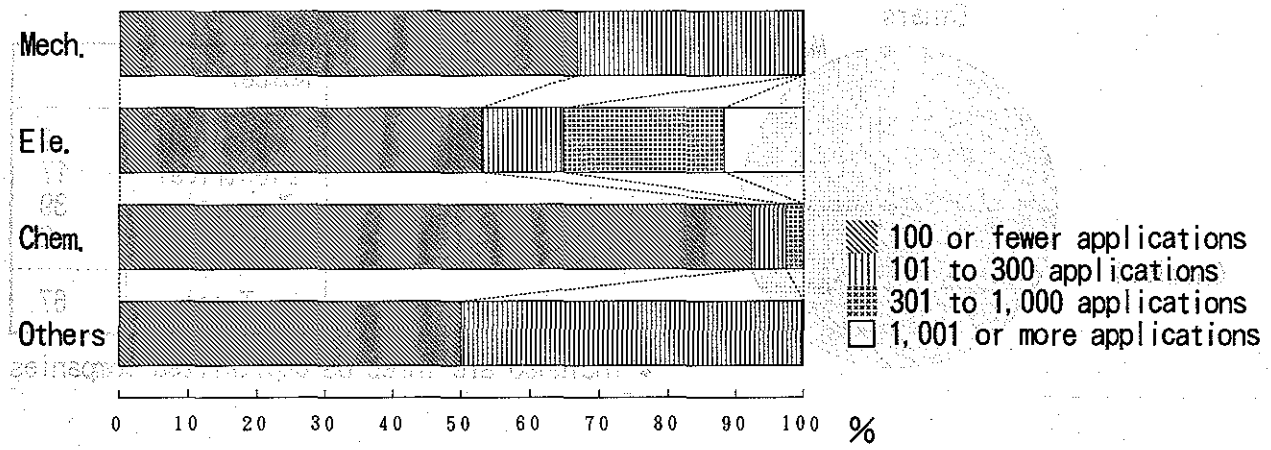
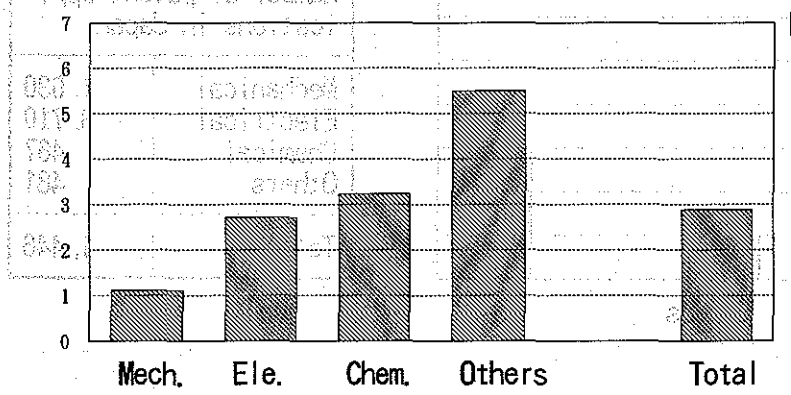
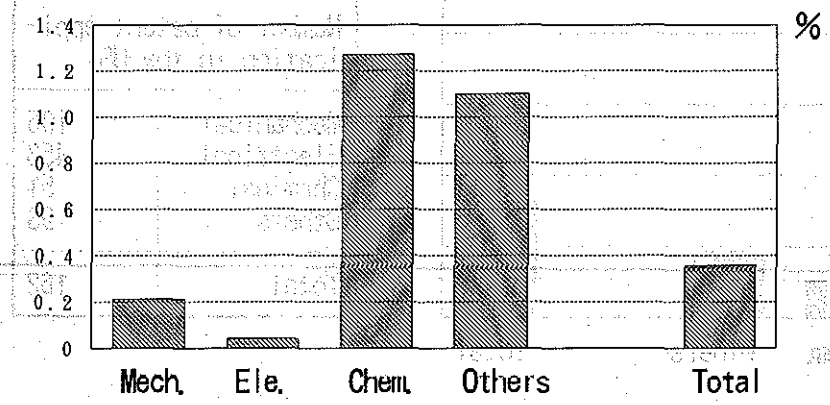


Figure 5 [Number of Interferences Occurring During the Past Five Years]
(per company)



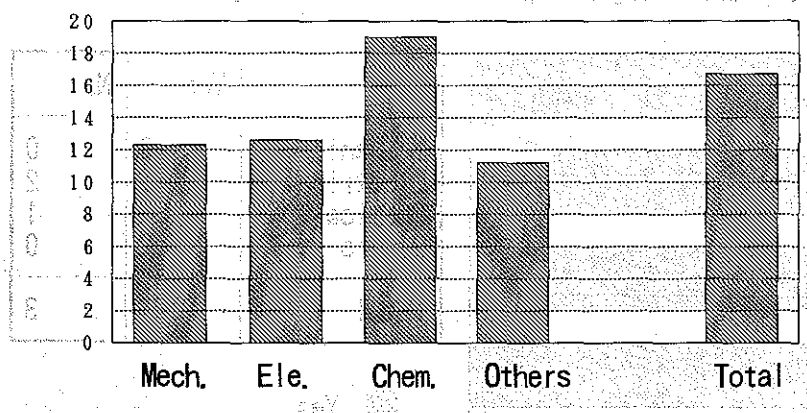
Number of interferences	
Mechanical	1.11
Electrical	2.71
Chemical	3.23
Others	5.50
Total	2.88

Figure 6 [Frequency of Interferences for Each Patent Application in the US]



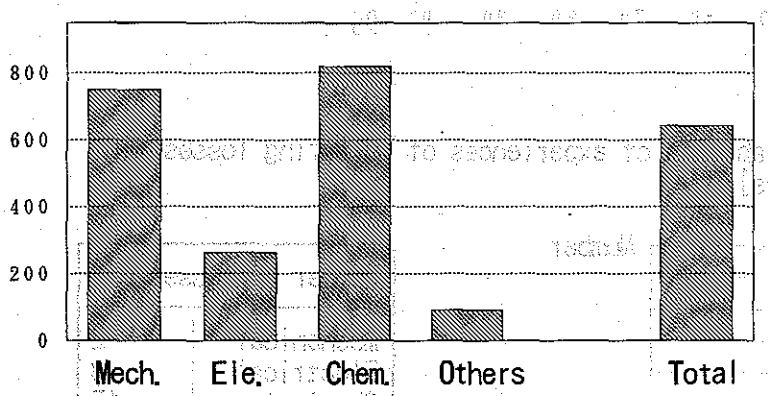
Frequency of interferences	
Mechanical	0.21
Electrical	0.04
Chemical	1.27
Others	1.10
Total	0.36

Figure 7 [Average Time of Interference]



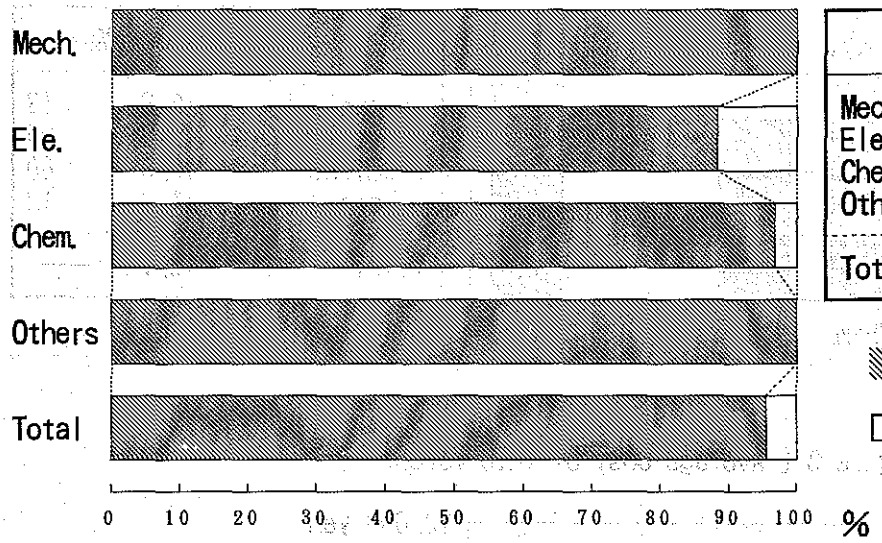
	Average	Max.
Mechanical	12.3	18
Electrical	12.6	24
Chemical	19.0	60
Others	11.2	12
Total	16.7	——

Figure 8 [Average Cost of Interference]



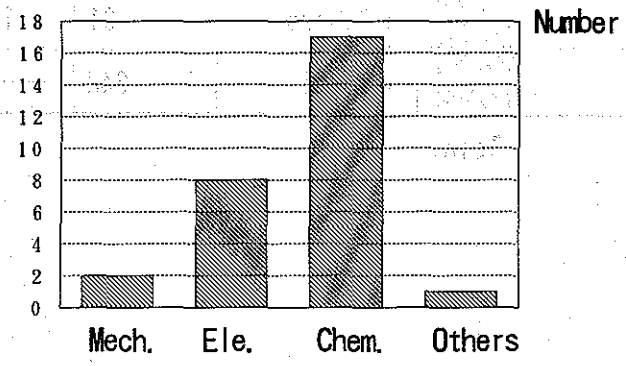
	Average	Max.
Mechanical	750	1,300
Electrical	263	2,000
Chemical	819	3,000
Others	91	100
Total	642	——

Figure 9 [Whether applicants in any other country than the US are Considered to be more disadvantageous than those in the US]



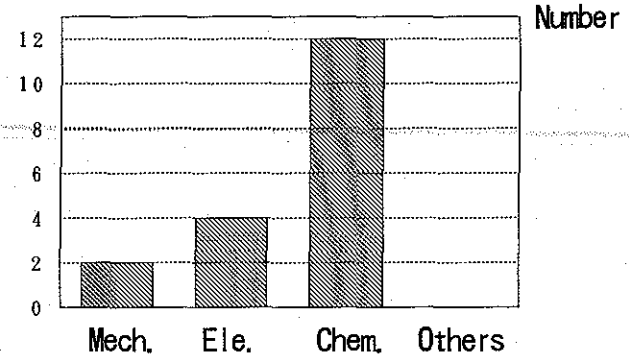
	Yes	No
Mechanical	9	0
Electrical	15	2
Chemical	38	1
Others	2	0
Total	64	3

Figure 10 [Presence or absence of experiences of suffering losses from interferences]



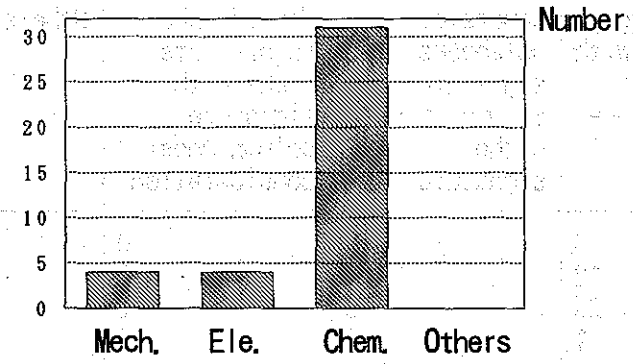
Number of losses	
Mechanical	2
Electrical	8
Chemical	17
Others	1
Total	28

Figure 11 [Presence or absence of experiences of missing patent rights in the US due to interferences (During the past five years)]



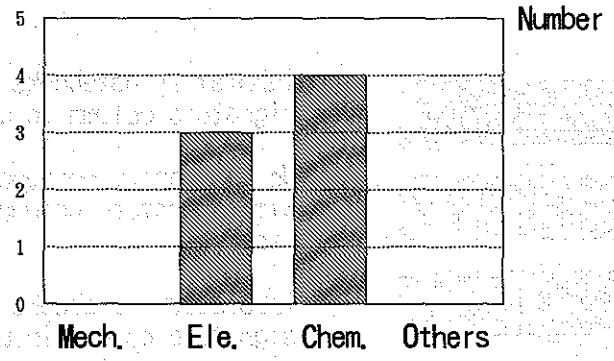
Number of losses	
Mechanical	2
Electrical	4
Chemical	12
Others	0

Fugure 12 [Number of patent rights missed in US due to interferences (Total number by industry during the past five years)]



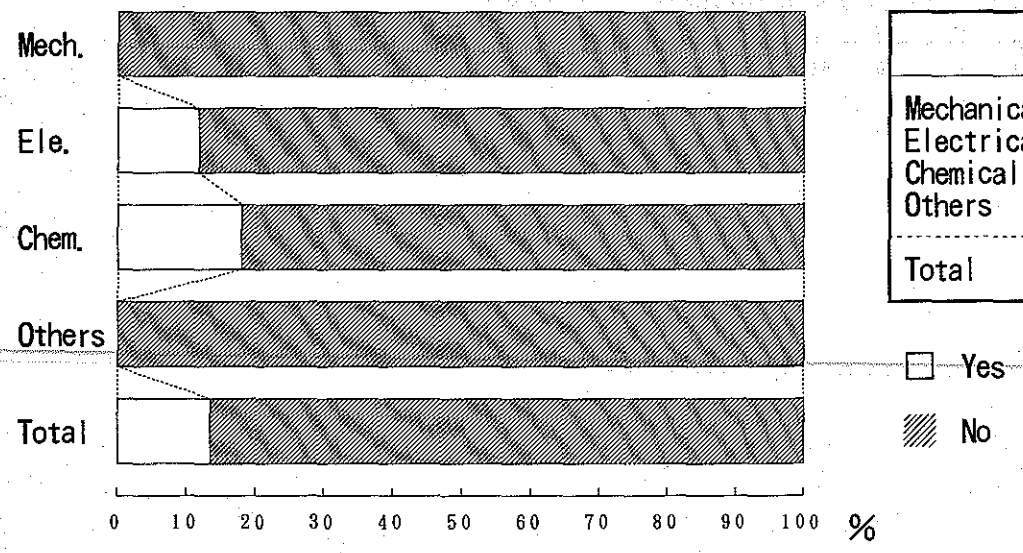
Number of losses	
Mechanical	4
Electrical	4
Chemical	31
Others	0

Figure 13 [Presence or absence of experiences of establishing dates of invention made in the US preceding dates of applications]



	Yes
Mechanical	0
Electrical	3
Chemical	4
Others	0

Figure 14 [Presence or absence of experiences of making specific case studies]



	Yes	No
Mechanical	0	9
Electrical	2	15
Chemical	7	32
Others	0	2
Total	9	58

Figure 15 [Usage status of laboratory notebooks]

	Loboratory notebooks with signature column in use	No laboratory notebooks with signature column in use	Loboratory notebooks with signature column in use without signature	Use of Laboratory notebooks with signature column under consideration	Others
Mechanical	0	9	0	0	0
Electrical	0	12	4	0	1
Chemical	2	25	6	6	0
Others	0	1	0	1	0
Total	2	47	10	7	1

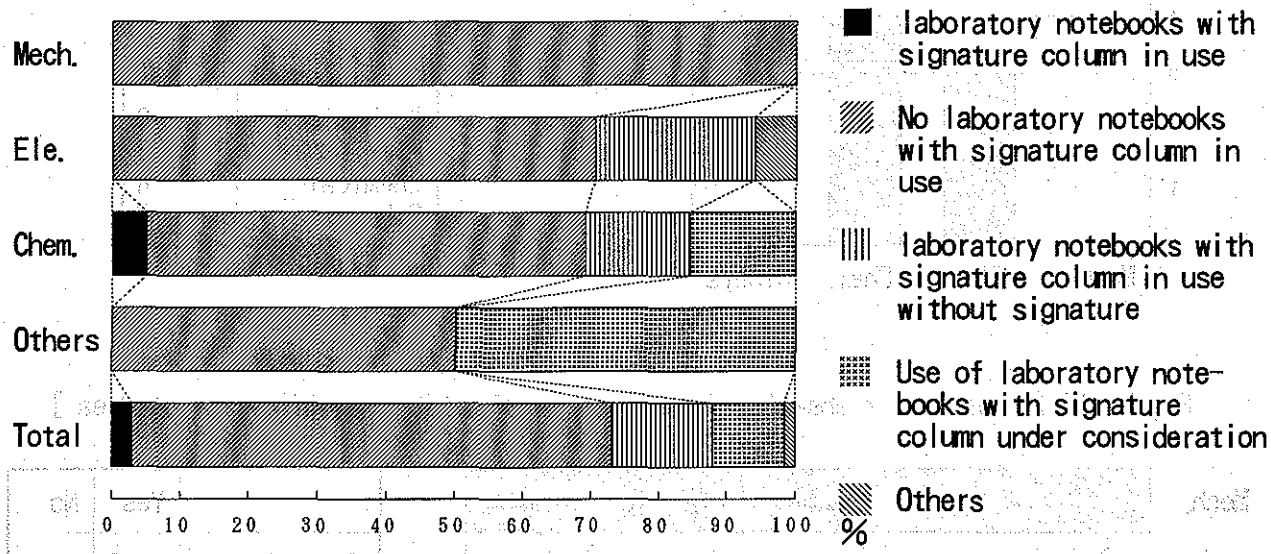


Figure 16 [Current status and future plan of addressing the establishment of dates of invention]

	Entered on addressing this matter	Planning on addressing this matter	Determined not to address this matter	Reserving addressing this matter	Others	No comment
Mechanical	0	2	2	3	2	0
Electircal	0	3	3	9	2	0
Chemical	2	15	2	18	1	1
Others	0	0	0	1	1	0
Total	2	20	7	31	6	1

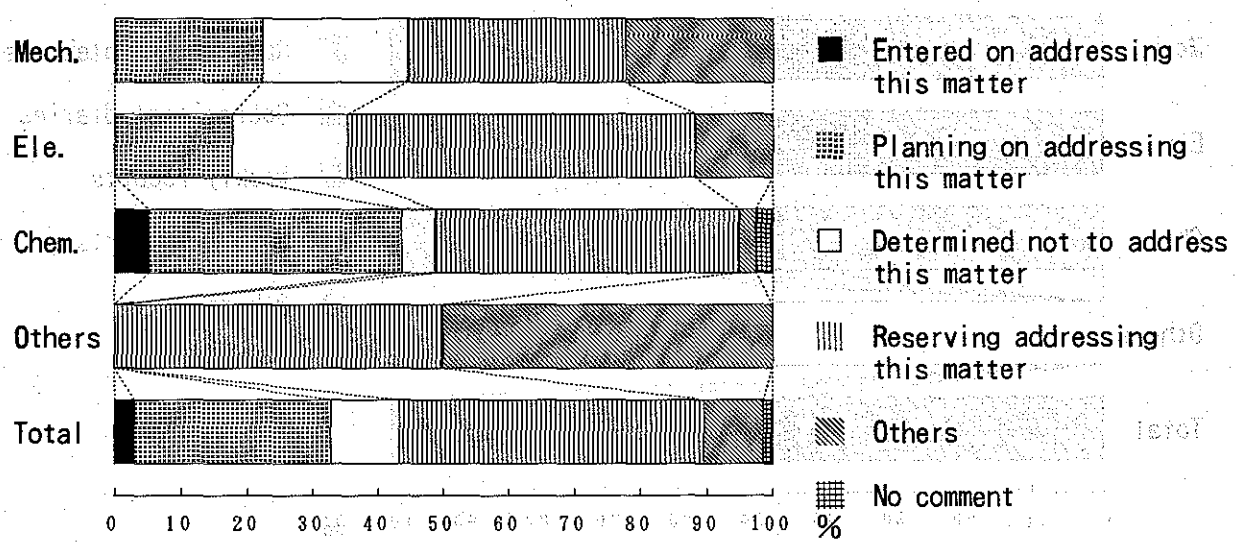
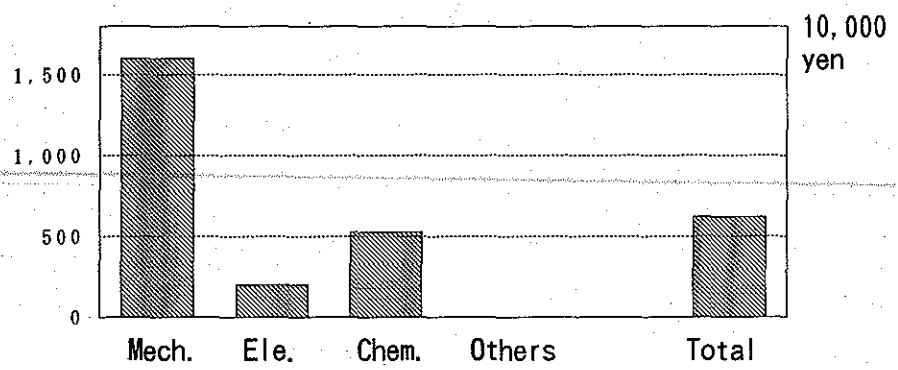


Figure 17 [Estimated annual cost of addressing the establishment of dates of inventions]



Average estimated cost	
Mechanical	1,600
Electrical	200
Chemical	525
Others	—
Total	619

Figure 18 [Measures of addressing the establishment of dates of invention]

	Laboratory notebooks	Operational diaries	Weekly reports	Monthly reports	Others
Mechanical	1	1	0	0	1
Electrical	1	1	0	0	1
Chemical	14	4	4	5	4
Others	0	0	0	0	0
Total	16	6	4	5	6

* Some businesses have cited more than one measure.

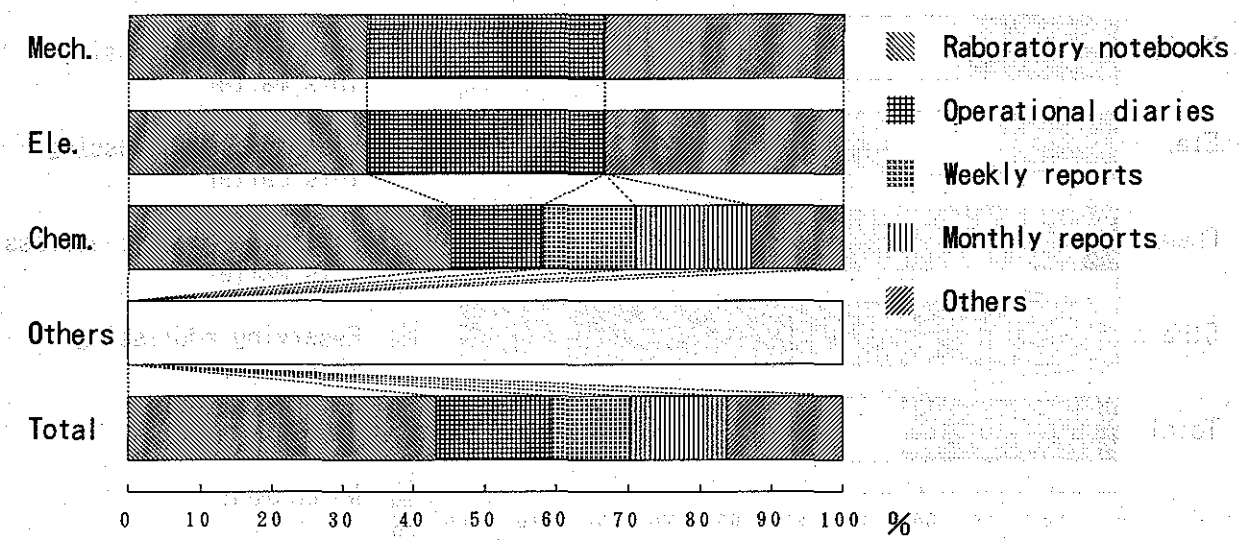
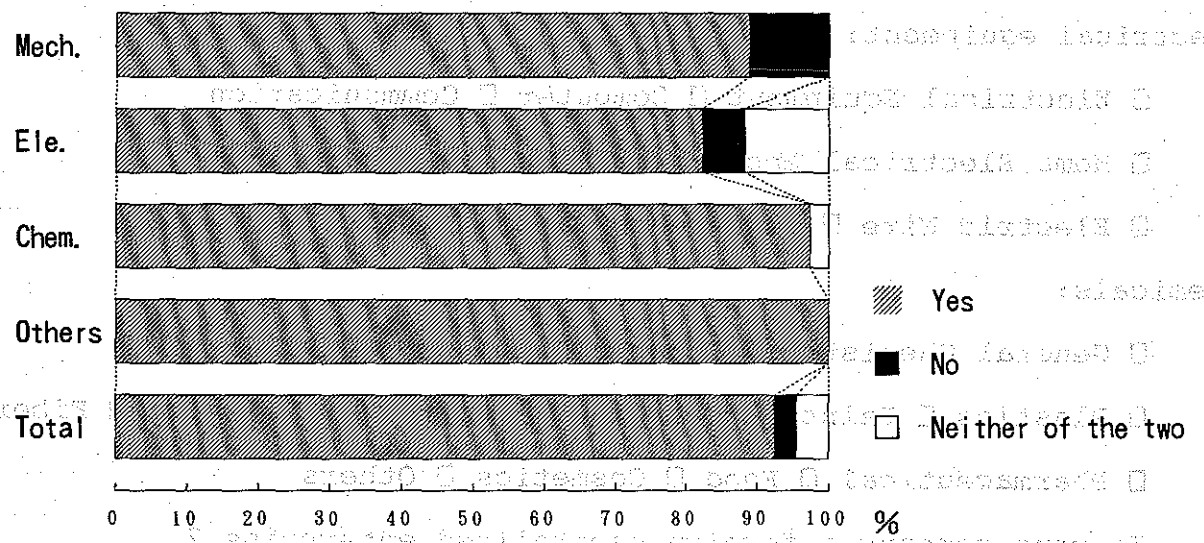


Figure 19 [Whether the US should shift to the first to file system]

	Yes	No	Neither of the two
Mechanical	8	1	0
Electrical	13	1	3
Chemical	38	0	1
Others	2	0	0
Total	61	2	4



(Appendix 1)

QUESTIONNAIR

[1] Corporate Information

Q1. Mark the type of industry to which your company belongs ? (Choose the most important one)

Machinery/Metal:

□ Transportation □ Power Plant □ Machinery Equipment

□ Metal Products

Electrical equipment:

□ Electrical Equipment □ Computer □ Communication

□ Home Electrical Appliances □ Audio □ Measuring

□ Electric Wire □ Electronic Parts

Chemicals:

□ General Chemistry □ Organic Chemistry □ Rubber

□ Plastics □ Paints □ Petroleum □ Petroleum Refining □ Fiber

□ Pharmaceutical □ Food □ Cosmetics □ Others

Q2. Is your company a foreign capitalized enterprise ?

1. Yes. 2. No.

Q3. If your answer to Q2 is yes, which of the following two is appropriate ?

1. U.S. capitallized enterprise

2. Foreign capitallized enterprise other than U.S.A.

[2] Number of domestic patent applications, number of interference cases

Q1. How many domestic and U.S. patent applications did your company

file in 1993 ?

Domestic applications: about _____ cases

U.S. applications: about _____ cases

Q2. How many interference cases did your company experience in the past five years ?

About _____ cases

Q3. What were the average cost and time required for each interference ?

Time: about _____ months/case

Cost: about _____ yen /case

[3] The current 35 U.S.C. 104

Q1. Do you think that a foreign patent applicant is in a disadvantageous position compared to an American patent applicant under the first-to-invent system in accordance with the provisions of the current 35 U.S.C. 104 ?

1.Yes. 2. No.

Q2. If your answer to Q1 is yes, has your company ever been actually placed in a disadvantageous position ?

1. Yes. 2. No.

Q3. If your answer to Q2 is yes, have your company ever experienced that it could not obtain a patent right in the United States due to an actual interference while your company was able to obtain a corresponding patent right in countries where the first-to-file system is adopted ?

1. Yes. 2. No.

Q4. If your answer to Q3 is yes, what is the number of such cases

your company experienced ?

About _____ cases

Q5. Please elaborate a concrete example of your company's experince of having lost a business chance to the extent that it is allowed.

Q6. If your answer to Q2 is yes and if you company has ever been suffered disadvantages in any case other than an interference, please elaborate it concretely.

[4] Establishment of a date of Invention in the United States under the current 35 U.S.C. 104

Q1. In order to establish a date of invention in the United States, does your company have experiences of attempting to establish dates of invention by sending their disclosures or samples to subsidiaries or institutes in the United States to import their concept into the United States?

1. Yes. 2. No.

Q2. Does your company have experiences of attempting to overcome rejections of inventions pursuant to novelty bar of 35 USC section 102 by establishing the dates of conception and reduction to practice in the United States prior to the priority dates of their applications?

1. Yes. 2. No.

Q3. If your answer to Q2 is yes, how was the rejection withdrawn ?

[5] Future Courses of Action

Our attention is now being drawn to the attitude of the United

States Congress toward GATT-related bills in the future. In this connection, please answer the following questions.

Q1. Granting that the date of an invention in Japan is attestable, has your company ever made a concrete case study for the attestation of such invention date ?

1. Yes. 2. No.

Q2. In the laboratory notebook used in the research institute of every U.S. enterprise is generally formatted such that besides an experimental date entry column, there is provided, without exception, a column for the entry of signature of a witness' of experimental acts so as to allow any witness other than the inventor to leagally back up the facts described in the laboratory notebook. Is your company using such a laboratory notebook ?

1. Is in use.
2. Is not in use.
3. Is in use but no witness ' signature is actually given.
4. Under consideration for future use.
5. Others ( ).

Q3. Does your company intend to take any measure for effectively attesting the date of invention in Japan ?

1. Is already coping with it.
2. Intends to cope with it from now.
3. Does not intend to cope with it.
4. Is holding it pending.
5. Others ( ).

Q4. If your answer to Q3 is 1 or 2, please elaborate the measure. How much is the annual cost required therefor or how much is the annual cost therefor expected to be? Further, which of the following materials can make an evidence for claiming the date of an invention, for example ?

Concrete measure:

Actual or estimated cost: (about _____ yen/month)

Possible evidences: 1. Laboratory notebook

2. Business diary

3. Weekly report

4. Monthly report

5. Others ( )

Q5. If your answer to Q3 is 3, which of the following is the reason?

1. No changes as usual.

2. Cannot find any significance in coping with it.

3. Others ( ).

Q6. If your answer to Q3 is 4, what is the reason for it ?

Q7. If your answer to Q3 is 5, what is the reason for it ?

[6] Others.

Q1. Do you think that the United States should shift to the first-to-file system even after possible amendments to the current provisions of 35 USC Section 104?

1. Yes. 2. No. 3. Others

Q2. Why ?

OVERVIEW OF LABORATORY NOTEBOOKS

1. Requirements for Preparation of Notebook

(1) The pages of the notebook shall not be separated from one another (loose-leaf type shall be avoided).

(2) The following items shall be given in the page coming first after the cover of the notebook.

It should be noted, however, that the description of the items must coincide in content with the paragraph 5-(1) 5) hereof.

Lender	Date	Notebook No.
Recipient	Date	Renderer
Number of previous notebook (date of first use)	Number of next notebook (date of first use)	

(3) The notebook shall include an index page in which the contents of an experiment conducted are given.

(4) The pages of the notebook shall be consecutively numbered.

(5) Each of the pages of the notebook shall have its rear surface forming a section paper so that a related chart or charts may be attached thereto.

(6) Example of Laboratory Notebook

Project No.
Experiment to be continued from page X Title & Contents of Experiment to be continued to
Inventor's signature date Witnessed and Understood. by Date

2. Requirements for Use of Writing Instruments

(1) The notebook shall be entered with an unerasable writing instrument (for example, use ink do not use pencil).

(2) No meaningless use of many colors (where coloring bears any significance, describe it somewhere).

3. Requirements for Writing Manner

(1) The title and number of a project and the number of a notebook shall be entered before the work is started.

(2) Where the project is expected to extend for a prolonged period of time, an independent notebook shall be used for each project.

(3) Where the project is started, the "purpose", "general plan or method" of the project shall be described by using accurate terms.

(4) Where an experiment is described in a certain page, there shall be indicated from what page the description is continued or to what page it is continued.

(5) It is preferable to index each experiment.

(6) 1) Every lab work shall be clearly, minutely and completely described. Description which may seem unimportant should be incorporated so as to enable even an outsider to understand what was done and to reproduce it as far as he has pertinent technical knowledge. At any rate, it shall be described bearing in mind that others will go through the description.

2) Description of every experiment shall be made to a level as a target that a lab notebook is in itself self-evident even without any supplementary explanation.

Note: According to a judgement made at CAFC on May 25, 1994 in the Bojies VS Benedict case, there is described in a lab note of Benedict on June 30, 1983 a chemical formula for a useful chemical compound which is covered by the count 1 of interference. The chemical formula includes a variable "n" such that if "n" is an integer of any of 1 through 8, it is included in the count 1. In addition, the meaning of the variable "n" was not described anywhere. Therefore, Benedict could not prove that the chemical compound described in the lab notebook is a chemical compound that indicates an integer in the range of between 1 through 8 nor it constitutes a prior invention thus failing to obtain a patent right therefrom.

3) Where the target is a mechanical device, a raw material or chemical syntheses, the brain work of the researcher such as his idea at the intial stage of his research, such as idea, design and protocols of the future experiments, sketches or the like to say nothing of the amount of the reagent used, the purpose and content of the experiment conducted, procedures, obtained data, results, calculations for obtaining the results, shall be described immediately (the larger the amount of informtion derivable from the notebook, the greater the possibility of success in corroborating the date of conception and that of reduction to practice).

(7) Only one subject matter (experiment) shall be described in each page.

(8) Description shall be made in a time-series sequence.

(9) 1) The obtained data shall be entered regardless of whether they are favorable or not.

This is because if unfavorable data is omitted, the entire lab notebook may diminish its reliability. It should be noted, however, in some of United States enterprises, they decided not to enter any unfavorable data.

2) It is risky to enter researcher's impression whether obtained results were considered as success or failure of an experiment conducted therefore, it should be avoided.

(10) Where an errorneous entry is made, it shall never be erased with an eraser (for, if otherwise, the reliability of the notebook would become weak in its entireties) but shall be properly corrected by drawing a clear line through it with the addition of the researcher's signature and the date of correction.

Never tear apart the page including such errorneous entry.

(11) Description shall be made by using commonly used terms.

Product names may be used but the use of abbreviations and code numbers which are available only internally, or unclear abbreviations shall be avoided or otherwise, what is meant by each of these abbreviations shall be described. This is because of the fact that as time lapses, the writer would become unable to recollect what was originally meant by these abbreviations.

(12) Photographs, graphs, computer printouts, analytical charts, data sheets, copies (where the same procedure have to be repeatedly entered, copies of the procedure may be pasted) and the like shall be added with the writer's signatures and dates (if possible, signatures should be entered across the pasted portion) and shall be securely and inseparably adhered to the respective portions of the notebook.

(13) The entry in the notebook shall be made in accordance with a consistent rule from the first to the last page of the notebook.

(14) Where there is a blank space in any page of the notebook or where there is any skipped-over page, such page shall be marked with

a cross line.

(15) Where a research by a certain researcher is succeeded by any other researcher, the new researcher shall use his own notebook and enter the necessary items together with the obtained results by referring to the page(s) describing the predecessor's research.

(16) Indexing shall be completed without fail.

4. Requirements to be used as the Evidence

Normally, only a properly corroborated notebook can be a reliable evidence in proving conception, reduction to practice and diligence from conception to reduction to practice can make itself a reliable evidence for proving.

Corroborate: To make firm. To strengthen a conviction of the finding of fact by supplementing an evidence or indirect fact.

(1) After conducting an experiment, the inventor shall put his signature on every page of his notebook together with the date of his signature.

In the case of an experiment extending for more than two days, the dates on which the experiment was conducted shall be entered separately so that the content of the experiment conducted on each of the dates may be specified.

(2) At least a witness (preferably two) shall put his signature on every page of the notebook together with the date of his signature after the inventor has put his signature and date on the page. (The date of the witness' signature is not always required to be the same

as the date of the inventor's signature but is required to be periodic. However, since the date of conception which can be secured by the inventor is the date on which a corroborating evidence was substantiated, it is preferable that both of the dates coincide with each other. For example, where an invention is first conceived on January 1 of a certain year and then the invention is first disclosed to some other person or can be substantiated by an objective evidence on March 1 of the same year, the earliest date of conception which can be secured by the inventor under the United States Patent Code is March 1, the date on which the corroborating evidence was substantiated.

Therefore, as regards an important development of the invention, the signature of the witness should be given immediately after the inventor has put his signature.)

As a preferred format in such a case, the following passage may be entered at the end portion of each page of the notebook:

<u>witnessed and understood</u>

<u>Name (by)</u>

<u>Date</u>

(3) The witness referred to in the above item (2) shall never be a joint inventor.

It is stipulated that an inventor's testimony shall not be employed in a court unless corroborated.

Accordingly, in an interference procedure, no inventor can corroborate the date of conception and his other activities relating to his invention. That is, any witness who corroborates them must not be the inventor himself.

It is noted that there is sometimes a case where a person who was at first not considered to be the inventor may become a joint inventor as the research progresses and it is necessary to take such case into sufficient consideration in advance. One way to meet such case is to select a witness from among those who do not belong to the same project group.

(4) The witness referred to in the above item (2) is required to be a person who can technically understand what is described in the notebook, e.g., new concepts, new solutions of problems or experiments, and who is knowledgeble in the technical field to which the experiments belong.

(5) Where the witness referred to in the above item (2) has actually observed the experiment conducted by the inventor, he shall specifically enter this fact in the notebook together with his signature and the date thereof.

(6) Where no witness who has observed an experiment which shows results of possible patentable importance is present, the same experiment shall be conducted again as soon as possible before a witness who can understand the particulars of the experiment and the results of the experiment shall be entered in the notebooks of the inventor and the witness with each of the notebooks being further signed and dated by at least two other witnesses.

(7) It is preferable to cause these notebooks attested by a notary public after they are completed.

(8) The notebooks shall be indexed and stored according to an established recording system for future reference.

5. Others

(1) The following items shall be specified in the notebook.

[1) This notebook and all information entered therein is a corporate exclusive property and all the contents thereof shall be confidential.

2) The employee must return his notebook to the company upon request, upon completion or upon termination of employment.

3) No person shall be permitted to alter any pages of the notebook without the permission of his superior.

4) The person to whom this notebook is assigned shall take a prudent measure against the possible missing of the notebook. Where the notebook is damaged, burned, robbed or lost, he shall immediately report it to his superior and submit to the chief of the laboratory and the General Affairs Section of the laboratory a document describing the circumstances of such occurrence.

5) The chief of the laboratory shall administer the serial numbers of notebooks, the names of persons to whom the notebooks were assigned and the dates of such assignment. He shall submit to the General Affairs Section every month a list of notebooks which were assigned in each month.

6) The chief of the laboratory shall prepare copies of notebooks completed each month, staple them together and submit them to the Research and Coordination Division.

The Research and Cooprdination Division shall, after studying the contents of the copies, put a marking of "Confidential" thereon and send them quickly to the Custodial Division (which

is preferably an external organization)].

(2) Auxiliary Records

Auxiliary records such as invoices relating to the articles and equipment used in the course of development of an invention, communications with outsiders and records of buying and selling shall be stored in a deliberate manner.

(3) Samples

1) Samples shall always be clearly labelled so that the dates and the subject matters (structures of chemical compounds) of the samples may be identified.

2) Samples shall be carefully stored.

3) For the identification of samples, related information should be given as much as possible. Particularly, the manufacturing process, manufacturers, dates of manufacture and conditions at the time of manufacture are required.

(4) Contents of Invention-disclosure document to Patent Division

It appears that as a document disclosing an invention, internal document such as request for patent application to Patent Division has conventionally been used. Further, it has been usual that this document contains, as main items, the title of the invention, the name of the inventor and the content of the invention.

However, due to the expected revision of Article 104, the date of invention is now made attestable and so it is necessary to incorporate an item relating thereto in the document.

For example, the following document form may be used.

Disclosure of Invention

Approval: Disclosure No.:
Accepted Date :
Case No. :

1. Title of the Invention:

2. Date on which the invention is first conceived:

3. Records proving the above date of conception (lab notebooks, letters, reports, etc.):

4. Name of a person to whom the invention is first disclosed, the date of such disclosure and documentary evidences:

5. Date on which a chart describing the invention was first prepared and the place of storage thereof:

6. Date on which a document describing the invention was first prepared and the place of storage thereof:

7. Date on which an actual experiment was first conducted on the invention and the date of completion of such experiment:

8. Names of persons who was observing the progress of the invention:

Witnesses		Inventors	
Name	Date	Name	Date
Name	Date	Name	Date

9. The present invention relates to □a product patent, □a process patent, □a utility patent.

10. Problem to be solved

11. Solution to the problem

12. Prior art relating to the invention

13. Scope of search of prior art

14. Differences from prior art and advantageous effects.

(1) Title: Trend of Patent Systems in Southeast Asia

(2) Date: October 1994 (the 25th International Congress in Hamamatsu)

(3) Source:
1) Source: PIPA
2) Group: Japan
3) Committee: 3

(4) Authors:

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(5) Keywords:

Southeast Asia, patent system, reasons for unpatentability, priority right, unexamined publication, examined publication, compulsory license, harmonization, GATT TRIP.

(6) Abstract:

An investigation has been conducted on the recent trend of the patent systems of six Southeast Asian countries: China, Korea, Taiwan, Thailand, Malaysia, and Indonesia. With respect to their legislation, their acceded treaties, patent requirements, scope out of effects of patent rights, duration of patent rights, cancellation of patents, publication of official gazettes, and other important items have been selected for listing. Further, there have been separately shown statistics of patent applications and registrations and other reference information for selection of countries intended for patent applications. During the past several years, all these countries have made such rapid progress in the consolidation of their legislation that such a system is now being developed as provides proper legal protection to any registered patent applications, as evidenced by the eligibility of chemical substance for patenting. Such developments in their legislation are much indebted to the negotiations with the advanced countries, in particular, the United States. In terms of the ability of substantial examination, however, the patent agencies of these Southeast Asian countries excluding China and Korea are not competent enough to handle an increasing number of patent applications to a satisfactory degree. With the aim of improving their examination capability, therefore, active technical assistance and cooperation have been extended from Japan and it is expected to be continued on an expanded scale.

1. Preface

Since the beginning of the 1990's, the Southeast Asia has been showing a high rate of economic growth in the face of the stagnant world economy. This part of Asia is marked by abundant labor force, which gives an incentive to investments by the advanced countries, leading to the expansion of domestic demand and the technological development in this area.

Under these circumstances, the advanced countries, which aim at ensuring the safety of their investments, have demanded that the Southeast Asian countries should consolidate their legislation for intellectual property rights. In response, the Southeast Asian countries have recognized the imperative need of meeting this demand for the purpose of their national development and made rapid progress in the consolidation of their legislation.

Meanwhile, most Japanese businesses have shown a marked tendency to shift their production sites to the Southeast Asia in an attempt to cope with the unexpectedly rapid rise of the yen against the dollar. This has resulted in the necessity for proper legal protection to a great amount of their technology transferred to this area. Accordingly, it has become a major concern among Japanese businesses to collect information on the legislation for intellectual property rights in the Southeast Asian countries.

The same theme as the present paper was already handled by the 3rd Committee in its paper announced under the title "The Patent Laws of the Asian Countries" at the 21st International Congress held in 1990. Since then, most of the Asian countries have made substantial amendments to their respective patent laws. The present paper is intended to present and analyze the latest information currently available such as information supplied from local patent agents and thereby serve as an aid to Japanese businesses in their formulation of policies for patent applications.

With respect to six major Southeast Asian countries of China, Korea, Taiwan, Thailand, Malaysia, and Indonesia, their current patent laws are summarized in separate tables together with the harmonization treaty proposal by the WIPO and further described below by country.

2. The People's Republic of China

The intellectual property law of the People's Republic of China includes patent (covering inventions), utility model (covering new models), and design (covering appearance designs) but hereinafter it is described as the patent law. The Chinese patent law was effectuated in its original version in 1985 and recognized to incorporate some systems of its Japanese predecessor, such as the first-to-file system as well as the systems of unexamined publication, examined publication, substantial examination, opposition, and appeal. Then, the 1985 version of the Chinese patent law was amended in 1992 and effectuated in its present version in January 1, 1993. The amendments mainly include the following:

a. Patents are granted to chemical substances, medicines, animals, plants, foodstuffs, beverages, and spices.

b. The duration of patent right is extended to 20 years from the date of filing.

c. A patent right granted to invention of method is extended to the product deriving directly from the method.

d. A patent right is extended to the import of patented product.

e. The system of opposition to patent application after examination is abolished in view of its low usage rate of only 1% and replaced by the system of cancellation of patent (in compliance with the EPC).

f. The provision for compulsory license becomes restricted (it should be noted that the strict provision of the 1985 version has never been actually applied).

Thus, the amendments reflect the tendencies toward approximation to international standards and augmentation of patentee protection.

In China, the quality of patent examination is said to have been improving with yearly increase in the number of patent applications in this country. Since January 1, 1994, the Chinese Patent Agency has been doing double duty as a government office having jurisdiction over acceptance of patent applications under the Patent Cooperation Treaty (PCT) and as an international search and pre-examination organization. This means that the Chinese Patent Office is highly regarded internationally for its examination and search capabilities. Listed below are the statistics of the number of natives and foreigners patent applications and registrations in China.

Number of Patent Applications and Registrations in China in 1991-1993

Number of Patent Applications

	Native applicants	Foreign applicants (American, Japanese)	
1991	7,372	4,051	(1,547/878)
1992	10,022	4,387	(1,586/772)
1993	12,084	7,534	

Number of Patent Registrations

	Native applicants	Foreign applicants (American, Japanese)	
1991	1,311	2,811	(752/881)
1992	1,386	2,580	(737/777)
1993	2,634	3,922	

Number of Patent Applications from foreign applicants in China in 1993

US	2,450
Japan	1,717
Germany	788
UK	345
France	297

In China, the period required for registration following a request for examination (usually involving once or twice rejections) is an average of about 1 year.

Of all the Southeast Asian countries surveyed, China, in particular, shows the most considerable increase in the number of patent applications. It also shows a higher rate of natives patent applications than that of foreigners applications but a lower rate of natives patent registrations than that of foreigners registrations. Incidentally, several times as many utility model applications as patent applications are filed in China and registered without substantial examination.

3. The Republic of Korea

The patent law of the Republic of Korea on the basis of the ordinances of the United States military government before 1961 was greatly amended to be the ground of the present system and then it was partially amended further in 1963, 1973, 1982, 1987, and other years.

During this period, Korea pursued its policy for industrialization, taking Japan as a precedent model, so that the Korean patent law resembles the Japanese counterpart. The same law was also greatly amended in 1990, and it is its 1990 version which is covered by the present report. In January 1, 1994, it was amended again for effectuation in its latest version, but this amendment has proved to be a minor one and will not therefore be described in detail herein.

Listed below are the statistics of the number of natives and foreigners patent applications and registrations in Korea.

Number of Patent Applications and Registrations in Korea in 1988-1992

Number of Patent Applications

	Native applicants	Foreign applicants (American, Japanese)	
1988	5,696	14,355	(4,211/6,048)
1989	7,021	16,294	(4,797/6,823)
1990	9,082	16,738	(5,124/7,094)
1991	13,253	14,879	(4,100/7,117)
1992	15,952	15,121	(4,404/6,409)

Number of Patent Registrations

	Native applicants	Foreign applicants (American, Japanese)	
1988	567	1,567	(446/752)
1989	1,181	2,791	(858/1,411)
1990	2,554	5,208	(1,198/3,475)
1991	2,553	6,137	(1,397/6,137)
1992	3,570	6,932	(1,527/6,932)

Number of Utility Model Applications and Registrations in Korea in 1988-1992

Number of Utility Model Applications

	Native applicants	Foreign applicants (American, Japanese)
1988	21,666	1,011 (63/799)
1989	20,655	875 (51/701)
1990	21,661	993 (67/767)
1991	25,125	770 (57/563)
1992	27,971	742 (63/514)

Number of Utility Model Registrations

	Native applicants	Foreign applicants (American, Japanese)
1988	2,674	385 (14/360)
1989	4,813	498 (20/454)
1990	7,896	950 (34/891)
1991	7,454	911 (23/832)
1992	7,092	778 (33/704)

Conventionally, natives applications used to outnumber foreigners applications in terms of utility models and vice versa in terms of patents in Korea. Recently, however, natives applications have shown a considerable increase and come to outnumber foreigners applications in terms of patents as well. Of all the Southeast Asian countries surveyed, Korea is the only one country where Japanese applications outnumber Americans applications. Further, it also seems that Japanese applications surpass Americans applications in terms of a rate of registration.

In Korea, the period required for registration following a request for examination is an average of about 4 years.

It should be noted in this connection that Korean patent applications based on Japanese utility model applications are requested to be changed into Korean utility models applications at a stage of examination.

4. The Republic of China (Taiwan)

The intellectual property law of the Republic of China includes patent (covering inventions), utility model (covering new models), and design (covering appearance designs) but hereinafter it is described as the patent law of Taiwan.

The Taiwanese patent law first was promulgated in 1944 and effectuated in its original version in 1949. Later, it was amended in 1960 and 1979 and then specially amended for the introduction of the chemical substance patent system in 1986. However,it has been drawing a growing international criticism for its many obscure provisions or inadequate examination system. In particular, Taiwan was placed under demand from the United States in accordance with the "Special 301" negotiation utilizing Section 301 of the US trade law, and driven under the pressure of necessity for amendments to its patent law in compliance with the GATT TRIP agreement as preparations for accession to the GATT. As a

result, the patent law was promulgated in January 23, 1994 for effectuation in its present version.

The amendments mainly include the following:

a. Amendment of patent duration: The designated patent duration of 15 years from the date of publication and less than 18 years from the date of filing is amended to 20 years from the date of filing.

b. Reduction of reasons for unpatentability: Patents are granted to beverages, luxuries, and microbes. For microbes, the deposition system is introduced.

c. Claim of priority right: Priority right can be claimed on the basis of agreements for reciprocal protection or bilateral treaties although Taiwan has not acceded to the Paris Convention. Since neither Japan nor the United States applies this provision, no patent can be obtained without an application to Taiwan applied before the application to a first country becomes publicly known.

d. Extension of patent right: Patent right is extended to the import of goods produced through product patent or goods directly produced through method patent for the purposes of sale or use thereof. This extension will be implemented one year after Taiwan's accession to the GATT and issuance of the GATT TRIP Agreement.

e. Abolition of sanction against failure of exploitation: The provision of compulsory license against the failure of exploitation is abolished.

Listed below are the statistics of the number of patent and utility model applications and examined publications in Taiwan.

Number of Patent and Utility Model Applications and Publications in Taiwan in 1989-1992

	Patents		Utility Models	
	Applications	Publications	Applications	Publications
1989	10,210	5,354	13,012	8,856
1990	11,014	7,713	14,573	10,086
1991	10,325	10,123	16,644	12,344
1992	10,556	6,791	17,954	9,589

Conventionally, the Taiwanese Central Standard Bureau used to farm out the greater part of examination to college professors, national institute researchers, and other outside technical experts, who inclined to undue rejections. The latest amendments to Taiwanese patent law require that the names of examiners should be stated expressly in written decisions of examination. This is expected to open the way for an improvement in the level of examination.

In Taiwan, the period required for registration following a request for examination is an average of about 9 to 12 months.

5. The Kingdom of Thailand

The patent law of the Kingdom of Thailand is intended to provide legal protection to patents and designs.

Although Thailand has acceded to no international treaty on patents, the 1992 version of its patent law approximates to international standards, which result owes much to the influence of the "Special 301" negotiation by the United States.

The amendments mainly include the following:

a. Amendment of patent duration: The designated patent duration of 15 years from the date of filing is amended to 20 years from the date of filing.

b. Claim of priority right: Priority right can be claimed on the basis of agreements for reciprocal protection or bilateral treaties although Thailand has not acceded to the Paris Convention. It should be noted here that no mutual agreement has been reached between Thailand and Japan on this subject.

c. Extension of patent right: Patent right is extended to "medicines and medical components", "foodstuffs","beverages", and "agricultural machinery".

d. Exploitation of patent: The definition of exploitation of patent includes a new entry of "import".

e. Compulsory license: Claim of arbitration on licenses requires proof of the failure of prior consultation with patentees. Accordingly, any license issued is nullified if its justification becomes void.

f. Cancellation of patent: Cancellation of patent can be claimed if the justification of compulsory license associated with them still remain after the lapse of more than 2 years from the issuance.

g. In granting patent to medicine, the medical patent department has been established to keep the price of patented medicine under surveillance to prevent their rise. The patentee must report the cost involved in manufacturing, marketing, etc. of medicines.

Listed below are the statistics of the number of natives and foreigners patent applications and registrations in Thailand in 1988-1991.

Number of Applications (Chemical/Electrical Inventions)

	Natives applicants		Foreigners applicants	
1988	78	(11/67)	1,041	(590/451)
1989	43	(2/41)	1,381	(772/609)
1990	73	(13/60)	1,867	(998/869)
1991	80	(7/73)	1,907	(1,031/876)

Number of Registrations (Chemical/Electrical Inventions)

	Natives applicants		Foreigners applicants	
1988	1	(1/0)	85	(75/10)
1989	19	(3/16)	145	(88/57)
1990	7	(0/7)	134	(104/30)
1991	10	(3/7)	143	(99/44)

The Thai Patent Office has not yet consolidated its examination system although the upward trend of the number of patent applications is seen in the country. In fact, most patent applications thus far registered rest on such bases as: (1) information supplied by foreigners applicants on the original examination: (2) search commissioned to the Australian Patent Office: and (3) search commissioned to the EPO.

Patent information kept in the custody of the Thai Patent Office is available as official gazettes for Australian, European, Thai, United States, and PCT patent applications in paper, microfilm, and CD-ROM and abstracts in paper. Almost no machine retrieval service is available in Thailand.

In collaboration with the Japan International Cooperation Agency (JICA), the Japanese Patent Office is planning to dispatch experts and specialists including civilians to Thailand to assist the mechanization of patent examination in the country. The JAPIO FILE will also be supplied without compensation. It is intended that this plan, if found to be successful in Thailand, will be extended to other ASEAN countries in the same manner.

6. Malaysia

Researches show that the 1983 version of the patent law of Malaysia was amended in 1986 for effectuation in its latest version. The Malaysian patent law provides for patents and utility models. Further, it was amended and scheduled for effectuation in 1994.

The amendments mainly include the following:

Novelty: The proof of lack of novelty abroad, which used to be publications only, is now extended to oral presentations, uses, and so on.

Change of application: Patent application is interchangeable to utility model application.

Modified substantial examination: A Malaysian application patented in any foreign country according to a higher examination standard may be amended in such a manner as to coincide with the patented claims for the purpose of simplifying the process of examination.

Extension of deadline for response: The deadline for a response to rejection may be extended only once.

Amendment after patenting: A patented application may be amended under certain conditions.

In Malaysia, registration of patent applications used to be placed under the jurisdiction of the Registry of Patents belonging to the Ministry of International Trade and Industry while search and examination of patent applications used to be commissioned to the Standard and Industrial Research Institute belonging to the Ministry of Science and Technology. In November 1993, examiners were reassigned to the Registry of Patents, where examination of patent applications has been conducted ever since.

Patent information kept in the custody of the Malaysian Patent Office is available as official gazettes for Malaysian, United States, United Kingdom,

European, PCT, and Australian patent applications in paper, microfilm, and CD-ROM. Also available is an on-line search service.

In Malaysia, examination falls into two categories: preliminary examination and substantial examination. Applicants may determine whether or not to request examination from search reports from preliminary examination. The fact is, however, that the Malaysian Patent Office has a backlog of many unexamined patent applications due to its inadequate examination capability.

Listed below are statistics of patent applications in Malaysia from two sources of information.

Total Number of Patent and Utility Model Applications in Malaysia by applicants' country (Oct. 1, 1986 - Sept. 30, 1990)

	Malaysia	USA	Japan	UK	W.Germany	Others	Total	Foreigners
10/1986	29	44	62	38	17	72	262	89 (%)
1987	71	1,232	665	377	129	792	3,266	98
1988	73	579	301	189	81	396	1,619	95
1989	88	750	326	173	101	409	1,847	95
6/1990	62	675	245	160	122	338	1,702	96
Total	323	3,280	1,599	937	450	2,107	8,696	

It should be noted that the number of applications is conspicuously great in 1987, when a rush of applications were filed to meet a designated deadline because the 1986 version of the Malaysian patent law declared the abolition of the conventional confirmative registration system based on the United Kingdom patent law.

Total Number of Patent and Utility Model Registrations in Malaysia by Country (Oct. 1, 1986 - Sept. 30, 1990)

	USA	Japan	UK	Malaysia	Switzerland	W.Germany	Others	Total
Patents	156	107	56	20	25	15	57	436
Utility Models				6			3	9
Total	156	107	56	26	25	15	60	445

Number of Applications in 1990 - 1991

Year	1990	1991
Number of Applications	2,305	2,427

The great number of applications filed in Malaysia despite its inadequate examination system is attributable to its rapid industrialization. In particular, the United States filed many applications in this country.

7. The Republic of Indonesia

The patent law of the Republic of Indonesia was first promulgated in 1989 for effectuation in August 1991. The Indonesian patent law was preceded by the provisional patent law, which complied with the Ordinance of the Judicial Office in 1953 and approved of only the provisional application system. As a transitional measure under the new legislation, all the applications filed before 1 August 1981 are invalidated while only provisional applications filed on and after 1 August 1981 are granted priority rights in re-application under the current legislation.

The Indonesian patent law is intended to approve the application for registration of patents and simple patents (Utility Models). Listed below are the statistics of Patent and Utility Model applications and re-applications.

	Patents		Simple Patents	
	Applications	Re-applications	Applications	Re-applications
1991	19/1,060	15/220	13/3	6/0
1992	44/2,509	23/1,326	10/42	2/1
1993	38/2,031		28/43	

Foreigners applications account for 98% of all the applications in Indonesia, of which a total of barely two applications were said to be registered as of March 1994.

Listed below are the top ten nationalities of applicants in terms of the number of applications filed in Indonesia from August 1991 to February 1994 (a total of 7,836 applications).

① United States	2,683	② Japan	1,151
③ United Kingdom	575	④ Germany	541
⑤ France	435	⑥ Netherlands	430
⑦ Switzerland	331	⑧ Australia	251
⑨ Taiwan	231	⑩ Indonesia	208

The Indonesian government recognized the need of consolidating a patent system for the purpose of promoting national industrialization and enforced a fairly complete one. The fact remains, however, that the Indonesian patent system thus completed leaves many questionable points in terms of its operation.

There are about 40 examiners in office, all of whom are assumed to have insufficient experience and uncertain examination capabilities. The Indonesian official gazettes are assigned quite imprecise classifications and issued at extremely irregular intervals.

Patent information kept in the custody of the Indonesian Patent Office is available as official gazettes for Indonesian, United States, Japanese, European, PCT, Australian, and other patent applications in paper and CD-ROM for manual search. The fact, however, seems to be that the Indonesian Patent Office relies on examination information overseas.

As part of economic cooperation to Indonesia, the Japanese Patent Office dispatches some examiners to the country to provide guidance on examination, on-line search, classification, and other related matters.

The Indonesian patent system shows a strong tendency toward the protection of national interests. For example, the provisions of Article 21 -Limitation of Patent Right- allow flexible operation under government ordinances.

There are about 40 qualified patent agents registered in the country. Only legal attorneys are entitled to handle various cases such as infringement in court.

8. Other Southeast Asian Countries

As of now, the following information is available on the patent systems of other Southeast Asian countries.

8.1 Hong Kong

The current patent system of Hong Kong is based on the re-registration system from United Kingdom patents and European patents designated for the United Kingdom.

Hong Kong is supposed to become a special administrative district under the jurisdiction of the People's Republic of China at 24 o'clock, 30 June 1997, and there has been reached an agreement to maintain the effective patent system at that time.

To this purpose, amendments to Hong Kong's patent law are now under consideration to the effect for the patent re-registration system that: (1) all European patents are covered: and (2) Chinese patents are also covered.

8.2 The Republic of Singapore

The present patent system of Singapore is the re-registration system of United Kingdom Patents and European patents designated for the United Kingdom. Now, new patent law draft, taking the 1977 version of the United Kingdom Patent Law as the model, is said to be waiting recognition by the Diet (for example, the duration of patent is 20 years from the filing date). However, granting of patent to animals and plants is planned as the difference from the United Kingdom Patent Law. Also, accession to the Paris Convention, Budapest Treaty, and PCT is planned.

8.3 The Republic of the Philippines

The patent system of the Philippines is grounded on the United States patent system and features the first-to-invent system. Since 1988, amendments to the patent law of the Philippines have been under consideration, including a shift to the first-to-file system. However, here has been little progress in deliberation on this matter at the Congress.

9. Conclusion

9.1 Legislation

As has been mentioned in Preface, the Third Committee already reported in 1990, its findings on the same theme. To sum up, the latest findings reflect the rapid progress which has been made during the past four years and is still under way in the consolidation of he relevant legislation of the major Southeast Asian countries.

The cause of such rapid progress has also been referred to in Preface, but directly responsible for the progress are the following two factors:

(1) Pressure from the advanced countries, in particular, diplomatic pressure from the United States utilizing provisions of US Trade Law

(2) Assistance from the advanced countries, in particular, technical cooperation from Japan

Conventionally, the advanced countries used to criticize the developing countries with industrial potential for their lack of legal protection to technologies under intellectual property law such as patent rights and copyrights and strongly press them for the consolidation of relevant legislation at a level equal to the advanced countries.

The Harmonization Treaty draft under preparation at the World Intellectual Property Organization was expected to be the standard for such legislation. However, it has been difficult to lead the developing countries to the consolidation of the relevant legislations by such reasons that number of the countries with same interests exerts influence in the United Nations and patent policy of the United States, as the representative of advanced countries, has some differences from the WIPO draft.

At the GATT ministerial council held at Uruguay in 1986, the Trade Related Aspects of the Intellectual Property Rights (TRIP) were proposed by the United States. It was recognized that linkage of intellectual property right with trade issue is more powerful negotiation means including sanctions against the violation to the GATT. At Uruguay Round held in December 1991, the detailed inclusive agreement draft with respect to protection standards and enforcement of intellectual property right was prepared (Dunkel text), and the obligation for protection by substance patent on medicine, etc., was included in it. In December 1993, all of the negotiation subjects including other items such as agriculture and service, were finally agreed.

In the meantime, the United States employed a strategy of concluding direct bilateral commercial treaties with individual GATT Member countries through the invocation of the so-called "Special 301" provisions as remedial action for trade imbalance. Such bilateral treaties have been concluded successively by those Member countries having much economic dependence on the United States market, thus facilitating amendments to their respective relevant legislation. The legislative amendments are outlined below by country.

Korea: The United States started investigation in 1985 to Korea, taking the reason that Korean Laws for Intellectual Property Protection is insufficient, and got comittment by Korea that chemical substance patent is introduced (came into effect in July 1987). In addition, the United States concluded a bilateral agreement with Korea to have a preferential treatment, to be applied retroactively, as to pharmaceutical and agricultural chemicals which patented in the USA from July 1, 1980 to June 30, 1987 but not marketed prior to July 1, 1987. It is so called "pipeline products protection agreement", and certain exclusivity arose from USP is extended to Korean market. EC requested the agreement with the same condition to Korea and concluded it in September 1991. Japan was also another requester, but negotiation did not proceed after 1986 and it induced discontinuity of interexchange of patent issue between two countries. In 1992,

negotiation and patent interchange was re-opened and the agreement with similar condition was concluded.

China: In 1991, the United States applied the "Special 301" negotiation to China as a country who does not provide legal protection to pharmaceutical substance invention, copyrights, trademarks, and trade secrets. In consequence, China sighed a bilateral agreement with the USA in January, 1992, and introduced chemical substance patent on January 1, 1993. In the agreement of 1992, the analogous preferential treatment applied retroactively to the chemicals patented by USP during 7.5 years just before January 1, 1993, is involved. On the basis of the China - US agreement thus concluded, China further entered into a bilateral agreement with EC and Japan respectively to provide administrative protection to chemical substance patented in EC and Japan in and after 1986.

Taiwan: Taiwan was also subjected to the "Special 301" negotiation by the Unites States to make amendments to its copyright law in 1992, trademark law in 1993, and patent law in 1994.

Thailand: Thailand was also designated by the United States under the "Special 301" provisions as a country to be monitored in terms of legal protection to patents on and compulsory licenses for medicines, chemicals, foodstuffs, and agricultural apparatus. In response, Thailand made no immediate action because of its little export dependence on the Unites States. In 1992, however, its patent law was amended to approve of patents on medicines and medical compounds.Unlike Korea and China, Thailand accepted no preferential treatment (retroactive protection) to the United States.

9.2 Substantial Examination

In the meantime, the Japanese government had long been enthusiastic in extending technical assistance to the Southeast Asian countries for the consolidation of their respective patent systems. Japan's technical cooperation included acceptance of trainees, dispatch of specialists, and extension of assistance to examination and contributed to the consolidation of their respective patent systems. In 1987, the Japanese government established the Japan Trust Fund at the request of the WIPO as Japan's voluntary subscription to the WIPO for use separately from ordinary contribution in cooperation and development in the field of industrial property rights in the developing countries in the Asian and Pacific areas. More specifically, this fund was used for such purposes as holding trainings, symposiums, and seminars, extending assistance in examination and search, and furnishing necessary hardware and software and has been steadily making favorable showings. Further, the JICA is planning to support the mechanization of patent examination in those developing countries. At present, Japan ranks first among the major advanced countries in terms of the monetary amount of subscription to the developing countries.

As a result, China and Korea have already broken away from the ranks of the developing countries and instead joined the ranks of the advanced countries as far as industrial property rights are concerned.

China: From 1978 through 1985, the Japanese Patent Office accepted trainees from and dispatched specialists to China, contributing to the establishment of the Chinese patent law and Chinese accession to the Paris Convention in 1985 and subsequently enabling the Chinese Patent Office to accept and examine a great

number of patent applications. From 1986 through 1991, the Japanese Patent Office also extended project-type technical cooperation including acceptance of trainees, dispatch of specialists, and provision of mechanical equipment to the Chinese patent information system at the request of the Chinese government.

Korea: From 1980 through 1984, the Korean Patent Office executed the first five-year modernization plan (with a two-year extension) with the aim of ensuring smooth operation of the national industrial property right system. In response, the Japanese Patent Office established the information maintenance system, accepted trainees from and dispatched specialists to Korea for assistance in human resource development.

Further, the Japanese Patent Office also assisted the Korean Patent Office in examination of a considerable number of patent applications. Meanwhile, the Korean Patent Office steadily completed its examination system. As an aspect of that, Korea established a training center for acceptance of trainees from developing countries in 1987.

The above-mentioned technical cooperation by the WIPO and the JICA features acceptance of trainees from and dispatch of specialists to the Southeast Asian countries such as the Philippines, Thailand, Malaysia, Indonesia, and Vietnam and is shifting stress to completion of examination and search.

As the Southeast Asian countries have been making rapid progress in the consolidation of their respective patent systems, the number of patent applications in those countries can be regarded as a criterion of judgment. Listed below are the statistics of the number and ratio of patent applications from Japan into each of the major South Asian countries.

	China	Korea	Taiwan	Indonesia	Thailand	Malaysia	Philippines
Year	1992	1992	1992	1991	1991	1991	1991
Number	772	6,409	2,676	171	371	165	376
Ratio (%)	5.4	20.6	25.4	12.8	18.7	8.6	15.5

In all the major Southeast Asian countries excluding China, foreigners patent applications outnumber native patent applications. In terms of he number of patent applications, Japan ranks first followed by the United States in Korea and vise versa in the other major Southeast Asian countries. Considering the Japanese technical cooperation which has enabled the Southeast Asian countries to consolidate their respective relevant legislation and the increasingly rapid progress which Japanese businesses have recently been making in shifting their production sites to the Southeast Asia, it seems to follow that the time has come when Japanese companies should give more importance than ever to patent applications in the countries in this area. At least,the above statistics seem to suggest that it is worth considering to increase the number of patent applications in China and Malaysia.

What the authors described in this report is the latest information we tried to collect. However, detail of many incidental information were omitted owing to space limitation and some are not confirmed the authenticity to the extent to be taken responsibility individually. The readers are kindly asked to confirm the matter by consulting with your agents before actual prosecution and enforcement.

It should also be noted that the authors do not intend to criticize the policy and status of any country. If any description is interpreted contrarily, it is attributed to this authors' poor ability of expression.

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Table 1-1 (a) Patent System in Southeast Asian Countries

	Items	The People's Republic of China	The Republic of Korea
	Patent Law	**1992 amended version**	**1990 amended version**
Treaty	Paris Convention	Accession	Accession
	PCT	Accession (in October, 1993)	Accession
	Budapest Treaty	Non-accession: Deposit of microorganisms in storage organizations designated by the Patent Office.	Accession
Outline of Patent System	Duration of Patent Right	20 years from the filing. (Article 45)	15 years from examined publication and 20 years from filing. (Article 88) The term may be extended. (Article 89)
	Definition of Exploitation of Invention	Product: Production, sale, use and import of products. Method: Use of method. Process: Use of process, as well as use, sale, and import of products obtained directly from such processes. (Article 11)	Product: Production, use, transfer, lending, import and exhibition of products. Method: Use of method. Process: Use of processes, as well as use, transfer, lending, import and exhibition of products obtained from such processes. (Article 2) Definition of process patent shows in Article 129.
	Out of Effects of Patent Right	(1) Use or resale of licensed inventions after sale. (2) Use of sale of inventions without knowledge that they constitute an infringement. (3) Exploitation of inventions by prior users. (4) Temporary passage through territories, etc. (5) Use of inventions for the purposes of scientific research and experimentation. (Article 62)	(1) Exploitation of inventions for the purpose of research or experiment. (2) Mere passage through the home country. (3) Identical inventions existing in Korea before filing. (4) Exploitation of inventions by prior users. (5) Exploitation of inventions by intermediate users during invalidated period. (6) Medicines to be manufactured by mixing two or more medicines. (7) Acts of preparing medicines by mixing two or more medicines. (Article 96, 103 and 104)
	Unexamined Publication System	Patent applications are published after 18 months from the date of filing (date of priority). The Official Gazette contains bibliography and abstract. Full description is published separately. (Article 34)	Patent applications are published after a period of time of 1 year and 6 months from the date of filing (date of priority). The Patent Gazette contains a bibliography, claims, abstract, and main drawings. (Article 64)
	Examined Publication System	The Official Gazette contains only their bibliography and abstract. Full description is published separately. (Regulation 81)	The Patent Gazette contains their full description and drawings. (Article 66)
	Request for Examination	Request for examination can be filed (within 3 years from filing). (Article 35)	Request for examination can be filed (within 5 years from filing). (Article 59)
	Appeal (Complaint) System	Request for re-examination can be made within 3 months from a notice of rejection. (Request for re-examination may also be made in protest against a request for cancellation of patents.) (Article 43)	Appellate trial can be requested in protest against trial decision of rejection. (Article 167) Appellate trial can be requested in protest against ruling to dismiss amendments. (Article 169)
	Opposition to and Cancellation of Registered Patents	Request for cancellation of patents can be made within six months from the date of the announcement of their grant. Petition for invalidation of patents can be filed after 6 months from the date of the announcement of their grant. (Article 41 and 48)	Before examined publication, information indicative of their unpatentability may be furnished. (Article 64(2)) Opposition can be filed within 2 months from the date of examined publications. (Article 70) Request for cancellation of patents can be made after registration. (Article 116)

Table 1-1 (b) Patent System in Southeast Asian Countries

	Items	The People's Republic of China	The Republic of Korea
	Compulsory License	(1) Compulsory license may be granted where patented inventions are not exploited for three years continuously. (Regulation 68) (2) Request for a compulsory license may be made for patent utilizing inventions. (3) Compulsory license may be granted where a national emergency occurs or where the public interest so requires. (Article 51 to 58)	(1) Compulsory license may be granted where patented inventions are not exploited for three years continuously after a period of 4 years from filing. (Article 107) (2) Compulsory license may be granted where the exploitation of inventions is necessary in the public interest. (Article 107) (3) Compulsory license may be granted where undue restriction for patent utilizing inventions. (Article 138)
Outline of Procedure	Requirements for Applicants	Inventors and successors (Article 6 and 7)	Inventors and successors or inheritors. (Article 33)
	Language for Application	Chinese language. (Regulation 4)	Korean language.
	Procedure for Claim of Priority Rights	Submission and translation of priority certificates (Article 30) Declaration must be made at filing and, within 3 months, certified copies of patent application documents must be submitted (certificate by the authority is not needed).	Submission and translation of priority certificates. (Article 54) Priority certificates must be submitted with translation within 1 year and 4 months from date of priority. (Regulation 3(2))
	Amendment to Patent Specification (Time and Scope)	Time: * At the time of making a request for substantial examination or the time of reply to remark on substantial examination. (Regulation 51) * Within a designated time limit from notice of rejection. (Article 37) *Amendments may also be made to a request for cancellation of patents. (Regulation 57) Scope: * Within the scope of original patent specification and claims.	Time: * Within 1 year and 3 months from filing, with a request for examination, within 3 months from the notice of a request for examination form a third party, within a designated time limit for submission of opinion to a notice of rejection, simultaneously with or within 30 days from a request for appellate trial against a trial decision of rejection. (Article 47 & 50) Scope: * Within the scope of features disclosed in description or drawings originally attached to application documents. (Article 48). After publication of patent applications, only suppression or correction of claims and explanation of indefinite description are allowed. (Article 136)
	Need for Presentation of Information on Corresponding Patent Applications in other countries, etc.	* When a request for examination is made, reference materials concerning inventions before the date of filing must be submitted. * As to the filing the same invention in foreign countries, search reports or examination result reports must be submitted. (Article 36)	No obligation is provided for to present such information as examination histories of corresponding application in other countries.
Legal Requirements, etc.	Reasons for Unpatentability	* Scientific discoveries. * Rules and methods for mental activities. * Diagnoses of diseases or methods of medical treatment. * New species of animals and plants. * Substances obtained from nuclear transformation. * Computer programs. (Article 25) * Inventions that are contrary to social morality or detrimental to public interest. (Article 5) (Patent rights may not be granted for software only but may be granted for software in combination with equipment.)	* Substances manufactured by the process of transformation of atomic nuclei. * Inventions liable to contravene public order or morality or to injure public health. (Article 32)

Table 1-1 (c) Patent System in Southeast Asian Countries

	Items	The People's Republic of China	The Republic of Korea
	Criteria of Novelty	Novelty is based on the date of filing and judged from public knowledge or use in China public disclosure in publications in China and abroad, or any preceding applications. (Article 22)	Novelty is based on the date of filing and judged from public knowledge or use in Korea, public disclosure in publications in Korea and abroad, or any preceding applications. (Articles 29 & 36)
	Grace Period	6 months (Article 24)	6 months (Article 30)
	Inventions in Service	As a principle, where inventions are made by taking advantage of physical conditions of an entity to which the inventor belongs, the right to apply for parents belongs to the entity. (Article 6)	Employers have non-exclusive licenses to patent rights for service inventions made by employees. (Article 39)
Others	Utility Model	Available. (No examination is made for utility model applications. The duration of utility models is 10 years from filing.	Available. (Substantial examination is made for utility model applications. The duration of utility models is 10 years from the date of publication.)
	Design Protection	Designs are protected by the patent law. (1) Duration: 10 years from the date of filing. (2) Criteria of novelty: Public knowledge of use in China, or public disclosure in publications in China and abroad. (3) Substantial examination: Not available.	Designs are protected by the design law independently from the patent law. (1) Duration: 10 years from the date of registration. (1994 revision) (2) Criteria of novelty: Public knowledge in Korea and abroad or public disclosure in publications in Korea and aborad. (3) Substantial examination: Available.

Table 1-2 (a) Patent System in Southeast Asian Countries

	Items	The Republic of China (Taiwan)	The Kingdom of Thailand
	Patent Law	**1994 amended version.**	**1992 amended version.**
Treaty	Paris Convention	Non-accession (Priority rights may be claimed on the basis of agreements for reciprocal protection.)	Non-accession. (Priority rights may be claimed on the basis of agreement for reciprocal protection.)
	PCT	Non-accession	Non-accession
	Budapest Treaty	Non-accession	Non-accession Deposit of microorganisms in international deposit organizations if recognized.
Outline of Patent System	Duration of Patent Right	20 years from filing (Article 50)	20 years from filing (Article 35)
	Definition of Exploitation of Invention	Product: Manufacturing, sales, use and import of products. (The provisions concerning the right of import are enforced 1 year after Taiwan's accession to the GATT). Method: Use of methods. Process: Use of methods, as well as use, sales, and import of products obtained directly from such processes. (ditto) (Article 56)	Product: Manufacturing, use, sales, possession for sales, offering for sales, and import of products. Process: Use of processes, as well as use, sales, possession of provision for sales, offering for sales, and import of products obtained from such processes. (Article 36)
	Out of Effects of Patent Right	(1) Exploitation of invention for research, education, or experimentation with no profit-making act. (2) Continued exploitation of inventions by those who have already used them in Taiwan before filing. (3) Means of transportation or any equipment thereon merely passing through the boundaries. (4) Identical invention existing in Taiwan before filing. (5) Use and resale the licensed products. (Article 57)	(1) Exploitation of invention for purposes of education and research. (2) Exploitation of invention in good faith before publication. (3) All acts concerning invention acquired in good faith. (4) Mixing of medicines according to prescriptions by doctor. (Article 36)
	Unexamined Publication System	No patent application is opened to public inspection	In practice, patent applications are opened to public inspection within 3 to 4 months from filing.(Article 28)
	Examined Publication System	For examined patent applications, the Official Gazette contains their bibliography, claims and drawings. (Article 39)	No provision is made for publication.
	Request for Examination	No request for examination.	Request for examination may be made (within 5 years from the date of unexamined publication). (Article 29)
	Appeal (Complaint) System	Administrative remedy can be sought by filing a petition. (Article 46) (Before filing a petition, a request for re-examination can be made against a trial decision of rejection.) (Article 40)	Complaint can be enforced against a trial decision of rejection or objection. (Article 72)
	Opposition to and Cancellation of Registered Patents	Before registration of patent applications, an opposition can be filed against them within 3 months from the date of examined publication. (Article 41) After registration of patent, a request for appellate trial can be made for cancellation. (Article 71)	Opposition can be filed against patent applications within 90 days form the date of unexamined publication. (Article 31) After registration of patent, invalidity can be challenged. (Article 54) Request for cancellation of patent can be made. (Article 55)

Table 1-2 (b) Patent System in Southeast Asian Countries

	Items	The Republic of China (Taiwan)	The Kingdom of Thailand
	Compulsory License	Compulsory license may be granted mainly for the purpose of satisfying the demand-supply requirements of domestic markets in the case of national emergency or of enhancement of public benefit. (Article 78) No patented invention may be canceled on the ground of non-exploitation.	(1) Compulsory license may be granted where licensing consultations fail after a period of time of either 3 years from the grant of patent or 4 years from the filing. (Article 46) (2) Compulsory license may be granted for patent utilizing invention. (Article 47) (3) Compulsory license may be granted where the public interest so requires. (Article 51) (4) A compulsory license may be granted where a national emergency occurs. (Article 52)
Outline of Procedure	Requirements for Application	Inventors and successors or inheritors. (Article 5)	Inventors and successors; Thai national, or national where Thai can apply for patent. (Articles 10 and 14)
	Language for Applications	Chinese language. Patent application can be filed by foreigners in their native languages (provided that they are accompanied by their Chinese translation within 2 months from filing).	Thai language. Patent applications can be filed in any foreign languages (provided that they are accompanied by their Thai translation within 90 days from filing).
	Procedure for Claim of Priority Rights	Priority rights can be claimed on the basis of agreements for reciprocal protection. Priority certificates must be submitted within three months from filing. (Article 24 and 25)	Reciprocal priority system. (Article 19) Claim of reciprocal priority rights is allowed for patent applications in Switzerland, Spain and North Korea.
	Amendment to Patent Specification (Time and Scope)	Time: * Amendments can be made to applications under examination either ex-officio or at a request. Scope: * Within the scope of making no substantial change in the disclosures in patent specifications, only the followings are allowed: (1) suppression of their claims; (2) correction of their erroneous description; and (3) explanation of their indefinite description. (Article 44)	Amendments can be made to patent specifications provided that such amendments do not enlarge the scope of the disclosed inventions. (Article 20) No more details are known.
	Need for Presentation of Information on Corresponding Patent Applications in other countries	No obligation is provided for to present such information as examination histories of corresponding patent applications in other countries.	An obligation is provided for to submit examination histories of corresponding patent applications in other countries and prior art references cited therefor. (Article 27)
Legal Requirements, etc.	Reasons for Unpatentability	* New species of animals and plants. * Diagnostic, curing, or operative methods for diseases. * Scientific principles or mathematical theories. * Rules or method of games and sports. * Methods or plans which can be implemented only through human assistance. * Inventions detrimental to public order, good custom or hygiene. (Article 21)	* Microorganisms or their constituents, and animals and plants or their extracts which exist in nature. * Scientific or mathematical rules or theories. * Computer programs. * Methods of medical examination, treatment, and remedy. * Inventions contrary to public order or morality or public health or welfare. (Article 9)
	Criteria of Novelty	Novelty is based on the date of filing and judged from public knowledge or use in Taiwan and abroad, public disclosure in publications in Taiwan and abroad, or preceding patent applications. (Article 20)	Novelty of inventions is based on the date of filing and judged from public knowledge or use in Thailand, public disclosure in publications in Thailand and aborad, or foreign patent applications filed twelve months earlier. (Article 6)
	Grace Period	6 months (Article 20)	12 months (Article 19)

Table 1-2 (c) Patent System in Southeast Asian Countries

	Items	The Republic of China (Taiwan)	The Kingdom of Thailand
	Invention in Service	The rights to apply for patent or patent rights for inventions made by employees in the execution of their job duties belong to employers. (Article 7)	The right to apply for patent or patent rights for inventions made by employees in the execution of their employment contracts belong to employers. (Article 11)
Others	Utility Model	Available (Substantial examination is made for utility models. The duration of utility models is 12 years from filing.)	Not available
	Design Protection	Designs are protected by the Patent Law. (Article 106 to 122) (1) Duration: 10 years from the date of filing. (2) Criteria of novelty: Public use in Taiwan and abroad, or public disclosure in publications in Taiwan and abroad. (3) Substantial examination: Available	Designs are protected by the Patent Law. (Article 56 to 65) (1) Duration: 10 years from the date of filing. (2) Criteria of novelty: Public use in Thailand, or public disclosure in publications in Thailand and abroad. (3) Substantial examination: Available

Table 1-3 (a) Patent System in Southeast Asian Countries

	Items	Malaysia	The Republic of Indonesia
	Patent Law	**1983 version (including 1986 amended version)**	**1989 amended version**
Treaty	Paris Convention	Accession	Accession
	PCT	Non-accession	Non-accession
	Budapest Treaty	Non-accession	Accession
Outline of Patent System	Duration of Patent Right	15 years from the grant of patents. (Article 35)	15 years from filing (Article 9) and an extension of 2 years at the request of patentees. (Article 42)
	Definition of Exploitation of Invention	Product: Manufacturing, sales (including offering for sale), use and import of products. Method: Use of methods. Process: Exploitation of processes and products produced directly by means of processes. The same product produced from a certain process, unless the contrary is proved, is taken to have been obtained from that process. (Article 36)	Product: Manufacturing, use, sales, supplying for sale, lending and transfer of products. Process: Use, sales, supplying for sale, lending, and transfer of products produced by processes. (Article 17)
	Out of Effects of Patent Right	(1) Exploitation of inventions for other than industrial or commercial purposes. (2) Exploitation of inventions only for scientific research. (3) Exploitation of inventions by prior users. (4) Temporary passage through the territories. (Articles 37 & 38)	(1) Import of products made by patented processes. (Article 21) (2) Exploitation of inventions by prior users. (Article 14)
	Unexamined Publication System	No patent application is opened to public inspection.	Essential points of patent application are published in the Official Gazette. (Article 47)
	Examined Publication System	The Register of Patents contains their bibliography. (Article 32) The Registers of Patent and patent specifications can be inspected upon payment of commissions. (Articles 33 & 34)	No patent application is published.
	Request for Examination	Examination is conducted in two stages: preliminary examination and substantial examination. Request for preliminary examination and substantial examination can be made within 6 months and 18 months from the date of filing, respectively. (Regulator 26 & 27)	A request for examination can be made (within 36 months from filing). (Article 56)
	Appeal (Complaint) System	Not available	Appellate trial can be requested in protest against a trial decision of rejection within 3 months from such rejection and is completed within 12 months from request. (Articles 71 & 72)
	Opposition to and Cancellation of Registered Patents	No detail is known except that a petition can be made for invalidation of patents (invalidation by the court). (Article 56)	No opposition can be filed against registered patent. A statement of opinion can be submitted to patent applications within 6 months from the date of unexamined publication. (Article 5) A request for cancellation of patents can be made. (Article 97)
	Compulsory License	(1) Compulsory license can be granted where patented inventions are not exploited for 3 years without any legitimate reason or sold at unreasonably high prices. (2) Compulsory license can be granted where the public interest so requires. (Article 49) (3) A compulsory license can be granted for patent utilizing invention. (Article 49A)	(1) Compulsory license can be granted where patented inventions are not exploited for 3 years. (Articles 82 and 85) (2) Compulsory license can be granted for patent utilizing invention. (Article 88)

Table 1-3 (b) Patent System in Southeast Asian Countries

	Items	Malaysia	The Republic of Indonesia
Outline of Procedure	Requirements for Application	Inventors and successors or inhibitors. (Article 36)	Inventors or inheritors. (Article 1)
	Language for Applications	English and Malaysian languages for application and only English language for registration.	Indonesian language (Article 30)
	Procedure for Claim of Priority Rights	For patent applications claiming priority rights, certified copies of application documents therefor can be submitted within 3 months from instruction. In principle, priority certificates need not be accompanied by their Malaysian translation.	Priority patent applications must be filed within 12 months from filing in a first country. Priority certificates must be accompanied by their English translation within 6 months from filing. (Article 29)
	Amendment to Patent Specification (Time and Scope)	* Amendments can be made to patent specifications within 3 months from office action. * Amendments can be made to specifications at any time in such a manner that claims conform to those filed with the Patent Offices in the US, the UK, Australia, Japan or Europe.	* Amendments can be made to patent specifications provided that such amendments do not change the scope of inventions disclosed therein. (Article 39)
	Need for Presentation of Information on Corresponding Patent Applications in other countries	An obligation is provided for submit application numbers of corresponding patent application in other countries. The Examiner may recommend for submit copies of examination histories of corresponding patents (applications) in other countries.	* The Patent Office can request applications to present such information as examination histories of corresponding patent applications in other countries. (Article 31)
Legal Requirements, etc.	Reasons for Unpatentability	* Discoveries, scientific theories and mathematical methods. * Plant and animal varieties or essentially biological processes for the production of plants and animals, other than man-made of such microorganisms, microbiological processes and the products of such microorganism processes. * Methods of treatment and diagnosis. * Rules and methods of playing games. * Inventions that are contrary to social morality or detrimental to public interest. (Article 13)	* Foods or drinks for consumption by human and animals, new varieties of animals and plants, processes for the production of animals and plants, methods of examination, treatment, medical care or surgery of human and animals. * Scientific theories and mathematical methods. * Inventions against the public order or morality. (Article 7) * Inventions designated by a Presidential Decree (for temporary exclusion from patent protection for not more than 5 years). (Article 8)
	Criteria of Novelty	Novelty is base on the date of filing and judged from public knowledge or use in Malaysia, public disclosure in publications in Malaysia and abroad, or preceding patent applications. (Article 14)	Novelty is based on the date of filing and judged from public knowledge or use in Indonesia, or public disclosure in publications in Indonesia and abroad. (Article 3)
	Grace Period	12 months (Article 14)	6 month (Article 4)
	Definition of Service Inventions	The right to apply for patent or patent rights for inventions made by employees in the execution of their employment contracts belong to employers. (Article 20)	The right to apply for patent or patent right for inventions made by employees in the execution of their employment contracts belong to employers. (Article 13)
Others	Utility Model	Available (Substantial examination is made for utility model applications. The duration of utility models is 5 years from registration and can be extended.)	Available (Substantial examination is made for utility model applications. The duration of utility model is 5 years from registration.)
	Outline of Design Protection System	No Design Law is in force. Any design right owners in the UK are entitled to identical rights in Malaysia.	No Design Law is in force. Relevant legislation is currently under consolidation.

Table 2 Patent System Provided for in Harmonization Treaty Draft by WIPO

	Items	Patent System Provided for in Harmonization Treaty Draft by WIPO
	Patent Law	
Treaty	Paris Convention	
	PCT	
	Budapest Treaty	
Outline of Patent System	Duration of Patent Right	No provision is made.
	Definition of Exploitation of Invention	No provision is made.
	Out of Effect of Patent Rights	No provision is made.
	Unexamined Publication System	Patent applications are opened to public inspection for 18 months from the date of priority provided that this period can be extended to 24 months.
	Examined of Publication System	No provision is made.
	Request for Examination	No provision is made (except that substantial examination is demanded).
	Appeal (Complaint) System	No provision is made.
	Opposition to and Cancellation of Registered Patents	No opposition must be filed against patent applications before their registration. A request for invalidation of patents can be made to the Patent Office within a designated time limit after their registration.
	Compulsory License System	No provision is made.
Outline of procedure	Requirements for Applicants	No provision is made.
	Language for Applications	In principle, the official language of a country where patent applications are to be filed. A provision is made herein that patent applications filed in non-official language, if accompanied with their translation in the official language within a designated time limit, can be deemed to have the same effects as those filed in the official language.
	Procedure for Claim of Priority Rights	Priority rights are claimed in conformity with the Paris Convention. Non-priority patent applications can be changed into priority patent applications within 4 months from the date of priority and within 2 months from the date of filing if there exists any legitimate reason to do so.
	Amendment to Patent Specification (Time & Scope)	A provision is made herein that applications have the right to make amendments to patent specifications within the scope of original disclosures therein.
	Need for Presentation of Information on Corresponding Patent Applications in other countries	No provision is made.
Legal Requirements, etc.	Reasons for Unpatentability	No provision is made.
	Criteria of Novelty	No provision is made.
	Grace Period	Available.
	Inventions in Service	No provision is made.
Others	Utility Model	
	Design Protection	

(1) Title: Japanese Companies' Views on Japanese, U.S. and European Patent Situation

(2) Date: October 1994 (The 25th International Congress in Hamamatsu)

(3) Source:
1) Source: PIPA
2) Group : Japan
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(6) Statutory provisions:

(7) Abstract: The GAO (General Accounting Office) report was issued in the United States in 1993, how U.S. companies evaluated the patent systems and practices in Japan, the U.S. and Europe was announced, and many items for improvement were indicated with respect to the Japanese system and practices. Given this, since in the same manner there is great interest in how Japanese companies see the patent situation in Japan, the U.S. and Europe, a questionnaire survey of the opinions of the member companies of the PIPA Japan Group was carried out.

According to the results of this survey, the true extent to which Japanese companies make every endeavor to understand and utilize the systems of each country can be inferred. Japanese companies, although seeing the need for improvements with regard to some points with respect to the situation in Japan, evaluated most of the points as appropriate. Europe was generally evaluated as appropriate. Conversely, with regard to the patent situation in the U.S., its uniqueness in relation to other countries were pointed out and the desire for improvements in various areas was indicated. This differs greatly from the GAO report which criticized Japan only as being peculiar.

JAPANESE COMPANIES' VIEWS ON JAPANESE, U.S. AND EUROPEAN PATENT SITUATION

1. Introduction

Japanese companies carry out worldwide business activities while concerning themselves with patent systems, and the circumstances of patent systems in other countries are of great interest to these companies. Last year, when the trend towards worldwide harmonization was increasing, the 1993 U.S. GAO report was published, revealing how U.S. companies evaluated the patent systems and practices of Japan, the U.S. and Europe. According to this publication, U.S. companies saw only Japan as being peculiar in various aspects and as having an inappropriate system and practices amongst the three big regions with respect to patent systems, were critical of the situation in Japan, and indicated many items for improvement. How Japanese companies see these points should be confirmed, so a questionnaire was distributed to the PIPA Japan Committee member companies regarding the situations of the patent systems and practices in the three regions of Japan, the U.S. and Europe, and the results were collated.

This questionnaire did not utilize the questions in the GAO report as they were, but set them independently so that opinions as to the same patent situations could be covered. Those points which would be necessary to understand the patent situations in the three regions were generally covered. The companies which responded were 10 in the mechanical field, 19 in the electrical field, 25 in the chemical field and 15 in the pharmaceutical field, totalling 69 companies. The company size covered was mainly large companies. These companies see the markets of Japan, the U.S. and Europe all important, carry out the activities of attaining patents rights and of patent license negotiations, have a great many patent applications and patent registrations in Japan, and also have a relatively large number patent applications and patent registrations in both the U.S. and Europe. Consequently, it can be said that the responses to this questionnaire are the voices of Japanese companies which have adequate experiences in all three regions of Japan, the U.S. and

Europe. Note that although the number of companies surveyed in this questionnaire survey are 1/4 of that of the GAO survey and the analysis did not include interviews as in the GAO survey due to the time limit, it is believed that it is sufficiently useful in presenting the views of Japanese companies.

Below, analyses and comments are set forth for each item of investigation. Note that numerical data, with the exception of a few items, are expressed in percentages with respect to the number of companies answering to each question (the numbers are indicated under N= in parentheses). In the case of plural answers permitted (indicated as <pl.>), these are given as a percentage to the denominator N in the same manner, therefore there are cases of where the total of the percentage values exceeds 100%.

2. Outline of Companies Responding to the Questionnaire (Questions 1 to 9)

Among the companies which responded, a total of 36% file approximately 300 to 1,000 patent applications in Japan annually. In terms of business fields, 47% of electrical companies file 3,000 or more applications, and in the pharmaceutical field 94% of companies have 300 or fewer applications. In terms of the number of applications in the United States, a total of 75% of companies have filed 100 cases or less, and 65% of electrical companies have 300 or fewer applications, while 24% of companies have filed 1,000 to 3,000 patent applications. This tendency cannot be seen in other business fields. With regard to Europe, 78% of all companies have 100 or fewer applications. However, in the electrical field, 28% of companies have filed 300 to 1,000 applications. These trends in the United States and Europe can be understood from the results of the importance of the markets in the various business fields as set forth in Question 8. Also, with regard to experience in negotiations and agreements relating to patent licenses in Question 9, apart from one company which answered as having had no experience, all have had about the same amount of experience in Japan, the United States and Europe. There are no remarkable differences between business fields in

terms of countries and regions.

3. Efforts to acquire patents in the United States and Europe (Questions 10 to 13)

In Question 10 relating to efforts to understand patent systems overseas, although no particular tendencies towards measures to do so in the various business fields can be seen, it can be inferred that Japanese companies make an effort to understand the patent systems in the United States and Europe. In terms of responses to acquire effective patents as set forth in Question 11, 30% answered "Entrust to domestic patent firm", while other answers were "Overseas resident employees, employees on assignment and patent people keep positive contact both overseas and domestic patent law firms" (64%), and "Go with the patent attorney to explain technical points to the Examiner with regard to important applications" (23%). With regard to editing the format of patent specifications for the United States in Question 12, among responses a total of 76% of companies answered "Almost all" or "Many" carry out editing to meet the U.S. patent specification format. Also, regarding confirmation of the description of U.S. specifications, 97% of all answers were "Understand description in English" which, considered in combination with Questions 11 and 12, can imply that Japanese companies go to considerable lengths independently to acquire effective patents in the United States rather than leaving the work to overseas patent law firms.

4. Examinations in Japan, the United States and Europe (Questions 14 to 16)

With regard to the quality of examinations in each country, as many as 69% of companies regard the European Patent Office's quality as high, followed by the Japan Patent Office with 47%. On the other hand, the percentage of companies who considered the quality of examinations in the U.S. Patent Office high was limited to 28%, while conversely, those who thought that the quality was low accounted for 22%, so that it can be inferred that Japanese companies are somewhat dissatisfied with the U.S. Patent Office.

Next, with regard to the detailed description of the invention, as many as 45% of companies thought that the Japan Patent Office's description requirements are strict. Conversely, only 29% and 36% of companies respectively considered the European and U.S. Patent Offices strict, so that it can be inferred that Japan's description requirements are strict compared to the United States. Characteristics can be seen according to business field, with no significant difference in strictness in the electrical and mechanical field, while the tendency in the pharmaceutical field is noticeable.

Also, regarding the description of instructions and notices from the respective patent offices, in contrast to the 76% and 75% of companies who respectively considered instructions and notices from the European and U.S. patent offices specific and easy to understand, only 9% answered positively regarding the Japan Patent Office's communications. Many companies cast doubt on the description of instructions and notices of the Japan Patent Office. However, as revealed by the comments following the questions, in the current situation where examinations in Japan are gradually improving, the authors of this report for the most part feel the same way.

As described above, the point that the description requirements of the Japan Patent Office are strict and the point that the description of instructions and notices is unsatisfactory are the same as the indications of the GAO report, but regarding the quality of examinations, there is dissatisfaction with the U.S. Patent Office, which result differs from the GAO report indicating dissatisfaction with the quality of examinations by the Japan Patent Office.

5. Areas in which improvement is desired in patent office procedures for acquiring patents in Japan, the United States and Europe (Questions 17 to 19)

With regard to Japan, altogether, requests for "detailed explanations for reasons for rejection" and "reduction of examination period" were many. Remarkable differences between fields of business were not seen.

In the U.S. "first to file" and "alleviation of restriction requirements" were numerous overall. These two desires were concentrated particularly in the chemical and phamaceutical fields. Meanwhile, these two wishes were few in the mechanical and electrical fields.

With respect to Europe, "abolish self-conflict" and "introduce grace period" were numerous overall. These two desires were particularly concentrated in the chemical and pharmaceutical fields.

6. Regarding the examination requirement period in Japan of 7 years (Question 20)

Although 35% of responses considered it appropriate, responses desiring a shortening of this period amounted to 62%. As an alternative, the response of about 5 years as being appropriate was most numerous (43%). However, the response of 7 years as being appropriate was most numerous in the mechanical and pharmaceutical fields.

7. Technical position for facilitating examinations in Japan (Questions 21 to 24)

Firstly, as measures for maintaining an appropriate number of applications, the rate of mechanical and electrical companies which perform in-company evaluations was high at 80% and more. In chemical and pharmaceutical companies those who utilize the domestic priority right system were numerous. Although overall, utilization of the domestic priority right system was the most common response (78%), since as a result filing numerous claims is common, utilizing multiple-claims system was the next numerous response. As comments on "others", the responses of performing further screening when requesting examination was numerous.

Regarding utilization of accelerated examinations or priority examinations, overall, although responses of having utilized them were common (55%), conversely this response was no more than 20% in the mechanical field. As a reason for having not made such a request, the most common was that it was unnecessary (77%).

Regarding the question of whether the patent law revision in Japan is useful in facilitating examinations, the response that it is useful reached 59%. In particular, in the pharmaceutical field there were no responses of it not being useful.

Interviews at the patent office were utilized by 90% overall, with the inclusion of "sometimes". No great difference was seen between fields.

As described above, maintenance of an appropriate number of application and positive drawing on examination cooperation by means of in-company screening and application of the legal system can be inferred.

8. Treatment of foreigners in examinations by the Japan Patent Office (Question 25)

The response of "foreigners are treated disadvantageously" was only 3%, and the responses that both foreigners and Japanese are treated fairly (42%) and that, rather, foreigners are treated advantageously (28%) were numerous. It seems that there is a large gap in the impressions of Japanese and Americans.

9. Regarding the opposition (Questions 26 to 32)

Regarding the pros and cons of the opposition, while GAO report says the Japanese pre-grant opposition system delays the granting of patents and U.S. companies suffer from considerable adverse effect, this survey shows, regarding the opposition in Japan and Europe the response "preferable" overturned the response "not preferable". Also, regarding the lack of an opposition in the United States, there was no response of "preferable" at all, with over 80% overall responding "not preferable". This actually also arises from the response "Yes" of over 50% to the question "Has your company had patents which you think have afterwards become ineffective and has your company been disadvantaged due to the lack of an opposition in the U.S.?", and as a general remark Japanese companies think the opposition is affirmative, with the result that the difference in awareness with U.S. companies diverges greatly.

Regarding the timing for opposition, although the response "not preferable" with respect to pre-grant opposition in Japan, was slightly more numerous than the response "not preferable" to the post-grant opposition in Europe, the response "preferable" was similarly numerous and did not differ greatly between the two. In Japan the right is essentially issues at the time of examined publication, the problem of patenting being delayed by the opposition as asserted by U.S. companies in the GAO report not having originally occurred, whereas the lack of an opposition system in the United States surely being a problem for Japanese companies.

In the United States, because a patent with flaws which was originally thought to be invalid is rendered powerless, with the exception of a suit, only a request for reexamination can be made to the patent office, but more than 50% overall replied that "no" use had been made of the reexamination system. The reason for this is that in the reexamination system, where a third party requests reexamination, the opportunity for the third party who is the party requesting reexamination to speak is greatly limited, the reexamination procedure developing in favor of the applicant due to the applicant's leadership, giving rise to the fact that requesting reexamination is of absolutely no benefit to the third party. Consequently, from these facts, it can be inferred that many companies believe that an effective means of rendering flawed patent powerless, such as one corresponding to the opposition system of Japan and Europe is necessary in the United States.

Responses of companies receiving 50 or less patent opposition annually in Japan were numerous. Although somewhat numerous in the electrical and chemical fields, since these are fields having a large number of applications, it can be concluded that this is due to the large number of laid-open cases accompanying the number of applications. In the GAO report, the opinion "Japanese companies unify specific applications in order to declare objections without asking whether they are domestic or foreign" was introduced, and there is also the criticism "in Japan, opposition on applications from overseas are very

numerous", but by far the most numerous response was "opposition are used where necessary (according to the content of the application) without distinction between domestic applications and those from overseas", so that it can be said that there is no reason for this criticism.

10. Judgment of novelty in Japan, the United States and Europe (Question 33)

Regarding the strictness of novelty judgment in Japan, the United States and Europe, although the response of "case by case" was common in all fields of companies, the response "Japan is the strictest" was common in companies in the electrical and chemical fields, while many companies in the pharmaceutical field felt that "all three region are almost the same". Also, there were almost no companies who felt that the "U.S. is the strictest".

11. Protection of pioneer inventions (Question 34)

The GAO report mentions the narrowness of protection scope and difficulty of acquiring rights with respect to protection of pioneer inventions in Japan, but in this questionnaire, conversely, the opinion that the scope of protection is "too wide" with respect to pioneer inventions in the United States was most numerous. There were also opinions which cast doubt on the definition of pioneer inventions, and there were also opinions of "it is too much to say pioneer patents also with respect to patents in the U.S. which originally could not be said to be pioneer inventions" and "there is no need to distinguish between pioneer inventions and other inventions". Also, on the other hand, as indicated in the GAO report, there was the opinion that in Japan the scope of protection of pioneer inventions is "narrow" compared to the U.S. and Europe, which, added to the opinion "too narrow", amounted to about 30% of the total number of opinions.

12. Patent infringement trial experience in Japan, the United States and Europe (Questions 35 to 38)

In all industrial fields, many companies have experienced

patent infringement suits in Japan and the United States in the past 5 years. On the other hand, relatively few companies have experienced the same in Europe. In the pharmaceutical field, more companies have experienced patent litigations in Japan than in Europe and the U.S. In the mechanical and electrical fields, more companies have experienced patent litigations in the U.S. than in Japan and Europe. Although the result of the questionnaire does not show that these experiences are as plaintiffs or as defendants, a large percentage of the companies in the mechanical and the electrical fields are involved unwillingly in the patent litigations in the United States.

In Japan cases in the mechanical, electrical and chemical fields where "suits were not brought even though this company's patents were infringed" were extremely numerous compared to cases where "suits were brought". The reason for this is that most cases were resolved by negotiations with the other party, and that the ratio of resolutions giving due consideration to the relationship between the parties concerned was greater than that of suits. In the pharmaceutical field, the ratio of "suits were brought" was large in contrast to three other fields. Although it is rash to say from only this result that the pharmaceutical companies prefer suits, it may show one of their character.

In the United States and Europe, cases of "patents of this company have not been infringed (or unaware)" as well as cases of "suits were not brought even though this company's patents were infringed" were extremely numerous. It may show difficulties to find infringements in foreign countries. Also, as to the reason why suits were not brought, many cases were resolved through negotiation as the same manner as in Japan, but particularly in the case of the United States, it is believed that suits were not brought due to the expense of litigation costs, so that cases where negotiations were chosen were numerous.

13. Litigation costs (Questions 39 and 40)

Regarding litigation costs, there is no company at all who considers litigation costs cheap or extremely cheap, the answers

being concentrated among appropriate, high and extremely high. Among these, litigation costs in Japan are considered by the greater part of companies as appropriate, the next highest part considering them high, while a small number companies considering them extremely high. Litigation costs in Europe is seen by over half of the companies as high, while the next highest percentage of companies saw them as appropriate, there being somewhat of a tendency to lean towards "high" compared to Japan. In contrast to this, litigation costs in the United States were evaluated as extremely high by a large number of companies. Namely, it can be inferred that the United States is a country in which, in the economic activities of companies, a considerable economic burden is enforced in litigation. This point is also reflected in the number of cases resolved by payment in accordance with the demand by the other party due to cost economizing of litigation with a chance of success, so that more frequent cases of this type of settlement are experienced in the United States compared to other countries. In particular, it is worth noticing that in the electrical field there are some companies who experienced 21 law suits or more.

Looking at differences between industrial fields, with respect to litigational expenses, a tendency towards "high" over "appropriate" can be inferred in the chemical field, whereas a tendency to pay in accordance with the demands mirroring litigation costs can be inferred as being numerous in the electrical field.

14. Evaluation of patents (Questions 41 through 44)

Although the appraisal of patents will be viewed in the money paid with respect to them, the scope covering them, and the judgment of their validity, it is believed that any one of these should of course be balanced against the value of the patent invention itself. However, evaluation against the money paid, while most companies appraised Japan and Europe as "appropriate", tending towards "cheap" in Japan and "high" in Europe. Conversely to this, with respect to the United States most companies answered "exorbitantly high" and "high". Evaluation

with regard to interpretation of the scope of rights was thought by most companies to be appropriate in Europe, in contrast to which the interpretation in Japan, although thought by many to be appropriate, tends towards too narrow and inappropriate, and conversely, the interpretation in the United States can be inferred as being thought of as too broad and therefore inappropriate. Regarding evaluation with respect to validity judgment, in contrast to validity judgment in Japan being seen by most companies as appropriate, and also as mostly appropriate in Europe with a tendency towards too effective, it was seen more as too effective rather than appropriate in the United States.

Summing up these points, with respect to whether the patent systems contribute to the development of industry, although the variety in evaluation can be seen in each country, they were evaluated as mainly contributing. Therein, only in the United States "greatly contributes" was extremely few, it is worth noticing that conversely "hinders" was close to one quarter.

Summarizing the above, in the United States, compared to Japan and Europe, it can be inferred that less valid patents are interpreted to have a wider scope and are demanding higher payments. Namely, the balance of give-and-take of the values tends to excessive protection of the inventor rather than to objective fairness in the society, so that it can be inferred that the unique trend of the United States in which the aspect of hindering the development of industry is emerging.

15. Improvements to patent infringement suits in the United States (Question 45)

Most answers cast doubts on the jury system which entrusts judgments on technically complex and difficult to understand cases such as patent problems to average citizens rather than to specialists, and hope to be able to avoid the jury trial when inappropriate. The next most common answer was the wish for simplification of complexity of discoveries, from which can be inferred dissatisfaction with the current situation where the discovery is abused strategically excessively to enforce consumption of otherwise unnecessary effort. Also, there were

many answers deploring the high cost of litigation fees, and indicating the unique nature of U.S. society. Although there were a number of other opinions on desires for improving patent law suits, these three were the main points in relation to which improvements were desired.

16. Areas which could be improved in the United States' Patent System (Question 46)

All industries placed a patent duration period of 20 years from the date of filing, shifting to a first-to-file system, and introduction of an unexamined publication system in the top position.

Although these points were raised in proposed reforms of the U.S. patent system advocated by a patent law reform committee under the U.S. Department of Commerce in September 1992, and are the most important points for correction in order to accord with the harmonization treaty in the U.S., the results thereof would support great interest towards proposed reforms in Japan.

Also, according to the GAO report, 66% of U.S. companies are in support of a first to file system, and 64% are in support of introduction of an unexamined publication system.

17. English language applications (Question 47)

With regard to the Japan Patent Office recognizing English language applications, with no great differences in each industry, with the inclusion of "Acceptable either way", the opinion that recognition is acceptable was voiced by about 90% of companies can be inferred. Although the GAO report reported that "a large portion (70%) of American companies thought that if they could file applications in English their patent activities could be greatly expanded", the Japanese response seems to be based on the awareness that it should be a admitted reform on the basis of the harmonization treaty.

18. Patent practices of U.S. companies in Japan (Question 48)

Regarding the cause for U.S. company's dissatisfaction with

patent practices in Japan, the opinion that they "do not fully understand the patent system and practices in Japan" was commonly the most numerous in all industries (71% overall). The GAO report says that "while Japanese companies have so far spent a large amount of time for understanding matters such as the U.S. Patent Law, patent procedures and enforcement of patent rights in the United States, American companies do not give serious consideration to having a thorough knowledge of the Japanese patent system, and so their own patent experiences in Japan are adversely affected by the patent pratice they follow.", and these results support this view.

19. Conclusion

According to the results of the survey, it can be seen that Japanese companies are coping with the reality by expending a great deal of effort and in order to understand and utilize the systems of each country. Although Japanese companies see the need for improvement in some areas in the Japanese situation, they evaluate most aspects as being appropriate. They evaluate Europe as being mostly appropriate. In contrast to this, they indicated the unique nature within the world of the patent situation on the United States, and hope for improvement in a variety of areas. This differs greatly from the GAO report which is critical in treating only Japan as peculiar. Although the emergence of these types of opinions and evaluations is thought to be largely due to the differences in cultural background between Japan and the United States, another view is that American companies' insufficiency of effort and understanding with regard to utilizing Japan's patent system also gives rise to this. For example, a large number of Japanese companies, while understanding specifications, official notices, references, judicial precedents, negotiation documents and contracts in English, and also understanding and dealing with the U.S. system in detail, U.S. companies are in contrast seen as largely not understanding and conducting the matters in Japanese language, and in addition as not precisely understanding the Japanese system to a great extent.

Q1. Among the types of business which your company is involved in, which has the most company volume? <pl.>

(Machines•Metals)

11. transportation 12. power machine
13. machines and devices 14. iron and steel

(Electrical equipment)

21. general electrical equipage 22. computer
23. communication 24. domestic electrical equipment
25. acoustics 26. measuring 27. wiring
28. electronic parts

(Chemistry)

31. general chemistry 32. organic chemistry 33. rubber
34. plastics 35. coating 36. petroleum
37. petrochemistry 38. fiber 39. pharmaceutical
40. foodstuffs 41. cosmetics

(Miscellaneous)

51. others:

(answers omitted)

Q2. What is the approximate number of employees in your company?

		Total	Mech.	Elec.	Chem.	Pharm.
1	1 to 100	0%	0%	0%	0%	0%
2	101 to 500	0	0	0	0	0
3	501 to 1000	1	10	0	0	0
4	1001 to 5000	38	10	28	52	47
5	5001 to 10000	29	20	11	36	47
6	10001 or more	31	60	61	12	7
	(N=)	(68)	(10)	(18)	(25)	(15)

Q3. What is the amount of your company's annual overseas sales? Please give your most recent assessment.
(In units of millions of dollars.)

		Total	Mech.	Elec.	Chem.	Pharm.
1	Up to $10	8%	20%	6%	9%	0%
2	$10 to $30	3	0	0	0	15
3	$30 to $100	8	0	6	9	15
4	$100 to $300	18	20	0	32	15
5	$300 to $1000	23	0	18	32	31
6	$1000 to $3000	21	20	29	14	23
7	Over $3000	19	40	41	5	0
	(N=)	(62)	(10)	(17)	(22)	(13)

Q4. Which international patent classification does the technical field in which your company files the most patent applications fall within?

1. A 2. B 3. C 4. D 5. E 6. F
7. G 8. H

(answers omitted)

Q5. How many patent applications does your company file annually in Japan, the United States and Europe?

			Total	Mech.	Elec.	Chem.	Pharm.
Japan	1	1 to 100	15%	0%	12%	4%	47%
	2	101 to 300	16	10	0	12	47
	3	301 to 1000	36	40	18	64	7
	4	1001 to 3000	15	20	24	16	0
	5	3001 or more	18	30	47	4	0
		(N=)	(67)	(10)	(17)	(25)	(15)
United States	1	1 to 100	75%	70%	41%	88%	93%
	2	101 to 300	13	20	24	8	7
	3	301 to 1000	6	10	12	4	0
	4	1001 to 3000	6	0	24	0	0
	5	3001 or more	0	0	0	0	0
		(N=)	(67)	(10)	(17)	(25)	(15)
Europe	1	1 to 100	78%	70%	56%	88%	93%
	2	101 to 300	12	30	11	8	7
	3	301 to 1000	9	0	28	4	0
	4	1001 to 3000	1	0	6	0	0
	5	3001 or more	0	0	0	0	0

	Total	Mech.	Elec.	Chem.	Pharm.
(N=)	(68)	(10)	(18)	(25)	(15)

Q6. Of patent applications which your company files in Europe, about how many go through the European Patent Office (EPO)?

		Total	Mech.	Elec.	Chem.	Pharm.
1	Almost all	64%	10%	53%	84%	80%
2	Most	23	40	26	16	20
3	About half	6	10	16	0	0
4	Few	4	30	0	0	0
5	Almost none	3	10	5	0	0
	(N=)	(69)	(10)	(19)	(25)	(15)

Q7. How many patents does your company hold in Japan, the U.S. and Europe?

		Total	Mech.	Elec.	Chem.	Pharm.
Japan	1 1 to 1000	47%	10%	18%	52%	93%
	2 1001 to 3000	30	50	29	38	7
	3 3001 to 10000	14	30	24	8	0
	4 10001 to 30000	8	0	29	0	0
	5 30001 or more	2	10	0	0	0
	(N=)	(66)	(10)	(17)	(24)	(15)
United States	1 1 to 1000	74%	70%	41%	83%	100%
	2 1001 to 3000	14	10	29	13	0
	3 3001 to 10000	9	10	24	4	0
	4 10001 to 30000	2	0	6	0	0
	5 30001 or more	2	10	0	0	0
	(N=)	(66)	(10)	(17)	(24)	(15)
Europe	1 1 to 1000	85%	80%	71%	92%	93%
	2 1001 to 3000	8	10	6	8	7
	3 3001 to 10000	6	0	24	0	0
	4 10001 to 30000	2	10	0	0	0
	5 30001 or more	0	0	0	0	0
	(N=)	(66)	(10)	(17)	(24)	(15)

Q8. How important is each market to your company?

		Total	Mech.	Elec.	Chem.	Pharm.
Japan						
1	Very important	98%	100%	94%	100%	100%
2	Important	2	0	6	0	0
3	Somewhat important	0	0	0	0	0
4	less important	0	0	0	0	0
5	Mostly unimportant	0	0	0	0	0
	(N=)	(66)	(10)	(18)	(23)	(15)
United States						
1	Very important	67%	100%	89%	38%	67%
2	Important	27	0	6	54	27
3	Somewhat important	6	0	6	8	7
4	less important	0	0	0	0	0
5	Mostly unimportant	0	0	0	0	0
	(N=)	(67)	(10)	(18)	(24)	(15)
Europe						
1	Very important	45%	60%	67%	17%	53%
2	Important	37	30	28	50	33
3	Somewhat important	18	10	6	33	13
4	less important	0	0	0	0	0
5	Mostly unimportant	0	0	0	0	0
	(N=)	(67)	(10)	(18)	(24)	(15)

Q9. Has your company experienced negotiations/agreements relating to patent licenses in the past 5 years? Please circle which country/countries and/or region(s) you have such experiences in. <pl.>

		Total	Mech.	Elec.	Chem.	Pharm.
1	Japan	97%	100%	95%	100%	93%
2	U.S.A	94	90	89	100	87
3	Europe	87	90	89	96	87
	(N=)	(69)	(10)	(19)	(25)	(15)

Q10. What measures does your company take as daily activities in order to understand the patent systems and practices in the U.S. and Europe? <pl.>

		Total	Mech.	Elec.	Chem.	Pharm.
1	None in particular	3%	0%	0%	8%	0%
2	Patent people resides in Europe or U.S.	23	30	42	12	13
3	Have trainees in Europe or U.S.	38	60	42	28	33
4	Have patent people participate in study groups to Europe/U.S. for 2 to 3 weeks	32	30	26	20	60
5	Have patent people participate in seminars in Japan relating to European/U.S. patent systems/ practices	88	90	79	88	100
6	Give serious consideration to close contact and direct conversations with patent attorneys	64	60	63	56	80
7	Others (please be specific)	7	20	0	4	13
	(N=)	(69)	(10)	(19)	(25)	(15)

(Content of 7)

Request work only for particular patent firms. Preparation of manuals. Hold in-company patent seminar. Working in information gathering. Although not as long-term resident, dispatching one person as a trainee for about 2 to 3 months per year to Europe/U.S.

Q11. What sort of contact does your company have with patent attorneys in order to acquire effective patents in the U.S. and Europe? <pl.>

		Total	Mech.	Elec.	Chem.	Pharm.
1	Entrust to domestic patent firm	30%	20%	37%	40%	13%
2	Resident employees, employees on assignment and patent people keep positive contact both overseas and domestic patent firms	64	70	68	52	73
3	Go with the patent attorney to explain technical points to the Examiner on important applications	23	30	26	20	20
4	Others (please be specific)	13	0	5	24	7
	(N=)	(69)	(10)	(19)	(25)	(15)

(Content of 4)

Contact directly on important cases. Receive visits from patent attorneys and lectures. The patent attorney of a technical affiliate company takes charge. Have the local legal representative conduct an interview with the Examiner. Directly contact the local legal representative on important cases. Dispatch trainees to specific firms. Exchange opinions and information either directly or through a domestic firm by way of correspondence.

Q12. In cases of filing U.S. patent applications, what is the ratio of editing applications to meet the U.S. specification format within Japan rather than directly translating the domestic application?

		Total	Mech.	Elec.	Chem.	Pharm.
1	Almost all	54%	90%	53%	38%	60%
2	Many	22	0	16	33	27
3	About half	4	0	5	8	0
4	Not many	18	10	26	21	7
5	Almost none	1	0	0	0	7
	(N=)	(68)	(10)	(19)	(24)	(15)

Q13. How does your company confirm the description of U.S. patent specifications (including claims)?

		Total	Mech.	Elec.	Chem.	Pharm.
1	Understand in English	97%	100%	95%	96%	100%
2	Understand claims only by translation into Japanese	0	0	0	0	0
3	Understand entire specification by translation into Japanese	7	0	16	8	0
	(N=)	(68)	(10)	(19)	(25)	(14)

(Others)
Claims in English and the rest in Japanese.

Q14. What does your company think of the quality of examinations in each country in terms of procedures relating to the acquisition of patents?

		Total	Mech.	Elec.	Chem.	Pharm.
	Japan					
1	Extremely high	10%	10%	16%	4%	13%
2	High	37	20	74	4	53
3	Moderate	37	50	11	54	33
4	Low	12	20	0	25	0
5	Extremely low	4	0	0	13	0
	(N=)	(68)	(10)	(19)	(24)	(15)
	U.S.A					
1	Extremely high	0	0	0	0	0
2	High	28	20	21	33	33
3	Moderate	50	40	58	58	33
4	Low	22	40	21	8	33
5	Extremely low	0	0	0	0	0
	(N=)	(68)	(10)	(19)	(24)	(15)
	Europe					
1	Extremely high	13	10	11	21	7
2	High	56	30	84	46	53
3	Moderate	29	60	5	33	33
4	Low	1	0	0	0	7
5	Extremely low	0	0	0	0	0
	(N=)	(68)	(10)	(19)	(24)	(15)

Comments

U.S.A.: Generally not high. Many cases of inventions with low patentability being patented. Do not carry careful examinations. Decided U.S. is "average" due to the point that there are large inconsistencies among Examiners.

High rate of inconsistency among Examiners in case of U.S.

Many young Examiners in U.S., and quality of examinations is low due to their lack of experience. System is such that experienced Examiners obtain patent attorney qualifications for 4 to 5 years and move to patent law firm, and therefore experienced human resources cannot be guaranteed.

USPTO issues references which have almost no relevance to the invention and reject the invention, which makes explanation all the more difficult. Patent is granted if applicant can explain well, but we worry about whether this is satisfactory.

EP is generous in the examination.

Japan: Although previously high, recently has become case-by-case, so that low quality examinations are sometimes seen (there are cases where ideas with low patentability have been published to the public).

Differs depending on technical field. Quality of examinations is high in fields in which that country is progressing.

Many cases which differ according to Examiner and field of the application.
Judged based on Examiners' reasons for rejections and logical structure in office actions.

Q15. With regard to scope of patent rights which your company wishes to acquire, what do you think of requirements in the Detailed Description of the Specification?

	Total	Mech.	Elec.	Chem.	Pharm.
Japan					
1 Extremely strict	10%	20%	5%	13%	7%
2 Strict	35	10	37	42	40
3 Appropriate	44	50	42	38	53
4 Generous	10	20	16	8	0
5 Extremely generous	0	0	0	0	0
(N=)	(68)	(10)	(19)	(24)	(15)
U.S.A.					
1 Extremely strict	3	0	0	8	0
2 Strict	33	30	42	36	20
3 Appropriate	42	40	42	36	53
4 Generous	20	30	16	16	27
5 Extremely generous	1	0	0	4	0
(N=)	(69)	(10)	(19)	(25)	(15)
Europe					
1 Extremely strict	4	10	5	4	0
2 Strict	25	30	37	24	7
3 Appropriate	61	50	58	64	67
4 Generous	10	10	0	8	27
5 Extremely generous	0	0	0	0	0
(N=)	(69)	(10)	(19)	(25)	(15)

Comments
Answers on Japan is my impression of tendencies up to the present, but I understand that in future the Japanese system will become more appropriate.
Many differences depending on technical fields and Examiners.
Sometimes strict, sometimes loose. (In Japan, e.g., examinations in "Pharmaceutical" and "Food processing" in terms of biological field.)
U.S.'s best mode requirements is too strict.
U.S. is not strict in terms of need to judge according to the character of the invention.
Patent can be granted for pharmaceutical applications without embodiments in Europe. This is different to both Japan and the U.S.

Q16. What do you think of the descriptions in instructions and notifications issued by the patent offices of each country?

	Total	Mech.	Elec.	Chem.	Pharm.
Japan					
1 Very specific and easy to understand	0%	0%	0%	0%	0%
2 Specific and easy to understand	9	0	5	8	20
3 Understandable	68	70	79	56	73
4 Intention is less understandable	22	20	16	36	7
5 Intention is hardly understandable	1	10	0	0	0
(N=)	(69)	(10)	(19)	(25)	(15)
U.S.A.					
1 Very specific and easy to understand	13	0	21	12	13
2 Specific and easy to understand	62	90	58	60	53
3 Understandable	22	10	21	24	27
4 Intention is less understandable	3	0	0	4	7
5 Intention is hardly understandable	0	0	0	0	0
(N=)	(69)	(10)	(19)	(25)	(15)
Europe					
1 Very specific and easy to understand	14	0	11	24	13
2 Specific and easy to understand	62	70	74	44	73
3 Understandable	22	30	16	28	13

4 Intention is less understandable	1	0	0	4	0
5 Intention is hardly understandable	0	0	0	0	0
(N=)	(69)	(10)	(19)	(25)	(15)

Comments

Japan is also continuing to improve significantly.

Although Japanese Examiners' comments have become largely specific, they are still too short.

The answer on Japan is my impression of tendencies of to the present, but I understand that in future Japanese system will become more specific and easy to understand.

Q17. If there are any areas you would like improved in the Patent Office's procedures for acquiring patents in Japan, please write them below, keeping specific.

	Total	Mech.	Elec.	Chem.	Pharm.
Detailed explanations of reasons for rejection	24*	5*	8*	8*	3*
Reduction of examination period	15	2	2	5	6
Improvement of level of examinations	4	2	1	-	1
Uniformity of examination standards between Examiners	3	-	-	2	1
Extension of time for responses	2	-	1	1	-
Simplification of novelty forfeiture exception procedures	2	-	-	1	1
Others (one answer)	10	-	3	5	2
(N=)	(69)	(10)	(19)	(25)	(15)

* = answers

Content of answers to "Others"

Uniformity of inventiveness judgment standards of examinations and trials. Amendment proposals by Examiners. Inventiveness judgments based on a number of publicly-known references are too strict. Correct restraints and minor system infringements of parameter patents with specialists. Do not change Examiners so often. Investigate response documents thoroughly. Do not patent inventions where the invention accepted by the Examiner and the expression of the claims do not conform. Put contents of interview examinations in packets as records. Extension of time should be impartial.

Q18. If there are any areas you would like improved in the Patent Office's procedures for acquiring patents in the U.S., please write them below, keeping specific.

	Total	Mech.	Elec.	Chem.	Pharm.
Change to first to file policy	10*	1*	-	4*	5*
Alleviation of restriction requirements	9	1	-	6	2
Improvement of level of examinations	8	3	2	1	2
Improvement or abolition of interference system	4	-	1	2	1
Elimination of inconsistencies between Examiners	4	-	2	-	2
Improvement of Article 104	3	-	-	1	2
Introduction of unexamined publication system	3	1	-	1	1
Period of right to be 20 years from time of application	3	-	1	1	1
Read specification better	2	1	1	-	-
Allow participation of third party in re-examination	2	-	1	1	-
Do not allow expansion of claims in re-issue	2	-	-	1	1
Make biological field examinations more lenient	2	-	-	-	2
Improvement of Hilmer Doctrine	2	-	-	-	2
Others (one answer)	10	1	3	6	-

(N=)	(69)	(10)	(19)	(25)	(15)

* = answers

Contents of answers to "Others"

Revision of law where making replacements with respect to an Article 112 rejection so that the application is not rejected, based on the corresponding Japanese Unexamined Publication. Thoroughness so that responses to terminology in the claims and detailed description can be understood. Have a number of Examiners examine one field so that one Examiner is not responsible for a long period. Judge double patents strictly. Uniformity of examination standards between units. Also consider responses to final actions. Uniform paper size of A4. Some documents are hard to read as they are poorly written. Alleviation of IDS. Grant time limit starting from original application for continuation and continuation-in-part applications.

Q19. If there are any areas you would like improved in the Patent Office's procedures for acquiring patents in the EPO, please write them below, keeping specific. (For example, introducing a grace period.)

	Total	Mech.	Elec.	Chem.	Pharm.
Abolition of rejection due to self-conflict	10*	1*	-	6*	3*
Introduction of grace period	9	-	1	3	5
Others (one answer)	13	1	5	3	4
(N=)	(69)	(10)	(19)	(25)	(15)

* = answers

Contents of answers to "Others"

Have Japanese interpreting at oral hearings. Expansion of novelty forfeiture exception reasons. Expansion of unification. Change to first to invent. To what extent interview examinations can be received is unclear. Introduction of priority examinations. Abolish maintenance fees. Shorten examination period. Make standards for establishment of medical application inventions strict. Abolish full translation submission of priority right certification materials. Judgment of novelty too lenient. Non-recognition of plural claim amendment proposals with respect to objections. No regulation for exclusion of applications filed on the same day.

Q20. What do you think of the Japan's examination period of 7 years?

		Total	Mech.	Elec.	Chem.	Pharm.
1	Too short	1%	0%	0%	4%	0%
2	Appropriate	35	50	21	28	53
3	Should be 5 yrs	43	20	58	52	27
4	Should be 3 yrs	19	30	21	12	20
5	Others	1	0	0	4	0
	(N=)	(69)	(10)	(19)	(25)	(15)

Q21. What measures are you taking to maintain an appropriate number of applications in Japan? <pl.>

		Total	Mech.	Elec.	Chem.	Pharm.
1	Not filing applications whose value is low after in-company evaluation (including alternatively making them public knowledge and not doing so)	57%	80%	84%	40%	33%
2	Thoroughly performing prior art searches and filing only those whose effectiveness is high	32	40	37	28	27
3	Positively using multiple-claim system	70	60	63	76	73
4	Using domestic priority right system	78	50	74	88	87
5	Others (if you have any answers, please write them concretely)	3	0	0	8	0
	(N=)	(69)	(10)	(19)	(25)	(15)

Contents of answers to "Others"

Screen further when requesting examination (2 answers).

Q22. Have you requested accelerated examination or priority examination among Japanese applications in the past 5 years?

	Total	Mech.	Elec.	Chem.	Pharm.
1 Yes	55%	20%	74%	52%	60%
2 No (Select an answer as to why your company did not make such a request from among the following)	45	80	26	48	40
a. Did not fulfill the requirements	13%	0%	20%	8%	33%
b. Not necessary	71	88	60	67	67
c. Could not prepare the documentation	3	0	0	8	0
d. Others	0	0	0	0	0
(N=)	(69)	(10)	(19)	(25)	(15)

Q23. Do you think that the Patent Law revision executed on January 1, 1994 in Japan is useful in facilitating examinations?

	Total	Mech.	Elec.	Chem.	Pharm.
1 Yes	59%	70%	63%	40%	80%
2 No	17	20	21	24	0
3 Not sure	23	10	16	36	20
(N=)	(69)	(10)	(19)	(25)	(15)

Q24. Do you utilize interviews with the Examiner in charge at the Japan Patent Office?

	Total	Mech.	Elec.	Chem.	Pharm.
1 Yes	29%	30%	33%	16%	47%
2 Sometimes	58	50	58	68	47
3 Almost never	13	20	11	16	7
(N=)	(69)	(10)	(19)	(25)	(15)

Q25. There is an opinion that foreigners are treated disadvantageously in examinations of the Japan Patent Office; what does your company think regarding this point?

	Total	Mech.	Elec.	Chem.	Pharm.
1 Rather, foreigners are treated advantageously	28%	40%	21%	24%	33%
2 They are treated with complete impartiality	42	30	53	32	53
3 Foreigners are treated disadvantageously	3	0	11	0	0
4 Not sure	28	30	16	44	13
(N=)	(69)	(10)	(19)	(25)	(15)

Q26. On average, about how many patent oppositions (number of applications) does your company receive in Japan per year?

	Total	Mech.	Elec.	Chem.	Pharm.
1 10 or less	39%	30%	26%	24%	87%
2 11 to 20	22	30	5	36	13
3 21 to 50	25	40	42	20	0
4 51 to 100	9	0	11	16	0
5 More than 100	6	0	16	4	0
(N=)	(69)	(10)	(19)	(25)	(15)

Q27. What does your company think of the system of pre-grant opposition system in Japan?

	Total	Mech.	Elec.	Chem.	Pharm.
1 Preferable	41%	40%	53%	44%	20%
2 Not sure	42	60	32	44	40
3 Not preferable	17	0	16	12	40
(N=)	(69)	(10)	(19)	(25)	(15)

Q28. What does your company think there being no opposition system in the U.S.?

	Total	Mech.	Elec.	Chem.	Pharm.
1 Preferable	0%	0%	0%	0%	0%
2 Not sure	17	30	16	8	27

3	Not preferable	83	70	84	92	73
	(N=)	(69)	(10)	(19)	(25)	(15)

Q29. What does your company think of the post-grant opposition system in Europe?

		Total	Mech.	Elec.	Chem.	Pharm.
1	Preferable	29%	30%	24%	25%	40%
2	Not sure	55	70	65	46	47
3	Not preferable	17	0	12	29	13
	(N=)	(66)	(10)	(17)	(24)	(15)

Q30. Has your company had patents which you think have afterwards become ineffective and has your company been disadvantaged due to the lack of an opposition system in the U.S.?

		Total	Mech.	Elec.	Chem.	Pharm.
1	Yes	52%	40%	68%	56%	33%
2	No	17	20	11	12	33
3	Unclear	30	40	21	32	33
	(N=)	(69)	(10)	(19)	(25)	(15)

Q31. Has your company utilized the U.S. re-examination system?

		Total	Mech.	Elec.	Chem.	Pharm.
1	Yes	53%	70%	56%	52%	40%
2	No (if possible, state the reason)	47	30	44	48	60
	(N=)	(68)	(10)	(18)	(25)	(15)

Comments

- There is little possibility of being able to invalidate in a re-examination.
- Cases the right of which must be asserted have not particularly occurred, therefore although the system is known it is not utilized.
- The scope of inventiveness is narrow compared to Japan, therefore it is difficult to predict success.
- There are many additional cases which are advantageous to the owner of the right.
- Yes: however, for requests for this company's rights, the right is strong, there are no requests for a third party, because of limitations on the requester dispatching notifications.
- Not necessary.
- Because it costs money.
- Because there are no particular patents in question which have become problematic.
- The local legal representative does not recommend that re-examination is not at all advantageous to the person requesting re-examination.
- There are not many chances whereby the requester can participate, therefore it is a system which is advantageous to the owner of the right.
- Because there are no cases which have progressed to just before trial.
- Instead, we utilize reissue.
- There is only a small degree to which a third party requester can participate.
- It is difficult to make an assertion of ineffectiveness with obviousness as a reason.

Q32. There is criticism from overseas about the large number of opposition towards applications from foreign countries in Japan; how does your company deal with this?

		Total	Mech.	Elec.	Chem.	Pharm.
1	We use oppositions positively with respect to applications from overseas	3%	0%	0%	4%	7%
2	We use oppositions where necessary without distinction between foreign and domestic applications	97	100	100	92	93

3 Rather, we use oppositions positively with respect to domestic applications	1	0	0	4	0
4 Other (if you have comments, write them concretely)	0	0	0	0	0
(N=)	(69)	(10)	(19)	(25)	(15)

Q33. What do you think of Japanese, U.S. and European novelty in your company's technical field?

	Total	Mech.	Elec.	Chem.	Pharm.
1 All three are almost the same	19%	0%	0%	8%	73%
2 Case by case	26	50	11	36	13
3 Japan is the strictest	35	20	58	36	13
4 U.S. is the strictest	1	0	0	4	0
5 EPO is the strictest	17	20	32	16	0
6 Other	1	10	0	0	0
(N=)	(69)	(10)	(19)	(25)	(15)

Q34. Comparing Japan with Europe and the U.S. in terms of protection of patent acquisition and assertion of rights with regard to pioneer inventions, if you have any comments, please write them down.

Comments	Total	Mech.	Elec.	Chem.	Pharm.
• Too wide in U.S.	8*	-	3*	4*	1*
• Narrow in Japan, and wide in U.S. and Europe	7	1	-	2	4
• No need to distinguish between pioneer inventions and other inventions	7	-	2	2	3
• Too narrow in Japan	2	-	-	2	-
• In Japan there are too many inappropriate rejections of pioneer inventions	2	1	1	-	-
• Japan, U.S. and Europe are almost the same	2	-	-	1	1
• Pioneer inventions are defined too easily in the U.S.	1	-	1	-	-
• In Japan patents other than pioneer inventions are too easily effected and therefore protection cannot be sufficient	1	-	-	1	-

* = answers

Q35. Has your company experienced any patent infringement suits in the last 5 years? Please circle the countries/regions where you had such experiences. <pl.>

	Total	Mech.	Elec.	Chem.	Pharm.
1 Japan	46%	20%	53%	40%	67%
2 U.S.	43	50	63	36	27
3 Europe	20	0	37	12	27
(N=)	(69)	(10)	(19)	(25)	(15)

Q36. Have your company's patents been infringed in Japan? <pl.>

	Total	Mech.	Elec.	Chem.	Pharm.
1 No (or unaware)	9%	0%	5%	17%	7%
2 Being infringed and we sued	47	30	53	29	80
3 Being infringed but we did not sued	65	80	74	67	40
(N=)	(68)	(10)	(19)	(24)	(15)

Q37. Have your company's patents been infringed in the U.S.? <pl.>

	Total	Mech.	Elec.	Chem.	Pharm.

1	No (or unaware)	44%	60%	21%	50%	53%
2	Being infringed and we sued	21	20	26	5	40
3	Being infringed but we did not sued	42	20	74	45	13
	(N=)	(66)	(10)	(19)	(22)	(15)

Q38. Have your company's patents been infringed in Europe? <pl.>

		Total	Mech.	Elec.	Chem.	Pharm.
1	No (or unaware)	55%	60%	42%	65%	43%
2	Being infringed and we sued	14	20	5	4	36
3	Being infringed but we did not sued	33	30	58	22	21
	(N=)	(66)	(10)	(19)	(23)	(14)

Q39. What do you think of the expense of litigation in each country, comparing with the economic value to be solved?

		Total	Mech.	Elec.	Chem.	Pharm.
Japan						
1	Extremely high	7%	10%	5%	4%	13%
2	High	37	30	26	57	27
3	Appropriate	52	60	68	35	53
4	Cheap	0	0	0	0	0
5	Extremely cheap	0	0	0	0	0
	(N=)	(67)	(10)	(19)	(23)	(15)
U.S.A.						
1	Extremely high	88%	100%	84%	95%	73%
2	High	11	0	16	5	20
3	Appropriate	2	0	0	0	7
4	Cheap	0	0	0	0	0
5	Extremely cheap	0	0	0	0	0
	(N=)	(66)	(10)	(19)	(22)	(15)
Europe						
1	Extremely high	18%	11%	6%	33%	14%
2	High	52	44	41	62	57
3	Appropriate	30	44	53	5	29
4	Cheap	0	0	0	0	0
5	Extremely cheap	0	0	0	0	0
	(N=)	(61)	(9)	(17)	(21)	(14)

Q40. In order to economize on expenses (including attorney's fees) for proceeding litigation etc. (including ITC) in each country, has your company solved cases by payments according to the other party's demand in the last 5 years, notwithstanding an 80% chance of success on your company's part?

		Total	Mech.	Elec.	Chem.	Pharm.
Japan						
1	21 times or more	0%	0%	0%	0%	0%
2	11 to 20 times	0	0	0	0	0
3	1 to 10 times	17	13	28	13	13
4	Never	83	88	72	87	87
	(N=)	(64)	(8)	(18)	(23)	(15)
U.S.A.						
1	21 times or more	2%	0%	6%	0%	0%
2	11 to 20 times	0	0	0	0	0
3	1 to 10 times	27	13	56	17	14
4	Never	71	88	39	83	86
	(N=)	(63)	(8)	(18)	(23)	(14)
Europe						
1	21 times or more	0%	0%	0%	0%	0%
2	11 to 20 times	0	0	0	0	0
3	1 to 10 times	13	0	28	4	14
4	Never	87	100	72	96	86
	(N=)	(63)	(8)	(18)	(23)	(14)

Q41. Comparing with the economic merits of patented inventions in products, what is your opinion about the compensatory money (including cases of compensation for damages) for patents in each country?

		Total	Mech.	Elec.	Chem.	Pharm.
Japan						
1	Exorbitantly high	0%	0%	0%	0%	0%
2	High	5	0	6	9	0
3	Appropriate	70	50	71	77	71
4	Cheap	22	50	18	14	21
5	Exorbitantly cheap	3	0	6	0	7
	(N=)	(63)	(10)	(17)	(22)	(14)
U.S.A.						
1	Exorbitantly high	46%	80%	50%	41%	23%
2	High	43	20	38	45	62
3	Appropriate	11	0	13	14	15
4	Cheap	0	0	0	0	0
5	Exorbitantly cheap	0	0	0	0	0
	(N=)	(61)	(10)	(16)	(22)	(13)
Europe						
1	Exorbitantly high	2%	0%	0%	5%	0%
2	High	29	38	14	35	31
3	Appropriate	65	50	86	60	62
4	Cheap	4	13	0	0	8
5	Exorbitantly cheap	0	0	0	0	0
	(N=)	(55)	(8)	(14)	(20)	(13)

Q42. Do you think that the interpretation of the scope of patent rights in each country are appropriate comparing with their contribution to the society?

		Total	Mech.	Elec.	Chem.	Pharm.
Japan						
1	Too wide and inappropriate	0%	0%	0%	0%	0%
2	Appropriate	69	80	74	63	64
3	Too narrow and inappropriate	31	20	26	38	36
	(N=)	(67)	(10)	(19)	(24)	(14)
U.S.A.						
1	Too wide and inappropriate	93%	90%	100%	92%	86%
2	Appropriate	7	10	0	8	14
3	Too narrow and inappropriate	0	0	0	0	0
	(N=)	(67)	(10)	(19)	(24)	(14)
Europe						
1	Too wide and inappropriate	6%	10%	11%	4%	0%
2	Appropriate	94	90	89	96	100
3	Too narrow and inappropriate	0	0	0	0	0
	(N=)	(64)	(10)	(18)	(23)	(13)

Q43. Do you think that the judgment of the validity of patent rights in each country is appropriate from the aspect of novelty and obviousness with respect to prior art?

			Total	Mech.	Elec.	Chem.	Pharm.
Japan	1	Too valid	8%	0%	6%	19%	0%
	2	Appropriate	91	100	94	76	100
	3	Too invalid	2	0	0	5	0
		(N=)	(64)	(10)	(18)	(21)	(15)
U.S.A.	1	Too valid	65%	90%	94%	45%	40%
	2	Appropriate	32	10	6	45	60
	3	Too invalid	3	0	0	9	0
		(N=)	(65)	(10)	(18)	(22)	(15)
Europe	1	Too valid	19%	20%	12%	19%	27%
	2	Appropriate	81	80	88	81	73
	3	Too invalid	0	0	0	1	0
		(N=)	(63)	(10)	(17)	(21)	(15)

Q44. Do you think that the operation of the current patent systems in each of the countries contributes to the development

of industry?

	Total	Mech.	Elec.	Chem.	Pharm.
Japan					
1 Greatly contributes	18%	10%	11%	25%	20%
2 Contributes	58	60	50	54	73
3 Not sure	24	30	39	21	7
4 Hinders	0	0	0	0	0
5 Greatly hinders	0	0	0	0	0
(N=)	(67)	(10)	(18)	(24)	(15)
U.S.A.					
1 Greatly contributes	7%	0%	6%	13%	7%
2 Contributes	40	40	17	42	67
3 Not sure	27	20	33	33	13
4 Hinders	24	40	39	13	13
5 Greatly hinders	1	0	6	0	0
(N=)	(67)	(10)	(18)	(24)	(15)
Europe					
1 Greatly contributes	11%	0%	6%	13%	20%
2 Contributes	57	70	35	61	67
3 Not sure	32	30	59	26	13
4 Hinders	0	0	0	0	0
5 Greatly hinders	0	0	0	0	0
(N=)	(65)	(10)	(17)	(23)	(15)

Q45. If there are any areas which you would like improved in patent infringement litigation in the U.S., please describe such below specifically.

Improvement requests	Total	Mech.	Elec.	Chem.	Pharm.
Jury avoidable in patent suits	24*	4*	5*	7*	8*
Simplification of discovery	11	3	2	4	2
To increase burden of proof on plaintiff	1	1	-	-	-
Cost of suits too high	7	2	1	2	2
Use ADR more	1	-	-	-	1
Improvement of ITC (time period, counterclaiming)	2	1	-	1	-
Instability of interpretation of rights (doctrine of equivalents)	3	-	-	2	1
Introduction of invalidity appeal	1	-	-	1	-
Exorbitant compensation	1	-	-	-	1
Triple damage is inappropriate	1	-	-	1	-
Information disclosure	1	-	-	-	1

* = answers

Q46. The patent system of the U.S. has many points which value consideration of the protection of the inventor, and has many unique points when compared with the systems of other countries such as our own. Please list in order of priority those items which you wish to have improved by the WIPO harmonization agreement, GATT and TRIP with regard to the U.S. patent system.

	Total	Mech.	Elec.	Chem.	Pharm.
1 Shift to first-to-file system	2#	2	2	2	1
2 Abolish discrimination of Article 104	4#	5	4	4	3
3 Make period of patent 20 yrs from application (hindrance of realization of submarine patent)	1#	1	1	1	4
4 Introduce unexamined publication system	3#	3	3	3	2

5	Abolish discrimination of Hilmer Rule	5#	4	5	5	5
6	Improvement of re-examination system	6#	6	6	6	6
7	Other (please write concretely)					
	(N=)	(68)	(10)	(19)	(24)	(15)

= priority

Comments in 7.

• Abolish continuation application system.

Method of Calculation

Calculation of the order of priority in each industry and all companies was by means of the following method. First, each placing given by the companies was assigned point values of 6 points for first, 5 points for second, and so on up to 1 point for sixth placing. At this time, where a number of items have the same placing, they are dealt with in the following manner, giving due consideration to the weighing of the number of points assigned that placing. For example, where two items are of the first placing, that which adds up to 6 points for first place and 5 for second place is halved, so that the number of points for first are made 5.5 points (the number of points for next placing are 4 points). In the same manner, where three items place first, the number of points for first place are 5 ((6+5+4)/3). Also, when two items place third, that which adds up to 4 points for third and 3 points for fourth is divided by two so that the number of points for third place becomes 3.5. When two items are first and two items are second, first place becomes (6+5)/2 = 5.5 points and second becomes (4+3)/2 = 3.5 points.

Next, the number of points given the respective items by each company were totalled separately for industries and companies, and first to sixth placings were determined from that having the highest number of points on downward.

Q47. What do you think of the Japan Patent Office recognizing English language applications?

		Total	Mech.	Elec.	Chem.	Pharm.
1	Agreeable	41%	50%	58%	25%	40%
2	No preference	49	40	42	58	47
3	Disagreeable	10	10	0	17	14
	(N=)	(68)	(10)	(19)	(24)	(15)

Comments on 1.

- Where the legal system was originally to be entrusted to a territorial principle, unconditional recognition of English applications is unacceptable. However, it is understood that due to the necessity to compromise with the U.S. in the current system reforms, it cannot be helped.
- It should be obligatory to submit a translation within a fixed period so that the laying-open of the translation can be carried out in Japanese.
- Other languages should also be recognized.

Comments on 2.

- It is thought that there will be no real damage to Japan, therefore if by misjudgment a patent period of 20 years from application is employed in the U.S., then English translations should by all means be recognized.

Comments on 3.

- Content modification accompanying translations cannot be avoided.
- It is too deferential to the U.S.

Q48. According to the GAO report, the number of U.S. companies which feel that overall patent activities (acquisition, use) in Japan are unsatisfactory are more than three times the number of companies which feel unsatisfied with respect to those of Europe and the U.S.; what do you think is the cause for this?

		Total	Mech.	Elec.	Chem.	Pharm.
1	They do not fully understand Japanese patent systems and practice	71%	80%	53%	75%	80%

2	Communication with Japanese representatives is insufficient	44	30	53	25	73
3	The language barrier	44	40	53	25	67
4	U.S. companies do not have enough enthusiasm	22	30	16	17	33
5	Other	12	10	16	8	13
	(N=)	(68)	(10)	(19)	(24)	(15)

Comments in 5.

- Because the past patent system/practice in Japan is inclined towards those favored by the Patent Office, is lacking a stand of openness to the public, and is peculiar from an international point of view.
- Because Japan itself is not fully understood.
- Because the examination period is long.
- Because interpretation of rights is narrow.
- National character of the U.S.
- The examination period and suit period are clearly too long. Are there not many dissatisfactions among Japanese? Improvement of the speed of procedures is preferred. Improvement of patent infringement suits is necessary (partial introduction of discovery system, etc.).
- Because acquirement of rights requires time.

(1) Title:

Procedure for Collecting Evidence and Attorney-Client Privilege in the "Tentative Plan of the Main Principle of an Amendment to Civil Procedure"

(2) Date:

October 19, 1994

(3) Source:

1) Source: PIPA
2) Group: Japan
3) Committee: 4

(4) Authors:

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(5) Key Words:

Code of Civil Procedure, Process of Collecting Evidence, Document Production Order, Attorney-Client Privilege.

(6) Statutory Provisions:

Sections 280, 281, 312, 312, 313, and 314 of the Code of Civil Procedure.

(7) Abstract:

An interim report on amendment work of the Code of Civil Procedure was published last December by the Ministry of Justice under the title of "Tentative Plan of the Main Principle of an Amendment to Civil Procedure" (hereinafter referred to as "Tentative Amendment Plan"). In the report, a forecast and study were made how one would take advantage of the document production order in the procedure for collecting evidence to be enacted by the legislation amendment. We study in this paper, the Proposals A and B for an obligation to the document production order, attorney-client privilege,and resulting the effect in the event that the parties litigant disobey such an order. In addition, we study the attorney-client privilege to pertaining to the document production order, the scope of which has been enlarged, and further study how to treat the attorney-client privilege to communication between Japanese patent attorney and clients in litigation in the United States.

1. Introduction:

The Civil Procedure Section of the legislative council is now going ahead with the amendment work of the Code of Civil Procedure, and the result of the work was temporarily reported in December of 1993 by the Ministry of Justice in the form of "Tentative Plan of the Main Principle of an Amendment to Civil Procedure" (hereinafter referred to as "Tentative Amendment Plan"). At present, the above-mentioned Civil Procedure Section is working to complete the Main Principle of an Amendment to Civil Procedure by this fall.

Tentative Amendment Plan has its framework, improvements of procedure for putting a point at issue in order, an improvement of the procedures for collecting evidence and introduction of the proceeding for a small claims case. Among these issues, we are interested especially in the procedure for collecting evidence. We have attempted to anticipate how the planned amendment to the Code of the Civil Procedure to be in force in a few years will change the procedures for collecting evidence in patent infringement actions and have study possible adjustments.

In this paper, we introduce some potential cases where the document production order system could be used in the procedures for collecting evidence in the Tentative Amendment Plan, and extend our views thereof. Further, we studied possible introduction of Attorney-Client Privilege including that of the rejection to submission of evidence which would be accompanied by building up the procedure for collecting evidence in Japan. In addition, we discuss how should be the amendment of the laws at issue and the secrecy privilege of Japanese patent attorney in connection with their activities in the United States, looking at recent some decisions in case law in the United States in which the secrecy privilege was not applied to the communications between the Japanese patent attorney and its client in the proceeding of the collecting evidence.

2. Use of the Procedures for the Collecting Evidence in accordance with the Tentative Amendment Plan

2-1. Outline of the whole:

Picking out parts relating to the procedure for collecting evidence in the Tentative Amendment Plan, we can find the following points; (1) As to the document production order, (i) Obligation of document production order, (ii) Process of inquiring whether or not an obligation exists to the document production order, (iii) Partial document production order, (iv) Effect in the event that party does not comply with the document production order, (v) Effect in the event that either party interferes the use of the document, and (vi) Sanctions against a third party who does not comply with the document production order, (2) As to the evidence submission order, (i) Obligation to submit the verification material, (ii) Process of inquiring whether or not an obligation exists to the submission of the verification material (i.e., 1. Process of inquiring whether or not an obligation exists to the submission of the verification material, 2. Effect in the event that a party does not comply with the submission order, 3. Effect in the event that a party interferes the use of the verification material, 4. Sanctions against a third party who does not comply with the submission order). The Tentative Amendment Plan further includes such new systems as (3) Reciprocal inquiry system (called tentatively), and (4) for other points, (i) Attorney inquiry system, (ii) Commitment of investigation and document delivery (See, Appendix 1; Extracts from the Tentative Amendment Plan). Next, we study the document production order and explain it by using of hypothetic case study.

2-2. Document Production Order:

(1) A description of the case

We examine below the document production in the civil procedure in accordance with the Tentative Amendment Order by taking up a model case assuming that α Electric Company Limited (as a plaintiff) brings an action against β Industries Co., Ltd. claiming damages on and asking injunction against the defendant's manufacture and sale in Japan of a certain product "Y" (a semiconductor device) on a charge of infringement of the

plaintiff's patent relating to the process of producing said product (crystal growth method).

(See, Appendix 2; a flow chart of petitioning for the document production order).

(2) A petition of the document production order

In this hypothetical case, the plaintiff make a petition before the court that the defendant produce the document owned by the defendant (Section 313 of the Code of Civil Procedure) in order to prove the infringement by the defendant. Following is a sample of such petition:

Damage and Injunction Case
Case No. 1994(wa)/123

Date: July 8, 1994

Plaintiff: α Electric Company Limited.
Defendant: β Industries Co., Ltd.

To: 29th Section of Civil Case, Tokyo District Court.
By: Taro Kono, counsellor for the Plaintiff.

Petition for the Document Production Order

The Plaintiff hereby makes a petition for the Document Production Order in relation with the above case between the above parties.

1. Indication of the document:
(1) The structural drawing, circuit drawing and functional specification drawing of the "Product Y" which have been manufactured and sold by the Defendant.
(2) The design drawing and handling manual of the production apparatus of the "Product Y" which have been manufactured and solf by the Defendant and the list of material of the same, both of which have been used in the manufacture and sale by the Defendant.
(3) The description of the manufacturing process of the "Product Y" which have been manufactured and sold by the Defendant.
2. The gist of the document:
In the document (1) above, a special feature of the manufacturing process of the "Product Y" is to be stated.
In the document (2) above, the details of the production apparatus of the "Product Y" are to be stated.
In the document (3) above, the manufacturing process of the "Product Y" is to be stated.
3. A possessor of the documents: the Defendant.
4. The fact to be proved:
The manufacture of the "Product Y" that the Defendant has been engaged in Japan is within the scope of the claim of Japanese Patent No.xxx,xxx owned by the Plaintiff.
5. The cause of the Defendant's obligation to produce the documents:
Paragraph 3 of Section 312 of the Code of Civil Procedure.

(3) The court judgment on the petition

The court, receiving the petition for the document production order, will pass judgment on the cause of such petition. Such judgment consists of those in two stages, i.e, the first is as to whether or not the taking of evidence is

necessary (Section 314 of the Code of Civil Procedure), and the second is as to whether the document is under the defendant's obligation to be produced (Section 312 of the Code of Civil Procedure). First, on the necessity of the taking of evidence, the judgment will be passed as to whether there is the reasonable relationship in full between "the indication of the document" and "the gist of the document" and "the fact to be proved". In this case, there is room for doubt about the prediction that the circuit drawing and functional specification drawing are fully relevant in order to judge whether the manufacturing process of the "Product Y" is within the scope of the claim of the process patent on semiconductor device. Therefore, there is a probability that the petition for said circuit drawing and functional specification drawing could be rejected.

(4) Obligation to produce the document

Next, the court is to pass judgment on whether petitioned documents are under the defendant's obligation to be produced. On this issue, Plans A and B are now under examination in the Tentative Amendment Plan aiming to enlarge the scope of the obligation to produce documents under Section 312 of the Code of Civil Procedure.

Plan A

The possessor of the documents shall be obligated to produce the referred documents (Paragraph 1 of Section 312) and such documents as possible to deliver or have access to (Paragraph 2 of Section 312), and other documents unless there is no reason similar to that to reject the testimony (Sections 280 and 281).

Plan B

The possessor of the document shall be obliged to produce, in addition to the documents provided in paragraph 1 to 3 of Section 312, such document prepared on the matters bearing close relation with the legal correlation between the person to make a proof and the possessor.

Plan A is based on a principle that all the documents should be produced by making the obligation to produce documents

as a general obligation, similar to that of being a witness. Therefore, according to Plan A, it is presumed that the documents stipulated in the petition in the hypothetic case mentioned above are those under obligation to be produced.

According to Plan B, five types of documents are to be covered by the documents under obligation to be produced, i.e., the documents referred in a suit, the documents related to the right for inspection, the documents made for legal merits, the documents on legal relationship defined in Section 312 of the Code of Civil Procedure, and the additional documents closely related to the legal relationship. We believe that, according to Plan B, the documents stipulated in the petition in this case are not under obligation to be produced. We would like to study this issue in the Paragraph "3. Our view on the Tentative Amendment Plan".

(5) Secrecy Privilege

Further, the court takes the following steps to inquire whether or not the secrecy privilege exists. The court, taking the opinion of the document possessor into account, is to judge whether there is any rightful reason for the possessor to keep the documents at issue secret, namely, the reason falls within any reason for rejecting a testimony (Sections 280 and 281 of the Code of Civil Procedure), privacy (Article 13 of the Constitution), and the trade secret (Subsection 4 of Section 2 of the Unfair Competition Law), and based on the result of such judgment, determine either to make the document production order or to reject the petition for such order. Although Plan B does not obviously involve the exemption clause based on the reason for rejecting a testimony (Sections 280 and 281 of Code of Civil Procedure), we think that such exemption could be analogously applied for Plan B in light of the fact that the exemption has been applied in the same way in the present law in which it is not expressly defined.

When and if a court cannot judge whether or not the secrecy privilege exists only by the possesor's assertion, the court orders the possessor to submit the documents at issue and judges it upon verification of the documents. In such case, either

party, a plaintiff or defendant, may have an objection against such proceedings other than those of a suit, another court consisting of judges other than those of the court of a suit shall determine whether or not the documents at issue have the rightful interest to avoid the court being affected by reading through the submitted documents. Further, such Reporting System was proposed in the Tentative Amendment Plan that, on the stage of such opposition, a court would select and appoint as the inspector, an expert having no interest in the case (i.e. an attorney at law and a patent attorney, etc.), who is to read through the documents at issue, judge the above issue and report the result to the court. To take such illustration in the above-mentioned hypothetic case that the manufacturing process of the "Product Y" involves any know-how, it can be supposed that the defendant would insist that the secrecy privilege on the "design drawing of the production apparatus of the "Product Y" which have been used in the manufacture and sale by the Defendant", claiming it falls under the confidentiality of technology (Paragraph 3, Subsection 1 of Section 281 of the Code of Civil Procedure). Further again, a court can be in a position to order to produce documents only in such part as being under obligation to produce. Therefore, it can be foreseen that the document production order be issued to the exclusion of the part which admitted to be "kept in secret" in judging whether the defendant is under obligation to produce documents.

(6) An effect of no production of documents

As to an effect of non-compliance by the party with the issued order to produce documents (Section 316 of the Code of Civil Procedure), the court may admit to be true not only the petitioner's claim on the document (as provided in the present law), but also the party's claim on the fact that should be proved by the document. Therefore, in such lawsuit as that of this hypothetical case in which the parties contest the patent infringement, a non-compliance with the order to produce documents without a rightful reason would make the court fully admit the plaintiff's assertion and patent infringement. The assertion of petitioner may be admitted to be true by the court,

even in such case that the other party destroy or otherwise make useless the documents under obligation to submit, aiming to with interfere with the other party's use of the documents (Section 317 of the Code of Civil Procedure). According to Section 318 of the Code of Civil Procedure, only a fine is the sanction against third party's non-compliance to produce documents. However, such fine of 100,000 yen in the effective law is now under review so as to raise such amount. Still more, in the notes at the last page of the Tentative Amendment Plan, it is stated that further review is needed to determine whether or not to set up any step to protect secrecy being accompanied with the documents production order.

Additionally, in connection with the above, the Tentative Amendment Plan involves as one of its paragraphs, the "procedure to protect secrecy" in the court record, which we have not address in this paper.

2-3 Reciprocal inquiry System:

Either party at suit may request the other party to reply in writing about necessary points to prepare its assertion or proof during litigation, by sending a letter of inquiry with substantial grace period. This system seems to be set up in light of the interrogatory in the discovery system in the Civil Procedure of the United States. In the Tentative Amendment Plan, there are no sanction against a failure to reply to the letter of inquiry.

3. Our view on the Tentative Amendment Plan

3-1 Obligation to produce documents:

In our view, it is required to select Plan A in order that a court orders a possessor to produce documents in the patent infringement case, because, according to Plan A, all of the documents could be in principle under obligation to produce documents. We think that, according to Plan B, the documents in possession of the parties at suit and the third party are not under obligation to produce in a patent infringement case, because they do not fall within the five types of document

above-illustrated. However, an exception is an account of damage which falls within a document related to the right for inspection under Section 105 of the Patent Law.

In the following, we would like to explain about three types of document having a vague meaning within above-mentioned five types of document, and make it clear that there is no document under obligation to produce in the patent infringement case.

The document made for legal merits shall be interpreted that "it verifies directly a legal standing position of a person giving proof, or it is prepared to confer the basis of any right or title, and the interest in the context of the interest of a person giving proof shall be required to exist when the document was prepared, and shall be the direct interest" (Decision of Tokyo High Court, September 17, 1984). Namely, a contract, receipt and power of attorney fall within such type of document.

The documents on legal relationship are provided in "it is prepared between a person giving proof and a possessor relating to legal correlation" (Paragraph 3, Section 312 of Code of Civil Procedure). This legal correlation is mostly caused by a contract and by the administration of the affairs, the undue profit and the unlawful act. The patent infringement action is relied upon the judgment of whether it constitutes an unlawful act. The plaintiff cannot assert the existence of the legal correlation to the effect that there is any unlawful act between the plaintiff and the defendant, until the infringement of the right which constitutes an unlawful act in the patent infringement shall be established definitely. Therefore, a court cannot issue the document production order on such documents as being kept by the defendant and helpful to prove the infringement of the right on the assumption that said documents have been made in connection with the legal correlation caused by the unlawful act. Hence, the court cannot issue the document production order against the holder of the documents unless otherwise caused, e.g., by any contract.

The documents closely related to the legal relationship,

that is, the documents made about the issue closely related to the legal relationship between the person giving proof and the possessor, enlarge the scope of said documents on legal relationship. Saying about an action for a breach of any obligation under the patent license agreement, the plaintiff and the defendant are in the legal relationship caused by said patent license agreement, and consequently, in our view, the documents retained by the defendant and related to the product would be judged to have been prepared on the issue closely related to said legal relationship. However, normally, there is no relationship between the plaintiff and the defendant in the patent infringement action, and accordingly there is no field with close relation.

Further, in the latest cases on the document made for legal merits and the document on legal relationship, it was found that an internal document made by the possessor for its own exclusive use did not fall within the documents under obligation to produce. Therefore, it is likely that the defendant would make a plea that the document related to the product at issue in the patent infringement case is its own internal document even though it falls within the document types indicated in Plan B.

3-2 <u>An effect of the party's non-compliance to the order:</u>

As an effect of the party's non-compliance to the document production order, the applicable law provides that a court may admit to be true the assertion by the petitioner of the production order on the document (Section 316 of the Code of Civil Procedure). Concretely, the court can only admit to be true the petitioner's assertion on "the gist of the document" in the Petition for the document production order.

A judicial precedent stated that a court could not admit to be true the fact that the petitioner intended to make a proof by the document (the fact requiring a proof) (Decision by Tokyo High Court, September 28, 1956), but thereafter, in another judicial precedent as the latest case, a court admitted to be true the fact that the petitioner intended to make a proof (Decision by Tokyo High Court, October 18, 1979). In addition to

the above, a judicial theory tends to advocate effectively an extensive opinion that the subject for proof ("a fact" to be proved; Paragraph 4 of Section 313 of the Code of Civil Procedure) itself should be admitted to be true in the event that the person giving proof cannot have knowledge of or reasonably presume the concrete content stated in the document.

Putting ourselves on a conventional standpoint, how to write "the gist of the document" would be an important element. However, in our view, the plaintiff might prepare the petition on the assumption that the defendant must have the required document and with intention to search the required evidence and further without concrete knowledge of the existence and content of the document. In this case, as stated in the petition which is shown in paragraph "2-2. Document Production Order", the petitioner has to write the gist based on his presumption. It is difficult in practice for the court to admit such presumed "gist of the document" to be true, and accordingly this provision would become lacking in practical effect.

On the contrary, in the Tentative Amendment Plan, a court may, "when it deems appropriate", admit to be true not only the petitioner's assertion on the document at issue but also the party's assertion on the fact which should be proved by said document. We believe such measure to be practical and necessary in order to secure the performance of the document production order by person giving a proof who has never had access to the document, directly or indirectly. Further, we hope a court to make it a practice that the phrase "when it deems appropriate" means such case as the petitioner is not at the standpoint to be able to know the content of the document and there is no alternative evidence other than the document with important value to make a proof of the fact to be proved, and that a court can admit the fact to be proved to be true.

3-3 Reciprocal inquiry System:

The present law provides that either party litigant may, when it requires to clarify the relation in the action, request the other party an explanation through the court (Subsection 3

of Section 127, Code of Civil Procedure).

However, if either party is able to gain directly from the other party a certain information in order for the party to put its assertion and point at issue in order and prepare making a proof, such parties do not need to wait for the enforcement by the court of the right to seek explanation, and would help to expedite the action. In this point, the introduction of this system is worth expecting.

We place a high value on consideration in this system for the removal an evil such as abuse of the system, that is, the cases are expressly provided in this system where the party cannot make an inquiry, by concretely listing the cases which can be deemed to be an abuse of the inquiry, for example, the case in which unreasonable time and expenses are needed for preparing a reply to the inquiry.

However, in addition to the above, the parties litigant should use this system so that they prevent to make the system a mere shell.

4. Attorney-Client Privilege

4-1 <u>Secrecy privilege in the Tentative Amendment Plan:</u>

Once Plan A of the Obligation is selected or the "legal correlation" as the obligation to produce documents (Section 312 of the Code of Civil Procedure) becomes to be construed widely in Plan B of the obligation in this time, many documents would fall under the obligation to be produced, and consequently it can be foreseen that such document could not be fully protected under the present secrecy privilege (Sections 280 and 281 of the Code of Civil Procedure). For instance, in the event that an expert opinion of an attorney or patent attorney is submitted to the court as an evidence, any document made in relation of details of such opinion could be under obligation to produce. Assuming that in such case the defendant should have consulted with its attorney (or patent attorney) how to cope with it if the court should find the infringement, it is likely that any record of such consultation would become an object under obligation to produce and it would be unfavorable to such party.

We cannot look over such situation, which would destroy the balance of the object of the law, i.e. the possessor's freedom to handle its own documents (freedom to express, proprietary right, copyright, etc.) and the judicial system which seeks the truth. In order to avoid such a situation, it is necessary to set up the protective provision for the evidence being exposed to the danger that the party would unreasonably receive unfavorable treatment. For instance, it would be one of the measure to add the provision to Section 281 of the Code of Civil Procedure to the effect that the content of the communication with attorney (or patent attorney) is protectable.

4-2 Attorney-Client Privilege in the United States of Japanese corporation:

In the civil procedure in the United States, either party litigant is obliged in principle to submit such evidence as required by the other party when either party is required to do so under the discovery system and as far as such requirement is reasonably made. Attorney-Client Privilege is prepared for a plea against such obligation and is subject to the judge's discretion. It is difficult to say in the same level because of difference of the legislative system, there is a sort of the secrecy privilege in Japan as provided in Sections 280 and 281 of the Code of Civil Procedure. However, in lawsuit in the United States, we cannot say that the protection by this secrecy privilege is not fully given to the Japanese corporation. For instance, in ALPEX COMPUTER vs. NINTENDO(1), the secrecy privilege was not given to the letters from Japanese patent attorney to the president of NINTENDO, the memorandums of the patent attorney as the drafts of the above letters and the meeting memorandum of the NINTENDO's executives and the patent attorney. NINTENDO claimed the secrecy privilege relied upon Section 281 of the Code of Civil Procedure, but the U.S. court did not give it, stating that Section 281 of the Code of Civil Procedure is provided for the rejection of testimony and does not cover the document.

Further, in SANTRADE vs. GENERAL ELECTRIC(2), the court,

citing ALPEX case above, found that Section 281 of the Code of Civil Procedure does not contain any provision admitting the secrecy privilege to the document possessed by the customer.

If a Japanese corporation is to be compelled to conform to the decision in such judicial precedents, it becomes necessary to provide in Japanese Code of Civil Procedure any sort of provision to protect these documents. For instance, it is worth considering to put into Section 281 of the Code of Civil Procedure the provision to the effect that such documents are protectable. If such provision had been expressly adopted in the law of Japan, Section 281 above, it would be highly probable that the secrecy privilege was admitted in the above lawsuit.

Further, the translation of "Benrishi" in Japanese into "patent agent" may be one of the reason that the communication and document in which he is concerned have been unreasonably given the unfavorable treatment. In SNEIDER vs. KIMBERLY-CLARK, it was found that the patent agent was not given generally the secrecy privilege. It would be required to make effort to have the U.S. side understood that Japanese patent attorney holds substantially the same position as U.S. attorney. The U.S. corporations, lying the In-House Counsel between court, evade their obligation to produce documents by their secrecy privilege. Therefore, the secrecy privilege should be admitted to the communication made by Japanese Chief of the legal or patent section in a corporation who perform substantially the same duties as the U.S. in-house counsel.

In this respect, there is a judicial precedent(3) in which REMY MARTIN has successful in having the court admit the secrecy privilege on the Chief of Legal Section of Japanese corporation even though he has not obtain a qualification for an attorney. On the other hand, in HONEYWELL vs. MINOLTA CAMERA (4), the employee of MINOLTA was not given the Attorney-Client Privilege. In the deposition, MINOLTA claimed the Attorney-Client Privilege on its employee mentioned above, stating that he is substantially an attorney and had him not reply to some questions. However, the court did not give the employee the Attorney-Client Privilege reasoning that he had not registered

as an attorney both in Japan and in the United States and was not fully qualified to deem him substantially an attorney, although he had attended some seminars relating to the patent. Hereafter, it would be necessary to make effort to have the U.S. side understood so that the Attorney-Client Privilege shall be given to the chief of the legal section of Japanese corporation who has the same duty as U.S. attorney.

5. Conclusion:

As mentioned above, the state of collecting evidence in the patent infringement action varies very much with which plan of the obligation to produce documents is selected, Plan A or B. The coming amendment of the Code of Civil Procedure is expected to include in the amendment of the system which would be closely related to the patent practitioner, such points as the procedure of the reciprocal inquiring system and secret protection system, etc. Our paper in this time contains the introduction only on parts of the Tentative Amendment Plan and cannot entirely cover the issue we have studied because the space forbids. When the amendment is enforced in the future, we would like to study and report it again.

The judicial proceedings referred in this paper was introduced by Yoichiro Yamaguchi (Patent Attorney, Beveridge, DeGrandi, Weilacher & Young). We hereby extend our appreciation.

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(2) SANTRADE LTD. vs. GENERAL ELECTRIC CO., No. 90-107-CIV-7-D April 15, 1993, 27USPQ2d

(3) RENFIELD CORP. vs. E. REMY MARTIN & CO., S.A. Cite as 98 F.R.D. 442(1982)

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MATERIAL 1:

"Tentative Amendment Plan of the Civil Procedure"
Counsellors Office, Civil Affairs Bureau of the Ministry of Justice 12-20-1993

Index:

11. Special rule for the judicial proceedings in summary courts

12. Judicial proceedings for a small claims case

13. Appeal

(1) Intermediate appeal

(2) Final appeal

(3) Complaint

(4) Appeal system to the supreme court

14. Review

15. Pressing procedure

16. International Civil Procedure

17. Others

(1) Special rule for suit for bill and check

(2) Judicial Committee Member

(3) Mediation

(4) Relief of the third party brought the effect of decision of personal suit

(5) Others

[omission]

5. Evidence

1. Procedures for collecting evidence

(1) Document Production Order

1) Obligation to produce document

(Plan A) A possessor of the document shall be obliged to produce the cited documents (paragraph 1 of Section 312) and such documents as possible to request the delivery or access to (paragraph 2 of Section 312) and other documents unless there is no reason similar to that to reject the testimony (Sections 280 and 281).

(Plan B) The possessor of the document shall be obliged to produce, in addition to the documents provided in paragraph 1 to 3 of Section 312, such document prepared on the matters bearing close relation with the legal correlation between the person to make a proof and the possessor.

2) Proceeding to examine whether or not an obligation to produce documents exists

A court, when required to judge whether the documents have any rightful interests to keep secret as the privacy or trade secret in the proceeding to examine whether an obligation to produce documents exists or not, may order the possessor to submit them to the court. However, the parties litigant cannot have access to such documents. In the event that either party litigant has an objection against such proceedings taken by a court of a suit, another court consisting of judges other than those of the court of a suit shall determine whether the documents at issue have the rightful interest or not.

[Note]

Further study is requested whether to set up the inspector system : i.e., under which, a court may select and appoint as an inspector (called so tentatively), an expert such as an attorney or patent agent having no interest in the case, and such inspector, after reading through the documents, is to report to the court its judgment as to whether the documents have the rightful interest to keep secret.

3) Order to produce a part of document:

As to the document containing a part without obligation to produce or being admitted to be unnecessary, a court may order to produce such document after eliminated said part.

4) An effect of no production of document(Section 316)

Should either party not comply with the issued order to produce documents, the court may, when it deems appropriate, admit to be true not only the petitioner's claim on the document but also the party's claim on the fact that should be proved by the document.

5) An effect of either party's interference to use the document

Should either party destroy or otherwise make useless the document under obligation to submit, aiming to interfere the other party's use of the document, the court may, when it deems appropriate, admit to be true not only the petitioner's claim on the document but also the party's claim on the fact that should be proved by the document.

6) Sanction against the third party's non-compliance to the

order to produce document

An amount of a fine against the third party who does not comply to the order to produce document shall be raised.

[Note]

Further study will be made as to whether any kind of measure to protect secrecy accompanied by the Document Production Order shall be set up, together with paragraph 4 "Proceedings to protect secrecy".

2. Evidence submission order

(1) Obligation to submit the verification material

Anyone who possesses the object matter to be examined shall not reject to submit such object to the court unless there is reason similar to that to reject the testimony (Sections 280 and 281).

(2) Proceeding to examine whether or not an obligation to submit the verification material exist

1. Proceeding to examine whether or not an obligation to submit the verification material exist
2. An effect of the party's non-compliance to the submission order
3. An effect of the party's interference to use the verification material
4. Sanction against the third party's non-compliance to the submission order

[Note]

Further study will be made as to whether any kind of measure to protect secrecy accompanied by the order to submit the verification material shall be set up, together with paragraph 4 "Proceedings to protect secrecy".

3. Reciprocal inquiry system (called so tentatively)

Either party litigant may request the other party to reply in writing about necessary points to prepare its assertion or proof during litigation, by sending a letter of inquiry (called so tentatively) with substantial grace period, provided that the parties shall not make the inquiry which is;

1) not concrete and particular
2) offers the other party an insult or perplexity
3) is an overlap on the past inquiry
4) seeks the other party's opinion
5) the other party requires unreasonably much time and expense to reply
6) relates to the fact with reason similar to the reason to reject the testimony (Sections 280 and 281)

[Note]

This system shall not be accompanied by the sanction

4. Others

(1) With respect to the inquiry from the Lawyers Association (Section 28-2 of the Lawyers Law), the parties may request to receive an original or copy of the document in addition to the report on the required matter, provided that the parties cannot request such original or copy under another law or regulation.

[Note]

Further examination shall be made as to whether the parties can make an inquiry to the medical doctors or Certified Public Accountants and other qualified individuals, in addition to the public office and private or public body.

(2) The commitment of inspection (Section 262) and commitment to deliver document(Section 319) shall be made by the court clerk based on the court decision.

[Note]

Further examination shall be made as to whether the similar handling shall be applied to another commitment by a court based on other rule or regulation.

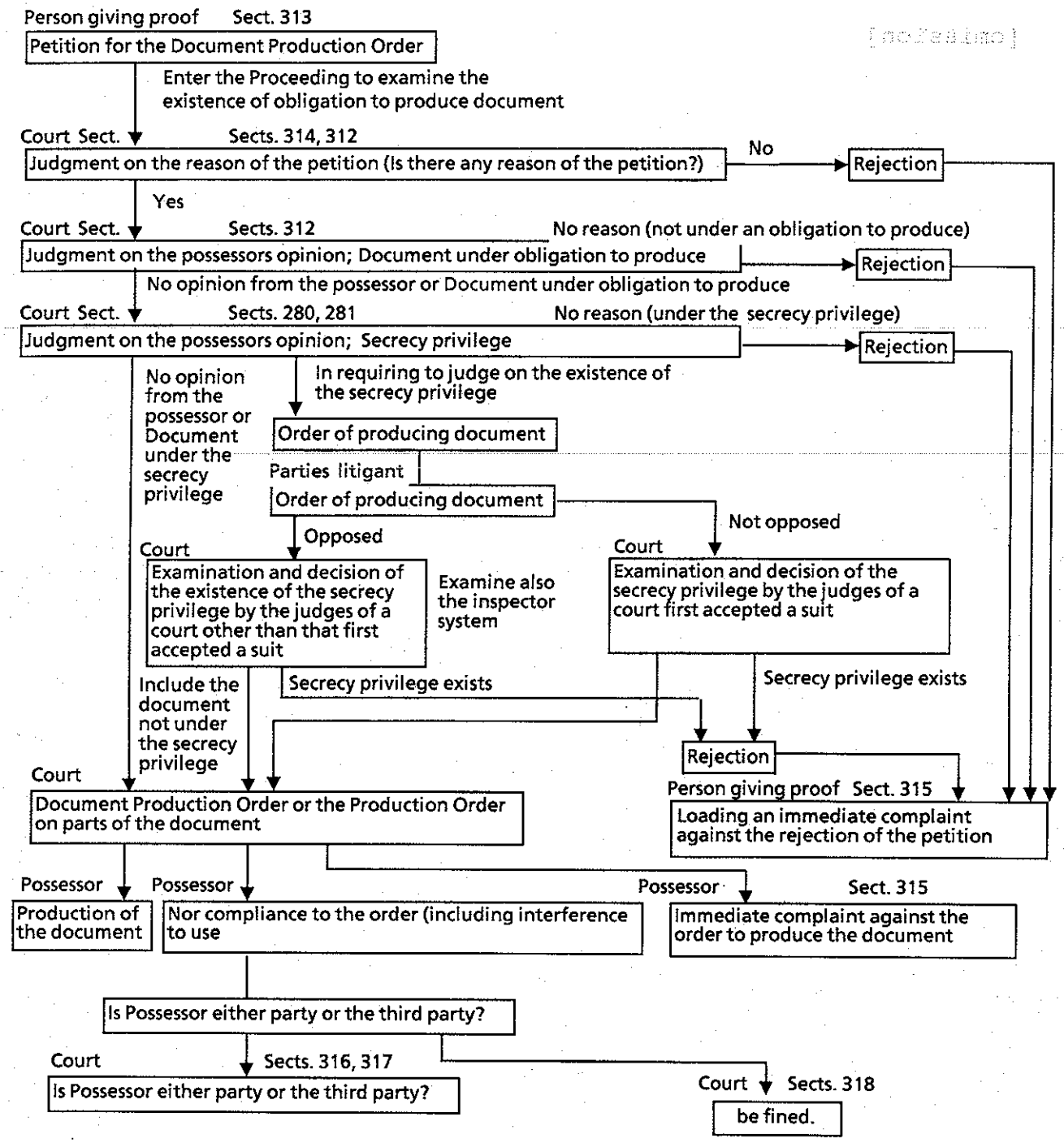
[Note]

Relating to the procedure for collecting evidence] Further examination shall be made as to whether or not to set up the Disclosure System of the information necessary to specify the document premised on filing the petition of the document production order, and if set up it, a continued examination shall be made as to the requirement for and scope of such disclosure and as to how to set an effect in case of

no-compliance.

[omission]

Material 2 Handing Flow-chart of the Petition for the Document Production Instruction



PACIFIC INTELLECTUAL PROPERTY ASSOCIATION
HAMAMATSU CONGRESS - OCTOBER 1994
COMMITTEE #4

NEW AMENDMENTS TO THE FEDERAL RULES OF CIVIL PROCEDURE*

On December 1, 1993, the new amendments to the Federal Rules of Civil Procedure went into effect despite opposition from many groups, scholars, and practitioners.[1] The amendments, which were formulated by the Judicial Conference of the United States, were transmitted to Congress by the Supreme Court on April 22, 1993. Justices Scalia and Thomas dissented from the changes to Rule 26 (discovery) and Justices Scalia, Thomas, and Souter dissented from the changes to Rule 11 (sanctions). It was thought that Congress would pass legislation to block the some of the revisions, however, the Senate failed to take the required action before its holiday recess. It is now highly unlikely that any action will be taken to change the rules that have now gone into effect.[2]

The most controversial changes are those to the discovery rules. Amended Rule 26 provides for very early automatic disclosure of relevant information.[3] Whereas before litigants had to actively seek information using the traditional methods of discovery, today, "litigants seeking information need do nothing but wait for it."[4] Other important changes have been made to the rules regarding service of process and the rules on sanctions.

These changes will significantly impact all areas of federal practice including the practice of intellectual property law. The following is an outline of substantial amendments, however, the practitioner is cautioned to consult local rules as these rules will most likely affect application of the federal rules.

Rule 1 - Scope and *Purpose* of Rules

Rule 1 is amended to provide that the Rules "shall be construed *and administered* to secure the just, speedy, and inexpensive determination of every

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*Ben C. Cadenheadand C.P.Schmidt, Exxon Chemical Company

[1]Opposing groups include The American Bar Association, the Clinton administration, and the House of Representatives.

[2]Randall Samborn, *Rules for Discovery Uncertain*, NAT'L L. J. DEC. 20, 1993 at 1.

[3]Federal Rule of Civil Procedure ("FRCP") 26(a)(1). (All quotations of the FRCP and Advisory Committee's Notes are derived from FOUNDATION PRESS, FEDERAL RULES OF CIVIL PROCEDURE 1994 AND SELECTED OTHER PROCEDURAL PROVISIONS, 1994.)

[4]John C. Koski, *Mandatory Disclosure*, ABA J. Feb. 1994 at 85.

action."[5] According to the Advisory Committee's Note (hereinafter "Note"), the purpose of this revision is to recognize the court's affirmative duty to ensure efficient civil litigation.

Rule 4 - *Summons*

Rule 4 has been extensively amended and reorganized. The purpose and effect of these revisions is to facilitate the service of the summons and complaint and broaden personal jurisdiction. There are five key changes.

1. New Rule 4(d) encourages the defendant[6] to waive formal personal service and accept notice of a pending action by mail or "other reliable means."[7] Under the new rule, the plaintiff sends to the defendant notice of the pending suit (with the complaint and other standard information) and a request for waiver of service of summons. The defendant then has at least 30 days to return the waiver if the defendant is within the United States. If the defendant is outside of the United States, then the defendant has 60 days to return the waiver. A defendant located within the United States who fails to return the waiver is assessed the costs of subsequent formal service unless good cause for failure to waive is shown. The new rule explicitly states that waiver of formal service does not constitute waiver of objection to jurisdiction or venue. Defendants who timely waive are rewarded with 60 days to answer if they are domestic and a whopping 90 to answer if they are foreign rather than the 20 days provided for in Rule 12.

Paragraph 4 of Rule 4(d) states that the date of service is the date that the returned waiver is filed by the plaintiff or the date formal service is effected. Thus the statute of limitations is not tolled until either of these two events takes place and unless there is ample time under the statute of limitations, the plaintiff should use formal methods of service. Formal service should also be used if the 120 day time period for service provided under subdivision (m) of Rule 4 would expire before the defendant would be expected to return the waiver.

2. The Rules now authorize the use of any means of formal service provided by the law of the forum state or the state or country in which the defendant is served unless the defendant is a minor or incompetent in which case the law of the forum state controls. New Subdivisions 4(e) and 4(f) together provide for service of anyone anywhere subject to minimal statutory and

[5]FRCP Rule 1.

[6]Does not apply to the United States Government or its agencies or officers and does not apply to foreign, state, or local governments.

[7]The Note explicitly exemplifies as reliable means private messenger services and electronic transmission such as fax.

constitutional constraints. Gone are former subdivisions (e) and (f) which had respectively restricted formal service on parties not found within the state and had restricted the authority of the federal process server.

New Subdivision 4(f) no longer requires state or federal authorization in order to effect formal service outside of the United States. Now formal service abroad is limited only by federal law, the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents if applicable, other applicable international agreement, and the law of the foreign country.

3. It is now easier to bring an action against the United States (Government) thanks to subdivision 4(i) which provides for service of summons on the United States (Government). Waiver may not be requested but failure to comply with the mandatory complex multiple service requirements is no longer likely to lead to the loss of substantive rights. Amended Rule 4 now requires the court to allow a reasonable time to cure service if the plaintiff failed to serve all required parties as long as the plaintiff managed to serve either the Attorney General of the United States or the United States attorney.

4. New subdivision 4(k) retains in substance old subdivision 4(k) which provided for exercise of personal jurisdiction pursuant to the forum state long arm statute. The amendment now corrects a former gap in enforcement of federal law by providing for personal jurisdiction over any defendant to a claim arising under any federal law even if the defendant has insufficient contact to qualify under the state long arm statute. Personal jurisdiction is limited in this instance by the Fifth Amendment's requirement of affiliating contacts with the United States and its constraints on forum selection.[8]

Rule 4.1 - Service of Other Process

Rule 4.1 is a new rule which separates from the other service provisions those bearing on civil and criminal contempt sanctions. The effect of the rule is to provide a choice of civil or criminal contempt sanctions and to allow for enforcement against a contemnor wherever that person may be found.

[8]The selection of forum by the plaintiff must not be so inconvenient as to deny the defendant "fair play and substantial justice." Advisory Committee's Notes citing DeJames v. Magnificent Carriers, 654 F.2d 280, 286 n.3 (3rd Cir.), *cert denied*, 454 U.S. 1085 (1981).

Rule 5 - Service and Filing of Pleadings and Other Papers

This rule is amended only to expand the provision for filing of court papers by facsimile "or other electronic means"[9] if such means are authorized.

Rule 11 - Signing of Pleadings, Motions, and Other Papers; *Representations to Court*; Sanctions

Rule 11 is extensively modified. The purpose of these modifications according to the Note is twofold and appears paradoxical. The revisions expand the duty of attorneys and litigants to refrain from harassment, frivolous action and/or argument, and behavior designed to cause delay. While the former rule generally referred to this obligation, the new rule is more explicit. At the same time, the revisions are designed to limit the impositions of sanctions. The former rule required the court to impose sanctions upon motion if the court found that a party was in violation of this rule. The revised rule allows the court to impose sanctions subject to certain conditions after an alleged violator is given notice and a reasonable opportunity to respond.

Under both the old and new rule, the parties had a duty not to file frivolous suits, however, under the new rule, frivolity is measured using an objective standard rather than the former subjective standard. A reasonable inquiry is required now as it was before but a "good faith argument for the extension, modification, or reversal of existing law" is no longer enough. Now the argument must be "nonfrivolous." The rule also now requires evidentiary support or the expectation of evidentiary support for factual contentions and denials.

In order to impose sanctions under the revised rule, a separate motion must be filed or the court can impose sanctions on its own initiative after providing a hearing. Once the decision to impose sanctions is made, the new rule explicitly states that nonmonetary sanctions may be used such as the striking of pleadings. The sanction must be limited to that necessary to deter repetition. The rule further provides that if the sanction is monetary it should ordinarily be paid to the court unless payment to the opposing party is necessary for effective deterrence in which case the court can order the payment of attorney's fees.

Also significant is the new rule's "safe harbor" provision. Upon motion, sanctions may only be imposed if the offending claim, paper, allegation etc. is not withdrawn after the expiration of 21 days after service of the motion.

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[9]FRCP Rule 5.

Rule 12 - Defenses and Objections--When and How Presented--By Pleading or Motion--Motion for Judgment on the Pleadings

Rule 15 - Amended and Supplemental Pleadings

Rules 12 and 15 are amended to reflect the changes to Rule 4.

Rule 16 - Pretrial Conferences; Scheduling; Management

Like the former rule, the revised Rule 16 authorizes pretrial conferences and scheduling orders. The revised rule, however, requires a scheduling order after receipt of a discovery plan under Rule 26(f)[10] or within 90 days after the appearance of the defendant and within 120 days after the complaint has been served. The former rule allowed only 120 days after filing of the complaint which meant that some defendants in multi-party cases were not able to participate in the scheduling conference.

Subdivision 16(c) is modified in the preamble to reflect that the trial judge has the power to enter scheduling orders over the objection of either party. In addition, subdivision 16(c) is modified to clarify and expand the issues for consideration at a pretrial conference so that potential disputes can be dealt with early and so that pretrial events and the trial can proceed as efficiently as possible.

Rule 26 - General Provisions Governing Discovery; *Duty of Disclosure*

The modifications to Rule 26 are among the most extensive and controversial. The revised rule basically requires each party, regardless of request, to disclose all "information relevant to disputed facts alleged with particularity."[11] The purpose of the revised rule according to the Note is to decrease the costs of discovery and accelerate the process of litigation. Many opponents to the changes, however, have expressed concern that amended Rule 26 would "cause greater court involvement, increased costs and abuses, and place an excessive strain on the attorney-client relationship."[12] Unfortunately, it is as yet unknown what economic effect these changes will have since such rules have never been tested experimentally.[13]

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[10]See page 7 *infra*.
[11]FRCP Rule 26(a).
[12]Judge David Hittner, *The Federal Rules of Civil Procedure: New Amendments*, 31 FEB. HOUS. LAW. 24 (1994).
[13]Kimberly A. Brown, *Changing the Rules*, 15 PA. L. 21, 1 (Nov. 1993).

Under the revised rule there are three types of disclosure: initial disclosure, disclosure of expert testimony, and pretrial disclosure.

Initial Disclosure

Rule 26(a) is completely new. This provision burdens each party with the duty to disclose regardless of request (A) "the name and, if known, the address and telephone number of each individual likely to have discoverable information relevant to disputed facts alleged with particularity in the pleadings, identifying the subjects of the information;"[14] (B) "a copy of, or a description by category and location of, all documents, data compilations, and tangible things in the possession, custody, or control of the party that are relevant to disputed facts alleged with particularity in the pleadings;"[15] (C) "a computation of any category for damages claimed by the disclosing party, making available for inspection and copying as under Rule 34 the documents or other evidentiary material, not privileged or protected from disclosure, on which such computation is based, including materials bearing on the nature and extent of injuries suffered; and"[16] (D) "for inspection and copying as under Rule 34 regarding any insurance agreement".[17]

These disclosures must be made within 10 days after a discovery conference which under Rule 26(f) must be held at least 14 days before the scheduling conference required under Rule 16(b). The disclosures must be based on information then reasonably available to the party and a party is not excused from such disclosures because investigations have not been completed or because the other party has failed to disclose in some manner.

Parts A and B are particularly troublesome because the duty to disclose depends in part on what information is "relevant information" and what facts have been "alleged with particularity." Justice Scalia noted in his dissent that such provisions would likely spawn satellite litigation "about what is 'relevant to' disputed facts, whether those facts have been alleged with sufficient particularity, whether the opposing side has adequately disclosed the required information, and whether it has fulfilled its continuing obligation to supplement disclosure."[18] Failure to disclose as required by Rule 26(a) may result in sanctions under Rule 37(c) including being prohibited to use at trial the information not disclosed properly as well as monetary sanctions. Thus, this

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[14]FRCP 26(a)(1)(A).
[15]*Id.*
[16]*Id.*
[17]*Id.*
[18]Amendments to the Federal Rules of Civil Procedure, 61 U.S.L.W. 4365, 4393-4394 (April 27, 1993) (Scalia, J. dissenting, joined by Thomas and Souter, JJ.).

provision may not only encourage discovery disputes but overdisclosure which would also inflate rather than reduce the costs of litigation.

Although the purpose of the discovery amendments are to reduce "what is widely perceived as a wasteful expenditure of time and resources in the discovery process,"[19] the early timing of the automatic disclosure may have the opposite effect. Particularly in cases involving scientific technology, there will be literally thousands of potentially relevant documents which will have to be marshaled early in the action often before a thorough investigation can be performed. Consequently, litigants may be "automatically inundated with endless boxes of documents of negligible significance."[20]

Not only are the economic effects of these amendments uncertain, but the amendment also places a potential strain "upon lawyers' ethical duty to represent their clients and not to assist the opposing side."[21] Justice Scalia recognized the ethical dilemma in requiring a lawyer to "use his professional skills in the service of the adversary."[22]

The Note itself recognizes a potential conflict of purpose and effect under this initial disclosure provision. The Note states, "Broad, vague, and conclusory allegations sometimes tolerated in notice pleading--for example, the assertion that a product with many component parts is defective in some unspecified manner--should not impose upon responding parties the obligation at that point to search for and identify all persons possibly involved in, or all documents affecting, the design, manufacture, and assembly of the product. The greater the specificity and clarity of the allegations in the pleadings, the more complete should be the listing of potential witnesses and types of documentary evidence." Thus, there is an obvious potential incentive to plead as vaguely as possible. The Note concludes in this respect that "the litigants should not indulge in gamesmanship with respect to the disclosure obligations."

Disclosure of Expert Testimony

The second part of Rule 26(a) deals with the disclosure of expert testimony. Under this rule, parties must disclose the identity of experts who may be used at trial and for those experts retained or specially employed to provide expert testimony, the disclosure must be accompanied by a written

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[19]Robert P. Taylor & Deborah M. Lerner, *Proposed Amendments to Rules 16, 26, 30, 31, and 33 of the Federal Rules of Civil Procedure*, C842 ALI - ABA 1, 1 (Oct. 14, 1993).
[20]John C. Koski, *Mandatory Disclosure*, ABA J. Feb. 1994 at 87.
[21]Amendments to the Federal Rules of Civil Procedure, 61 U.S.L.W. 4365, 4393-4394 (April 27, 1993) (Scalia, J. dissenting, joined by Thomas and Souter, JJ.).
[22]*Id.*

report detailing the expert's opinions, the basis for those opinions, the expert's qualifications, a list of all publications authored by the witness within the preceding ten years, the compensation to be paid the expert, and a list of any other cases in which the expert witness has testified at trial or by deposition within the preceding four years. The timing of these disclosures is generally set by the court but must be at least 90 days before trial.[23] A party who fails to disclose an expert under this rule will not be allowed to present that expert's testimony at trial.[24]

One of the major purposes of this provision is to reduce the need for expert depositions. Apparently, however, this rule also requires parties to disclose extensive information concerning an expert's opinions before a party finally decides to use that expert at trial. This again might add cost. Overall, though, this provision regarding disclosure of experts and their opinions does not vary greatly from current rules and practice.

Pretrial Disclosures

Revised Rule 26(3) requires each party, regardless of request, to disclose certain "information regarding the evidence that it may present at trial other than solely for impeachment purposes." The timing for this disclosure is at least 30 days before trial unless otherwise directed by the court. These disclosures include (A) a list of witnesses identifying those whom the party expects to call at trial and those whom the party may call at trial if the need arises; (B) a designation of witnesses whose deposition testimony is expected to be used at trial; and (C) a list of each document or exhibit, including summaries of other evidence, separately identifying items which the party expects to offer and items which the party may offer if the need arises. Again, the penalty for failing to properly disclose under this section is set out in Rule 37 (c) and includes monetary sanctions and/or exclusion of evidence.

Miscellaneous Matters

Subdivision (b) of Rule 26 is revised in several respects but for the most part preserves existing practice. This subdivision deals with the scope and limits of discovery. The amendments are intended to clarify the court's power to limit and tailor the extent of discovery.

Subdivision 26(b)(5) is entirely new and addresses claims of privilege. This provision requires a party claiming privilege to describe the information

[23]FRCP 26(a)(2)(c).
[24]FRCP 37(c)(1).

sought "in a manner that, without revealing information itself privileged or protected, will enable other parties to assess the applicability of the privilege or protection."[25] It is unclear how this provision will change current practice if at all. Most local rules require that the party claiming privilege provide some identification in order to allow the other party and the court to evaluate the applicability of the privilege claimed. The Note indicates that a party who fails to comply with this procedure may waive the claim of privilege or work product protection.

Subdivision 26(c) concerns protective orders and contains the new provision that in order to obtain a protective order, the complaining party must certify that the parties have conferred or attempted to confer to resolve the dispute informally.

Subdivision 26(d) addresses the timing of discovery and now prohibits formal discovery until the parties have conferred as required by subdivision (f).

Subdivision 26(e) concerns supplementation of discovery and is revised to encompass the new discovery provisions.

Subdivision 26(f) is revised to provide that the parties must meet "at least 14 days before a scheduling conference is held or a scheduling order is due under Rule 16(b)."[26] At this meeting, the parties are to discuss the possibility of settlement and the extent and timing of discovery and the parties must develop a proposed discovery plan.

Rule 28 - Persons Before Whom Depositions May Be Taken

Revised Rule 28 now provides for depositions in foreign countries pursuant to treaty, convention, or letter of request. According to the Note, the intent of the revision is "to make effective use of the Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters" and similar treaties.

Rule 29 - Stipulations Regarding Discovery Procedure

Ironically, the revisions to Rule 29 provide greater flexibility in modifying discovery procedures. Under the revised rule, the parties may modify discovery procedures by stipulation except regarding the times for response under Rules 33 (interrogatories), 34 (requests for production), and 36 (requests for admission), which require court approval for time limit modification.

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[25]FRCP Rule 26(b)(5).
[26]FRCP Rule 26(f).

Rule 30 - Depositions Upon Oral Examination

Rule 30 is extensively revised. Subdivision 30(a) now provides that a party must obtain leave of court if ten or more depositions have already been taken by the party or if the deposition is of someone who has already been deposed.

Subdivision 30(b) now allows a party to record depositions by nonstenographic means (such as by videotape) without obtaining court permission. The other party may at their own expense arrange for stenographic recording.

Subdivision 30(c) addresses examination and cross-examination. Under both the former rule and revised rule, examination and cross-examination are conducted "as permitted at trial under the provisions of the Federal Rules of Evidence."[27] The revision excepts Rules 103 and 615. FRE Rule 103 concerns the courts rulings on evidentiary matters. FRE Rule 615 concerns exclusion of witnesses so that they cannot hear the testimony of other witnesses. The exclusion of other potential deponents from a deposition may be achieved through the procedures for a protective order.

Subdivision 30(d) is concerned with the form of objections made by counsel during a deposition as well as the scheduling of and duration of depositions. Paragraph (1) provides that objections must be non-argumentative, concise and non suggestive. Paragraph (2) provides that the court may set a time limit for depositions. The purpose of this provision according to the Note is to encourage more efficient depositions by prohibiting "lengthy objections and colloquy...."

Subdivision 30(e) addresses the difficulties reporters frequently have in obtaining signatures and return of depositions. The Rule now provides that pre-filing review is required only if requested before the deposition is completed and then the deponent has a maximum of 30 days to make changes.

Rule 32 - Use of Depositions in Court Proceedings

This rule now contains the provisions formerly contained in the second paragraph of Rule 30(b)(2) which provides that when depositions are (1) taken before the prescheduling conference meeting under Rule 26(d) or (f); and (2)

[27]FRCP Rule 30(c).

without leave of court because the deponent is expected to leave the country, they cannot be used against a party who was not able to attend despite the use of due diligence. There is also a provision prohibiting the use of a deposition against a party who received less than 11 days notice and who filed a motion for a protective order.

Rule 33 - Interrogatories to Parties.

Rule 33 is amended in subdivision (a) to limit interrogatories to 25 "including all discrete subparts."[28] The former rule did not place a limit on the number of interrogatories. The Note suggests that since much of discovery will take place under the new early disclosure provisions, there will be less need to use interrogatories. The Rule provides that the court may grant permission to serve more interrogatories "to the extent consistent with Rule 26(b)(2)."[29]

Rule 37 - Failure to Make *Disclosure* or Cooperate in Discovery: Sanctions

Rule 37 is revised in subdivision (a) to provide recourse if a party fails to make the disclosures required under Rule 26(a) or fails to respond to other discovery requests such as interrogatories. The new rule states that a party may compel disclosure. The motion must certify that an attempt to resolve the dispute informally without court action has been attempted. When a party responds to a discovery request with an evasive or incomplete answer or disclosure, that response is treated as a failure to disclose, answer or respond.

Under subdivision (c), there is an automatic sanction for failure without "substantial justification" to disclose information under Rule 26(a) (initial disclosure) or Rule 26(e)(1) (supplementation of discovery). Unless the failure is harmless, the party failing to disclose will not be permitted to use as evidence at trial that information not disclosed. The court may impose monetary sanctions instead of the above sanctions or in addition to the above sanctions.

Subdivision (d) addresses failure of a party to attend depositions or serve answers to discovery requests. This subdivision is revised to require that in all motions specifying failure to disclose the moveant must certify that an attempt has been made to confer with the opposing party in an effort to obtain the requested answer or response.

[28]FRCP Rule 33(a).
[29]*Id.*

Rule 54 - Judgment; Costs

The revision to this rule provides a new provision for awarding attorneys' fees. Subdivision (A) requires claims for attorneys' fees to be made by motion unless the law governing the action provides for the recovery of attorneys' fees as an element of damages.

Subdivision (B) requires the motion to be filed no later than 14 days after entry of judgment. The Note states that the filing of a motion for attorneys' fees does not affect the finality of the judgment except that it may suspend finality as required for resolution of the motion. The Note also explains that if an appeal is taken, the court may either rule on the motion or defer its ruling and direct a new period for filing the motion after the appeal has been resolved. Also, a notice of appeal does not affect the time for filing a motion for attorneys' fees but a new time period does begin automatically if a new judgment is entered by either the appellate court or the trial court.

Evidence supporting the amount of attorneys' fees requested is not required at the time of filing but must be submitted according to whatever schedule the court adopts. The rule only requires a fair estimate of amount of attorneys' fees at the time of filing.

Subdivision (C) requires an evidentiary hearing if a party requests one. The court has the discretion to set a timetable with respect to the hearing as indicated by each case.

Subdivision (D) expressly allows the court to adopt local rules for the prompt resolution of issues relating to an award of attorneys' fees. This subdivision also provides that the court may refer issues relating to amount of attorneys' fees to a master under Rule 53 or, alternatively, the court may refer the entire motion to a magistrate under Rule 72(b) as if the motion were a dispositive pretrial matter.

Rule 58 - Entry of Judgment

The revisions to Rule 58 concern attorneys' fees. The revision authorizes the court to delay entry of final judgment so that it may decide the motion for attorneys' fees but the court must enter an order before the notice of appeal becomes effective for appellate purposes. The effect of this and the preceding rule is that the court may defer judgment on the motion for attorneys' fees or enter judgment on the motion in which case the appellate court can hear issues

relating to the award of attorneys' fees at the same time as issues relating to the merits of the case.

It is important to note that the applicability of these rules may be drastically affected by local rules. In some cases, courts have opted out entirely from rules such as Rule 26 (early disclosure) and Rules 30 and 33 (depositions and interrogatories). Many districts, for example, have chosen not to implement Rule 26(a)(1) requiring initial disclosure of information. Very few districts have adopted the rules entirely. Thus, practitioners are cautioned to consult the local rules in each case.

(1) Title:

INVESTIGATION INTO WARNINGS IN JAPAN

(2) Date:

October 1994 (25th International Meeting at Hamamatsu)

(3) Source:

1) Source: PIPA
2) Group: Japan
3) Committee: 4

(4) Authors:

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(5) Keywords:

warning, patent right, right to provisional (preliminary) protection, right to claim compensation, utility model right, no-fault compensation liability

(6) Statutory Provisions:

Article 52, paragraph 4 and Article 65(3) of the Patent Law of Japan; Article 29(2) and Article 29(3) of the Utility Model Law of Japan

(7) Abstract:

In the patent disputes which have been occurring frequently in recent years it has become usual to issue a written warning as a step prior to litigation. Moreover, the warning is being used by businesses not only as precautionary notice of litigation but also with various other objects, such as obtaining a voluntary suspension of a party's infringing activity and as a means for offering a license.

However, because the content and form of a warning can make it constitute an infringement of the trade rights of the other party being warned, and can make it impossible to fully exploit the effect of the intended warning, a detailed study is necessary.

In view of this, for this article we carried out a questionnaire survey of member companies of the PIPA Japan Group to investigate how warnings are actually being used and also studied such matters as the legal significance of warnings and points to which attention should be paid in preparing warnings in Japan.

CONTENTS

1. Introduction

Recently, there have been many disputes concerning intellectual property rights, especially disputes over patents. In patent disputes it is very rare that the patent rights ower or the exclusive licensee immediately goes straight to litigation, and usually a warning, most usually a written warning, is given first.

In recent years, businesses have utilized the warning not only as precautionary notice of infringement litigation but also as a means for obtaining a voluntary suspension of an infringing activity, for seeking a settlement by a negotiation or for offering a license. Thus, warnings have occupied an important position in businesses' activities relating to intellectual property rights.

However, in sending a warning, depending on its form and content it can constitute an infringement of trade rights or a violation of the Prevention of Unfair Competition Act and there is a danger of it incurring liability for damage compensation, and also there are many cases where warnings do not satisfactorily achieve their objectives, and therefore to fully exploit the effect of a warning it is necessary to consider its content and form in detail.

In this connection we carried out a questionnaire survey of member companies of the PIPA Japan Group to investigate how warnings are actually being used and also studied such matters as the legal significance of warnings and points to which attention should be paid in preparing warnings in Japan, separately for patent rights (or rights to preliminary protection based on publication of an examined application); rights to claim compensation; and rights to utility models registered without being examined. In this article we report the findings of this survey and study.

2. Current State of the Utilization of Warnings (Analysis of the Results of the Questionnaire)

2.1 Summary of the Survey.

Questionnaires (Appendix 1) were sent to 85 member companies

of the Japanese Group of the PIPA (June 1994) and responses were received from 68 of them (10 mechanical/metal companies; 16 electric appliances companies; 40 chemical companies; and 2 other companies) (Fig. 1).

The replies to each of the questions were totalized for all the companies and also for each class of the companies and are given in Appendix 2 while the results of the totalization for all the companies is given in Figs. 1-13.

2.2 Survey Results and Analysis.

2.2.1 Object of Sending Warnings (Q2 and Q8).

Replies were asked for on the object of sending warnings based on Japanese patents (including applications) and U. S. patents.

The results were that, with respect to the Japanese patents, the objects of sending warnings were, in order of the number of companies specifying them in response to a question allowing multiple answers, (e) settlement by negotiation (55 companies), (c) voluntary suspension of an infringing activity by the other party (46 companies) and (b) to offer a license to the infringer (35 companies), and in order of the number of companies giving them the highest prioritization, (c) (26 companies), (e) (22 companies) and (b) 12 companies. (Fig. 2).

By industry, as many as 22 out of a total of 40 chemical companies prioritized (c) the highest, while among the electrical appliance companies only 2 did so and instead many (6 out of 16) gave (b) (offering a license) the highest prioritization.

With respect to objects of warnings based on United States patents, in order the number of companies specifying them they were (e) settlement by negotiation, (b) license offer and (a) voluntary suspension of an infringement by the other party to a question allowing multiple answers. In terms of the number of times they received the highest prioritization, (a) (21 companies) and (e) (19 companies) were by far the most common objects. By industry, whereas there were many chemical companies having the object (a), many electric appliances companies specified (e), settlement by negotiation.

2.2.2 Number of Cases with respect to which Warnings were Sent (Q3(1) and Q9(1)).

Then replies were asked for on the number of cases in connection with which warnings were issued by the member companies during the past three years.

The results were that, with regard to warnings based on Japanese patents, the number of companies who issued warnings in connection with 1-5 cases was the largest (29 companies), followed by companies issuing no warnings (15 companies) and then those issuing warnings in connection with more than 20 cases (6 companies). (Fig. 3)

Accordingly, taking all Japanese companies together, the number of cases in which warnings are issued is not so great and it evident that they are taking a cautious about issuing warnings. However, five companies among the six which replied that they issued warnings in connection with more than 20 cases were electric appliances companies, indicating that some of the companies in this business area are vigorous in issuing warnings based on their rights.

With regard to the question on at what stage the warnings are issued, 36 companies replied that 81% or more letters were sent at the registered stage while 12 companies replied that 61-80% of letters were sent at the that stage (Fig. 6), from which there seems to be a tendency for a great many companies issue warnings at the registered stage.

With regard to warnings based on United States patents, as many as 34 companies replied that they sent none and in second place were 23 companies who issued warnings in connection with 1-5 cases. Thus there can be seen a tendency that, compared with the number of warnings based on domestic patents, warnings are sent in slightly fewer cases (Fig. 9).

Among the warnings, more than half of the member companies replied that they did not issue warnings with the object of a "sale" (introducing a patent) to either Japanese or U.S. parties. Thus it was found that, looking at Japanese business as a whole, warnings with this as the object are used little. (Figs. 3, 9)

2.2.3 Total Number of Warnings Sent Out (Q3(2) and Q9(2)).

Replies were asked for on the total number of warnings issued during the past three years. The findings were that the number of companies sending 1-20 letters of warning based on domestic patents was the largest (38), and as many as 14 issued no warnings (Fig. 4). There were no trend differences between the business areas. On the other hand, with respect to warnings based on United States patents, the number of companies issuing no warnings was the largest (32), followed by 23 companies who sent 1-20 letters (Fig. 10). Most of the companies replied that no cases in which warnings were issued reached litigation (Fig. 11), indicating that the number of cases in which warnings based on United States patents are issued reach litigation is small.

2.2.4 Number of Cases of Receiving Warnings (Q4 and Q10(1)).

The companies were asked to reply on the number of warnings that they received during the past three years. The findings were that the number of companies receiving 1-5 warnings was the largest (30) followed by those receiving 6-10 warnings (16 companies) and then those receiving 0 warnings and those receiving more than 21 warnings (7 companies each). (Fig. 5). Among the seven companies who received more than 21 warnings, five are companies in the electric appliance industry, indicating that in some areas of this industry warnings are more actively issued than in other industries.

With respect to the stage at which warnings were received, the number of companies replying that more than 80% of the warnings were received after the patent of the sender was registered was 29 and those replying that 61-80% of them were received after the patent of the sender was registered were 14, revealing that most warnings are received after the patent in question is registered. (Fig. 7)

With respect to the number of warnings based on United States patents received, "none" was the commonest response (18 companies) followed by 1-5 (16 companies) and more than 21 (7 companies). (Fig. 12) Again, six companies among the seven who

received more than 21 warnings are electric appliance companies, suggesting that there are many cases of warning in this particular area.

The number of companies replying that the number of cases in connection with which a warning was received to reach litigation was 1-5 was 16, while 2 companies reported 6-10 such cases. Thus, the proportion of warnings leading to litigation can be said to be considerably high. (Fig. 13)

3. Warnings Based on Patent Rights (including Rights to Provisional (Preliminary) Protection based on Publication after Examination).

3.1 Legal Significance Warnings.

Warnings based on patent rights are actions of fact and such a warning itself has no legal effect of prohibiting any manufacturing or selling by the other party. However, in a suit claiming compensation for damages, it has the legal effect that a warning to a specified party can be used to prove the intent and misfeasance of the other party and further that the advice of the warning suspends the prescription for claiming damage compensation and for claiming the restoration of an undue profit.

3.2 Object of Warnings.

The object of issuing a warning based on patent rights (or rights to a preliminary protection) can be classified as follows:

(1) To offer a license to the infringer;
(2) To obtain a voluntary suspension of an infringement by the other party;
(3) As a step prior to litigation (precautionary notice of litigation, etc);
(4) Settlement by negotiation (e.g. request for damage compensation, license fee, etc, by agreement); and
(5) License activity by introduction (sale) of rights relating to rights holder's patent rights.

3.3 Methods of Warning

Article 103 (Presumption of Misfeasance) of the Patent Law is applicable to the infringement of a patent right or the right to a preliminary protection, and therefore the legal effect of issuing a warning to a party is not as great in a suit claiming damage compensation as in the case of, for example, a right to a utility model registered unexamined. However, it is necessary for the rights holder to advise the other party of the fact by sending a warning so that there is no possibility whatsoever for the other party to prove nonmisfeasance at its end. Ways of making the notification include the following:

(1) Written Warning Specifying the other party

This is the most common way of warning and, specifically, there are two means: (a) sending a warning directly to the other party by mail, and (b) handing a warning directly to the other party. Method (a) is better in that the date of initiation of the intent or misfeasance of the other party can more certainly be proved at later date.

When the warning is sent to the other party by mail, it should preferably be sent by "contents-certified mail" and "delivery-certified mail" so that the intent or misfeasance of the other party can be proved at a later date.

(2) Written Warning to the Attorney for the other party

This is also a type of written warning, but the warning is not directly sent to the other party but is, for example, sent to the attorney for the other party from the attorney of the rights holder whereupon the other party is advised of the warning by its attorney. There are some difficulties with this method in proving the initiation date of the intent or misfeasance of the other party at a later date. Nevertheless, because in cases such as when the rights holder does not know the other party at all it often enables subsequent negotiations to be carried out smoothly, this method is widely used.

(3) Verbal Warning

This is a method wherein the rights holder meets the other party directly and warns them verbally. Such a verbal warning has an informal aspect, and therefore is effective when the rights holder wishes to maintain an amicable relationship with the other party because, for example, the other party is in a cooperative relationship with or is a customer of the rights holder. However, in the case of the verbal warning, in order to give the warning some legal effect of proving intent or misfeasance, it is necessary that a written warning be handed to the other party together with the verbal warning or that the content of the discussion with the other party be recorded and minutes of the meeting be exchanged.

(4) Announcement of the Warning in Newspapers, Trade Magazines, etc.

This is a method wherein the warning is published in newspapers, trade magazines, etc, without specifying the other party. This way is effective in such cases such as when there are very many infringers, when it is likely that many companies in the same business area infringe the patent right but the exact situation is not known, or when an object is to offer licenses to many companies in the field. However, the effectiveness of this method is somewhat doubtful because when the warning is published in newspapers there is no guarantee that the parties will read it, and also this way cannot be described as a preferred means of proving intent or misfeasance of a party.

3.4 Points to Pay Attention to in Preparing Warnings

(i) Points Relating to Content.

The minimum requirement is that the existence of the right in question be clearly made known to the other party and understood by the other party. To this end, in the case of a patent it is necessary to advise the other party of the publication number, the registration number, the title of the invention and scope of the claim(s). Those bibliographic data should be included in the warning and, when the warning is sent

by contents-certified mail, it is recommended that a copy of the gazette (published specification) be sent by separate mail.

The content of the warning will vary depending on the object, but, when the other party is clearly infringing the patent right and the rights holder is seeking suspension of the infringing activity or when the object is to give precautionary notice of litigation, it is necessary not only that the existence of the patent right be advised and suspension of the infringing activity requested but also that the other party's actual infringing activity (or product) be clearly specified. However, it may not always be necessary to describe the reason why the activity constitutes an infringement. In this case it is important that, when the infringing activity by the other party cannot be proved, although notification of the existence of the patent is necessary, overly sharp statements such as "your product infringes our patents" should be avoided, and milder language, such as "we have such-and-such a patent, and accordingly we ask you to be careful not to infringe on out patent right in manufacturing or selling your products" should probably be used.

On the other hand, in cases where the object of the warning is to give precautionary notice of litigation, as well as specifying the existence of the rights in question and specifying the infringing activity of the other party, a notice to the effect that the specified rights will be exercised if the other party does not suspend the infringing activity is included. When the object is a license offer or seeks a settlement by negotiation, the other party should be advised of the existence of the patent right and, at the same time, it should be mentioned that the rights holder is prepared to offer a license or that the product (or technology) of the other party possibly infringes the patent right and that a settlement by negotiation would be welcome. The expressions used in the letter should preferably be as mild as possible so that any subsequent negotiations proceed smoothly. In any case, some date by which a reply is expected must be included.

(ii) Other Points.

(1) In order to avoid trouble such as a counterclaim from the other party claiming an infringement of their trade rights, etc, at a later date, it is necessary before sending a warning to reconfirm the validity of the patent rights in question and also to recheck the infringing product (or activity) of the other party.

(2) When the warning is directly sent to the other party, the object of sending the warning will be basically achieved whatever department of the other party is made the addressee, because the particular choice of addressee does not affect the fact of the other party having received the warning. However, in order to be certain of proving the intent or misfeasance of the other party at a later date, it is desirable that the warning be addressed to an executive having the authority to represent the organization or to a department having responsibility for the manufacture or the sale of the product which is the subject of the warning (for example the respective production department or sales department, etc) or to the head of the intellectual property department.

It should however be noted that extreme caution is necessary when sending warnings to customers of the other party (for example wholesalers, retail shops, users) to the effect that one of the other party's products is in infringement of a patent, because when the content of the warning damages the reputation the other party enjoys with its customers or damages the other party's trust in its customers the warning will have constituted an unfair act under the Prevention of Unfair Competition Act (see for example the decision of the Nagoya District Court in the "Pencil Case equipped with a Magnet" case; Case No. S.55(7)558).

The sender of the warning may be either an attorney or the rights holder, and there is no difference either way in terms of its legal effect; however, when an attorney acts as a representative, because there is likely to be the effect that the addressee will presume that some kind of legal action against them may follow and consequently will not ignore the warning or

take it lightly, it is preferable to use an attorney as a representative in cases when precautionary notice of litigation is being given or a suspension of an infringing activity is being demanded. However, when the rights holder aims to settle the problem later through license negotiations, in that it helps the negotiations to proceed smoothly it is effective that the warning be sent in the name of an executive actually responsible (for example the head of the patent department) rather than in the name of the rights holder or a representative thereof.

3.5 Problems Relating to Warnings based on Rights to preliminary Protection

According to the Patent Law of Japan, a right to preliminary protection arises when a patent application is allowed by an examiner and subsequently published in a Patent Gazette (Article 52, paragraph 1 of the Patent Law). This right has substantially the same effect as a patent right except in that licenses cannot be granted, and it is possible to exercise the right to demand a suspension of an infringing activity or to claim compensation for damages. Accordingly, any holder of a right to preliminary protection can issue warnings and exercise rights based on the above-mentioned right in the same way as in the case of a patent right. However, this right may be rejected as a result of formal objections made after its publication, and therefore it is an uncertain right. The Patent Law imposes a no-fault compensation liability on the exercise of the right to preliminary protection (Article 52, paragraph 4 of the Patent Law), and therefore if the application is finally rejected or invalidated the rights holder must compensate for damage caused to the other party by the exercising of the right. When a suspension of an activity is demanded in a warning to a party and when the other party receiving this warning suspends the activity, depending on the case there may be a possibility of it being judged that a cause and effect relationship existed between the sending of the warning and the suspension of the activity by the other party and that the warning amounted to the exercising of a right. Therefore, when a warning is sent at the stage of a provisional

protection, the validity of the right should be very carefully checked, and if there is any doubt that a patent right will eventually be granted whatever formal objections to it might be made, any warning having a content demanding a suspension of an activity of the other party should be avoided in order to avoid any no-fault compensation liability, and it is preferable that the warning introduce the patent right in question and urge caution with respect to it in moderate language.

4. Warnings Claiming Compensation

4.1 Legal Significance of Warnings

The Patent Law of Japan adopts an application laying-open system of applications (Article 65(2) of the Patent Law), wherein the content of a patent application is made public at an early stage to promote utilization of inventions, and on the other hand is provides a right to claim compensation (Article 65(3) of the Patent Law) on the basis of which a compensation corresponding to the so-called license fee can be claimed under certain conditions, to compensate for losses that applicant suffered, as a result of use of the laid-open invention by third parties. In the case of this right to claim compensation, unlike the case of infringement of a patent right, the so-called presumable misfeasance provision (Article 103 of the Patent Law) is not applied and, to exercise this right, it is required as a prerequisite that the applicant shall, in principle, issue a warning by presenting a document in which the content of the invention of the application is described. (When the other party is a so-called mala fide who knows that it is using the invention of the laid-open application, the warning is not an essential condition; however, the fact that the other party did know this must be proved by the applicant.)

Thus, a warning in the case of a right to claim compensation has the legal significance that it is one of the essential conditions for generation of the right, and, unlike a warning against the infringement of a patent right, the warning has the legal character of a notification to the effect that if the application is passed by the examiner and published the right to

claim compensation will be exercised in connection with activities subsequent to the warning.

4.2 Object of Warnings

Accordingly, the object of sending a warning in the case of a right to claim compensation is to exercise the right to claim compensation in the future (i.e. after publication as a result of an examination) in connection with activities carried out after the issue of the warning.

4.3 Methods for Warning

Because of its above-mentioned legal significance and character, a warning for claiming compensation should be sent to a specified person; unlike a warning with respect to the infringement of a patent right, publication of the warning in newspapers or in trade magazines does not amount to a legal warning; and nor does a simple verbal warning amount to a legal warning, because in the Patent Law it is clearly stated that a warning as an essential condition for the right to claim compensation is a warning issued by presenting a document in which the content of the invention of the application is described (Article 65(3)).

Accordingly, a warning as an essential requirement for generating the right to claim compensation must be a written warning in which the other party being warned is specified. Actual methods for delivering warnings include:

(1) sending a warning directly to the other party by mail; and

(2) meeting the other party and handing them a warning.

However, method (1) is preferable for the certainty with which its legal effect can be obtained at a later date.

When the warning is sent by mail, it is necessary to send it by contents-certified mail with delivery certification so that the data and content of the warning can be proved.

4.4 Points for Attention in Preparing Warnings

(i) Points Relating to Content

In the case of a warning as a prerequisite for claiming compensation, it is essential that the other party at least understands the content of the invention filed by the applicant and, to this end, the warning must include (1) the content of the laid-open invention or, to be more specific, (a) the laid-open number, (b) the laid-open date, (c) the application number, (d) the application date, (e) the title of the invention, (f) the scope of the claim(s) and (g) any necessary drawings.

When the warning is sent by contents-certified mail, it is advisable to send a copy of the laid-open gazette by separate mail because drawings and the like cannot be sent by contents-certified mail.

It is also necessary that the warning mention that (2) the specified product of the other party is believed to be within the technical scope of the invention of the application and further that (3) the sender will claim a compensation payment after the application is published after being examined.

However, in a warning for claiming compensation at the laid-open stage, it is not possible to request a suspension of a practicing activity of the other party based on the laid-open patent because, at the laid-open stage, the patent right has not been generated yet and the right to demand a suspension is not recognized.

It should be further noted that this warning is only one of the essential conditions for exercising the right to claim compensation at a later date and is of an informative character, and therefore the warning should not use excessively strong language and should be as mildly worded as possible.

(ii) Other Points

(a) The sender and the addressee of the warning are in principle the same as those in the case of a warning based on a patent right, but in this warning it is necessary to clearly specify the rights holder issuing the warning and the other party being warned.

(b) In the case of a warning having the object of asking for compensation, when the claim(s) is/are broadened or modified after a warning has been issued, it is necessary to issue the warning again presenting the new scope of the claim(s) after the amendment. However, if the amendment reduced the scope of the claim(s), such a re-warning may not be necessary.

(c) As in the case of the above-mentioned right to provisional protection based on the published patent after examination, the Law imposes a no-fault compensation liability on the applicant in exercising the right to claim compensation, and therefore this right must be exercised with care.

However, the warning for claiming compensation itself does not constitute an exercise of the right and, even if the other party suspended an activity and suffered some kind of damage as a result of being sent a warning to the effect that the right to claim compensation will be exercised in the future, there is no no-fault compensation liability.

However, taking into account the possibility of wanting to enter licensing negotiations later, after the laid-open application becomes a patent, the warning should be worded as mildly as possible.

5. Warnings Based on Utility Model Rights Granted without Examination (Right Registered without Examination for Application Filed on or after January 1 1994).

5-1. Legal Significance of Warning (Especially from Viewpoint of Relationship to the Official Evaluation of Technology).

The legal effects of a warning can be classified as follows according to the presentation of the official evaluation of the technology for the utility model and also on the evaluation results thereof.

(1) When the Warning is Issued Presenting a positive Official Evaluation (in case there is no prior art)

• By sending the warning, the initiation date of "intent or misfeasance of the other party" as stipulated in Article 709 of the Civil Law of Japan can be proved by the rights ower.

• A warning is a prerequisite requirement for exercising the right (for example demanding a suspension, claiming damage compensation, etc). In other words, the right can be exercised only after a warning is issued. (Article 29(2) of the Utility Model Law).

• In principle, when the right becomes invalid after a warning is issued, a liability for compensating damage caused to the other party as a result of the warning arises; however, in this case, there is no liability for compensating damage caused to the other party by a warning even if the right becomes invalid (Article 29(3) of the Utility Model Law).

(2) When Warning is Issued by Presenting a Negative Official Evaluation of the Technology

• As in (1) above, it can be possible for the rights holder to prove the initiation date for "intent and misfeasance of the other party" by sending a warning.

• As in (1) above, exercising of the right becomes possible only after a warning is issued (Article 29(2) of the Utility Model Law).

• As in (1) above, in principle, when the right becomes invalid after a warning is issued, a liability for compensating damage caused to the other party by the warning arises. However, in this case, there is no liability of compensating damage caused to the other party by the warning even if the right becomes invalid provided that the warning was issued with due attention (for example affirmative opinion of an attorney or a patent attorney based on the result of the official evaluation) (Article 29(3) of the Utility Model Law).

(3) When the Warning is Issued without Presenting an Official Evaluation (Article 29(2) of the Utility Model Law)

• As in (1) and (2) above, it can be possible for the rights holder to prove the initiation date of "intent or misfeasance of

the other party" by sending a warning.

• It is not possible to exercise the right after a warning is issued (Article 29(3) of the Utility Model Law).

• As in (1) and (2) above, in principle, when the right becomes invalid after a warning is issued, a liability for compensating damage caused to the other party by the warning arises. However, even in this case, there is no liability of compensating damage caused to the other party by the warning provided that the warning was issued with due attention. (Article 29(3) of the Utility Model Law).

5.2 Objects of Warnings

The objects of sending warnings based on utility model rights are to make the initiation date of "intent and misfeasance of the other party" provable and to fulfil the requirements for exercising the right; however, when the exercising of the right after the warning is issued is taken into consideration, as in the case of a patent, the contents of warnings may be classified by objective as follows:

(1) to offer a license to the infringer;
(2) to obtain a voluntary suspension of the infringing activity of the other party;
(3) as a step prior to litigation (precautionary notice of litigation, etc);
(4) settlement by negotiation (for example requesting damage compensation and license fee by agreement); and
(5) licensing activity by introduction (sale) of right based on the rights holder's utility model right.

5.3 Methods of Warning

Because Article 103 of the Patent Law is not applicable to utility model applications filed since January 1, 1994 and the presumption of misfeasance of the infringer is eliminated, with respect to this point, Article 709 of the Civil Law, "One who infringes the right of another person either by intent or by misfeasance shall be liable to compensate the damage caused

thereby." is applied.

As in the case of the right to claim compensation, in the case of a utility model right as well the initiation date of "intent or misfeasance of the other party" as stipulated by Article 709 of the Civil Law directly affects the licensing fee, and therefore the rights holder should probably make sure that the initiation date can be proved by issuing a warning.

Methods of issuing warnings are the same as those in the above-mentioned case of the right to claim compensation.

5.4 Points for Attention in Preparing Warnings

(1) Level of Content that a Warning Must Have in order to Actually be Called a Warning (the same kind of problem also exists in relation to the right to claim compensation).

Should something containing only a registration number but arriving by contents-certified mail be called a warning or should it be called an inquiry? Should a communication only start to be called a warning when it specifies a product? At present this point is not clear.

However, if this point remains unclear, some rights holders may adopt the following kind of attitude:

"If I send the other party something containing just a registration number by contents-certified mail I will be able to prove the initiation date of 'intent or misfeasance of the other party'. On the other hand, because what I send them will not be a warning, even if my right becomes invalid in future, even though I didn't send it with due attention, I have no liability as a rights holder and there will be no damage compensation liability problems."

(Of course there is still a possibility that, even when a letter is not a warning but just a letter of inquiry, the other party who received it might be take fright and hurriedly voluntarily reduce or suspend the sale of a product, in which case a problem of infringement of trade rights may be raised and a responsibility for an illegal act under Article 709 of the Civil Law may arise.)

A rights holder like this might first send a letter of

inquiry and then take time to analyze the other party's product and the validity of the right in question and, looking at various factors, if he judges that the chances of success are good, might then move to exercise the right by issuing a warning with an expert opinion, etc.

However, if this kind of way of exercising a right becomes accepted, it could lead to abuse of rights. For example, when a letter in which only a registration number is given arrives by contents-certified mail but no product is specified and moreover due attention has not been paid, even if its content is that of an inquiry could it not be considered that the letter is a warning and that a liability for damage compensation according to Article 29(3) of the Patent Law arises?

Interpreting the coverage of the term "warning" broadly in this way would seem to be consistent with the purpose of the legislation of Article 29(3).

There will be various other views, and we await a conclusion on this point based on court decisions, etc.

Incidentally, when in the position of receiving a letter referring to a registration number only by contents-certified mail which appears to be just a letter of inquiry, it is not advisable to ignore its contents completely and a request for an official evaluation of the technology should probably be immediately filed. (In some cases it may be possible for the cost involved in this request to be claimed as damage compensation at a later date.)

(2) Citing "Due Attention" of Article 29(3) of the Utility Model Law.

As mentioned in the (3) above, when a warning is issued by presenting a negative official evaluation of the technology or without presentation of an official evaluation, to avoid liability to compensate for damages to the other party resulting from the warning it is advisable to clearly state in the warning that the warning is being issued with due attention.

At present the definition of "due attention" is not clear, and it is not clear how much should be included in the warning;

however, it should probably for example be clearly stated that the specification IPCs to which the device is considered to belong and the prior art search of those IPCs was carefully carried out, and also that the expert opinion of an attorney or a patent attorney based on the results of that search was affirmative. With respect to this point also we await a conclusion based on future court decisions, etc.

6. Points for Attention in Preparing and Issuing Warnings

(Results of the Questionnaire) (Q7 and Q11)

In Q7, a free-form written reply was requested concerning points for attention in preparing and sending warnings based on Japanese patent rights, etc. The replies to this question could be classified into the following two categories:

(1) Items to be checked before issuing a warning; and

(2) Strategy and content of warnings.

With respect to (1), many companies mentioned (a) confirmation of validity of our patent and (b) confirmation of the infringing activity by the other party. For (a), there were opinions such as "confirmation of validity of our rights", "recheck of the validity of the right", "reconfirmation of the validity of the patent right", "as a rule, we send letters after the application is registered", "confirmation of the validity of the patent", etc, and for (b) "confirmation of the infringing product of the other party", "confirmation of the method used by the other party", "confirmation of infringement by searching party's product", "letters are sent out after confirmation of our right and the other party's product and also after full investigation into the possibility of proving the infringement, etc", "letters are sent out after the product is obtained as evidence and analyzed and confirmed to be within the coverage of our right", etc. Besides these, there were some other interesting opinions such as "we pay attention to the rights of the other party as well so that we do not receive a counterclaim from them", and "we check whether the other party to whom we are going to send a warning has any patents which could greatly affect our own business".

With respect to (2), there were opinions such as "when we do not have positive evidence of an infringement, the letter is in the form of an inquiry", "we make the first warning soft and unemotional so that if at a later date the patent becomes invalid or there is found to have been no infringement, any claim for compensation or restoration of credit is kept to a minimum", "since we regard it as a step to initiate a licensing negotiation, we take care not to be unnecessarily coercive of the other party. To this end, (1) a letter in a common style is sent out in the name of a responsible person at the actual working level (usually a head of the a department) and (2) we refrain from saying from the start that the activity of the other party constitutes an infringement but rather seek a negotiation by just expressing our concern that there may be an infringement and asking for an explanation from the other party", "we consult with an attorney on whether or not to issue a warning", etc.

Similarly, Q11 was a question asking for a reply on points to which companies pay particular attention in preparing and sending warnings based on U.S. patents. As in the cases based on Japanese patents, the replies fell into the following categories:

(1) Items to be checked before sending a warning; and
(2) Strategy and content of warnings.

With respect to (1), many companies again gave (a) confirmation of the validity of our patent and (b) confirmation of the infringing activity by the other party.

Examples of (1) include:

"confirmation of validity of the patent (check of file wrapper check of right situation of corresponding applications (Japan, Europe, etc)";

"make advance confirmation of the validity of the right through local Attorney"; and

"confirmation of our own right concerning fraud, etc".

Examples of (b) include:

"specification and situation of party's product";

"warning is issued after a full confirmation of the act of infringement by obtaining catalogs, manuals, samples, etc.";

"it is of course necessary to get, before sending the warning, an opinion of an expert that the other party is infringing", etc.

With respect to (2), there were the following opinions:

"the warning is made in the style of a 'license offer' to avoid bringing about a pre-emptive activity";

"the first letter is not made in the form of a clear warning but in the form of an inquiry";

"consideration is given to enabling the matter to be settled by discussion between the parties concerned";

"the first warning is made soft and nonemotional so that if later the patent becomes invalid or there is found to have been no infringement any claim for damage compensation from the other party is made minimum";

"warnings are only sent out after discussion with our an attorney in the U.S.", etc.

In all the cases it can be seen that many companies conduct considerable studies such as confirmation of the validity of their rights, confirmation of the infringing activity, etc, before issuing a warning, and in general try to make the content of warnings moderate.

SUMMARY OF THE SURVEY AND STUDY ABOUT WARNINGS IN JAPAN

TYPE OF WARNING	WARNINGS BASED ON LAID-OPEN PATENT (Right to Claim Compensation)	WARNINGS BASED ON PATENT RIGHTS		WARNINGS BASED ON UTILITY MODEL RIGHTS (GRANTED WITHOUT EXAMINATION)
		PATENT RIGHTS	RIGHTS TO PRELIMINARY PROTECTION	
RELATED ARTICLES	Article 65(3) of the Patent Law	Article 68 of the Patent Law	Article 52 of the Patent Law	Articles 29(2) and 29(3) of the Utility Model Law
TIME OF ISSUING WARNING	From the laid-open date to the publication date	After registration	From publication until registration	After registration
LEGAL SIGNIFICANCE OF WARNING	A prerequisite for exercising the right to claim compensation after publication	• Act of fact: cannot stop party's manufacturing or selling. • Can prove party's intent or misfeasance in damage compensation claim suit (warnings specifying party being warned).		A prerequisite for exercising the right (demanding suspension and damage compensation)
OBJECT	To exercise right to claim compensation in the future (after publication) for infringement after warning	(1) To offer a license to the infringer; (2) To obtain a voluntary suspention of party's infringing activity; (3) As a step prior to litigation (precautionary notice of litigation, etc); (4) Settlement by negotiation (for example claiming damage compensation, license fee by agreement); (5) Licensing activity by introduction (sale) of a right relating to warning issuer's patent right.		[Same as (1) to (5) on the left]
METHODS OF WARNING	(1) Written warning specifying party being warned: a. warning directly sent to party by mail; b. warning directly handed to party at a meeting.	(1) Written warning specifying party being warned: a. warning directly sent to party by mail; b. warning directly handed to party at a meeting. (2) Written warning through attorney for party; (3) Verbal warning; (4) Warning published in newspaper or trade magazine.		(1) Written warning specifying party being warned: a. warning directly sent to party by mail; b. warning directly handed to party at a meeting.
POINTS FOR ATTENTION	(1) laid-open number, laid-open date, application number, application date, title of the invention, scope of claims and drawings are included so that warning issuer's right can be understood by party; (2) words to the effect that party's activity is within technical coverage of warning issuer's invention; (3) words to the effect that warning issuer intends to request payment of compensation after application is published; (4) addressee: should be executive having representative authority, head of department responsible for the product or head of intellectual property department; (5) warnings sent by mail should be sent by content-certified and delivery-certified mail; (6) when claim(s) amended (especially when broadened) after warning, re-warning is necessary; (7) a no-fault compensation liability is imposed on exercising of right to claiming compensation; (8) even if party suspends an activity as a result of warning, there is no no-fault compensation liability; (9) language of warning should be as mild as possible in view of its nature as a notification and the possibility of entering license negotiations with party in future.	(1) reconfirmation of validity of issuer's own right; (2) reconfirmation of infringing activity (product) of party; (3) notification of issuer's right to party (including publication number, registration number, title of invention and claims); (4) when object is (2) or (3) above, the actual infringing activity (product) by party should be specified; (5) wording should be mild when infringing activity by party is difficult to prove; (6) when the object is (1) or (4) above, notification of willingness to offer a license or of wish to settle by negotiation is necessary, and the wording of the letter should be soft; (7) warning should be sent by contents-certified and delivery-certified mail; (8) when sending warning to customers of party, care must be taken not to cause an act of unfair competition; (9) there is no difference in legal effect whether sender is the rights holder or an attorney; (10) when wishing to settle through license negotiations, it is preferable to send the warning in the name of a person who will be actually responsible; (11) addressee: should be executive having representative authority, head of a department responsible for the product or head of the intellectual property department; with regard to the right to preliminary protection (12) exercising of the right to preliminary protection is subject to a no-fault compensation liability; (13) when party suspended an activity as a result of a warning asking for a suspension, depending on the case there is a possibility that the warning might be judged to be an exercising of a right. Accordingly, it is advisable not to issue warnings compelling party to suspend activity.		(1) the provision of presumption of misfeasance of the infringer of Article 103 of the Patent Law is not applied, and therefore it is necessary to prove the initiation date of intent or misfeasance by sending a warning; (2) when right becomes invalid after sending warning, in principle a no-fault compensation liability arises, but in some cases it does not arise: a. when warning issued by presenting an affirmative official evaluation on the art, the liability does not arise; b. when warning issued by presenting a negative official evaluation on the art, the liability arises; c. even in case (b), when warning issued with due attention (for example affirmative written expert opinion by attorney or patent attorney), the liability does not arise in some cases. (3) the points for attention in issuing the warning are substantially same as those for warnings based on laid-open patents (see (1), (2), (4) and (5) of the corresponding box).

8. References

(1) Kosuke YOSHIFUJI, "Outline of Patent Law (the ninth edition)"; Yuhikaku Publishing Co., Ltd.

(2) Yasunobu YAMAUCHI, "Manual of Patent Practice based on Cases"; Kogyo Chosakai Publishing Co., Ltd.

(3) Kazuhiko TAKEDA, " New Patent Litigation Practice"; Diamond Inc.

Questionnaire on 'Warnings'

The purpose of this questionnaire is to survey the use in Japan and America of Warnings based on patent rights, get an insight into the current situation, prepare a report on the content of Warnings and points to be noted based on the findings of the survey, and present the report to member companies. In this connection we ask for your cooperation in filling out this questionnaire with information on the situation as it is in your organization. (Where a selection of responses is offered, please check the appropriate box or boxes. If for any reason you are unable to respond to a question, please leave it blank.) Answers to this questionnaire will be used as totalized statistical data only.

Throughout this questionnaire the word 'Warnings' refers to warnings, enquiries, notifications and license offers, etc, based on patents (or patent applications) or utility model registrations (or applications), and includes not only letters and documents to specified recipients but also advertisements (Warnings) in newspapers and trade magazines, etc.

Questions 2 to 7 address Warnings based on Japanese patents (or applications) and questions 8 onward address Warnings based on United States' Patent.

Q. 1 What are your main fields of business?

(machines/metals) □. steel □. non steel metals □. cars □. ships □. precision machines □. power machines □. metals/machines □. other metals/machines

(electrical equipments) □. general electronic/electrical □. computers □. communications □. household appliances □. sound □. measurement □. electronic components □. other electrical equipment

(chemical) □. general chemicals □. organic chemicals □. rubber □. plastics □. paint □. petroleum □. petrochemicals □. fibers □. pharmaceuticals □. foods □. cosmetics □. other chemical

(other) □. ( )

(Qs. 2 to 7 relate to Warnings based on Japanese patents etc)

Q. 2 With what purposes do you give Warnings? Please prioritize multiple responses in the parentheses ( ).

□. ( ) [1] To exercise right to demand compensation.

□. ( ) [2] To make license offer to infringer.

□. ( ) [3] To stop a party's own-initiative infringement.

□. ( ) [4] As step prior to litigation (caution of litigation, etc).

□. ( ) [5] Settlement by Negotiation (e.g. damage compensation by agreement, royalty demands, etc).

□. ( ) [6] Introduction (selling) licensing activity based

on rights relating to your patents.

□. ( ) [7] Others ( ).

Q. 3 In the past three years, with respect to how many cases have you issued Warnings and how many Warnings have you issued in total?

(Several Warnings to different parties with respect to the same case count as one case.)

(1) No. of Cases:

□. 0 □. 1 to 5 □. 6 to 10 □. 11 to 15 □. 16 to 20 □. over 21.

(2) Total No. of Warnings:

□. 0 □. 1 to 20 □. 21 to 40 □. 41 to 60 □. 61 to 80 □. over 81

(3) In how many of the above No. of Cases (1) was the purpose that of Q. 2 response [6] (Introduction (selling) licensing activity based on rights relating to your patents.)?

□. 0 □. 1 to 5 □. 6 to 10 □. 11 to 15 □. 16 to 20 □. over 21

Q. 4 How many Warnings have you received over the past three years?

□. 0 □. 1 to 5 □. 6 to 10 □. 11 to 15 □. 16 to 20 □. over 21

Q. 5 You issued Warnings using patents etc of what stage? In what percentage of cases?

□. Laid-Open Stage (%)

□. Published Stage (%)

□. Registered Stage (%)

Q. 6 You received Warnings based on patents etc of what stage? In what percentage of cases?

□. Laid-Open Stage (%)

□. Published Stage (%)

□. Registered Stage (%)

Q. 7 To what points if any do you pay particular attention when preparing or delivering Warnings based on Japanese patents etc?

(Qs. 8 to 11 relate to Warnings based on United States' patents)

Q. 8 With what purposes do you give Warnings? Please prioritize multiple responses in the parentheses ( ).

□. ( ) [1] To stop a party's own-initiative infringement.

□. ( ) [2] To make license offer to infringer.

□. ( ) [3] Settlement by Arbitration.

□. ( ) [4] As step prior to litigation (caution of litigation, etc).

□. ( ) [5] Settlement by Negotiation (e.g. damage compensation by agreement, royalty demands, etc).

□. ( ) [6] Introduction (selling) licensing activity based on rights relating to your patents.

□. ( ) [7] Others ( )

Q. 9 In the past three years, with respect to how many cases have you issued Warnings and how many Warnings have you issued in total? Among these, how many cases went to litigation?

(Several Warnings to different parties with respect to the same case count as one case.)

(1) No. of Cases:

□. 0 □. 1 to 5 □. 6 to 10 □. 11 to 15 □. 16 to 20 □. over 21.

(2) Total No. of Warnings:

□. 0 □. 1 to 20 □. 21 to 40 □. 41 to 60 □. 61 to 80 □. over 81

(3) In how many of the above No. of Cases (1) was the purpose that of Q. 8 response [6] (Introduction (selling) licensing activity based on rights relating to your patents.)?

□. 0 □. 1 to 5 □. 6 to 10 □. 11 to 15 □. 16 to 20 □. over 21

(4) Total number of cases reaching to litigation:

□. 0 □. 1 to 5 □. 6 to 10 □. 11 to 15 □. 16 to 20 □. over 21

Q. 10 How many Warnings have you received over the past three years? How many of these cases reached to litigation?

(1) Warnings Received:

□. 0 □. 1 to 5 □. 6 to 10 □. 11 to 15 □. 16 to 20 □. over 21

(2) Cases Reaching Litigation:

□. 0 □. 1 to 5 □. 6 to 10 □. 11 to 15 □. 16 to 20 □. over 21

Q. 11 To what points if any do you pay particular attention when preparing or delivering Warnings based on American patents?

** Thank you very much for responding to these questions. Please return this questionnaire as soon as possible.

[Appendix2]

Fig.1

Q1 Number of companies who responded

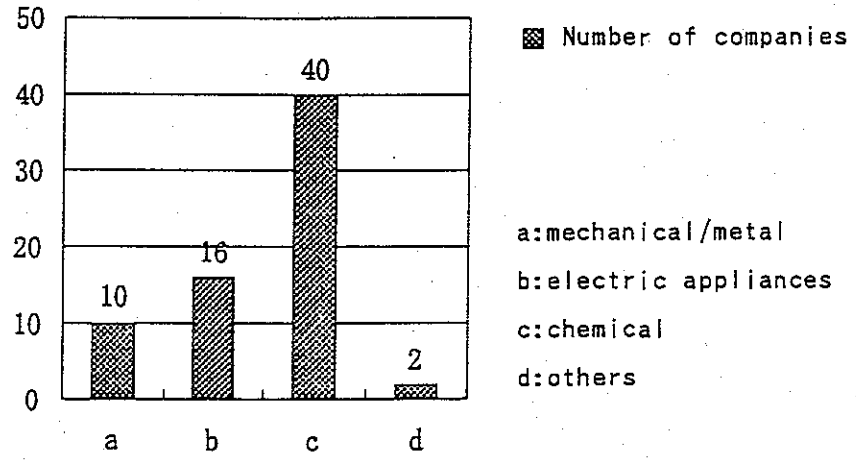
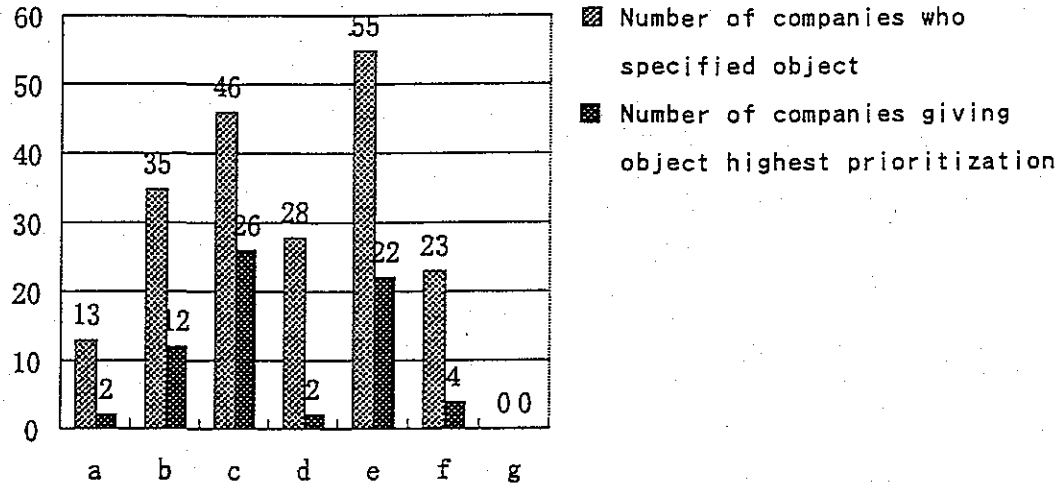


Fig.2

Q2 Object of sending the warnings



a:to exercise right to claim compensation

b:to offer a license to the infringer

c:to obtain a voluntary suspension of the infringing activity by party

d:as a step prior to litigation (precautionary notice of litigation,etc)

e:settlement by negotiation (for example request for damage compensation, license fees, etc, by agreement)

f:a licensing activity by introduction (sale) of a right based on issuer's patent right, etc.

g:others

Fig.3

Q3(1) Number of cases in connection with which warnings were sent;

Q3(3) Number of cases where a sale was an object

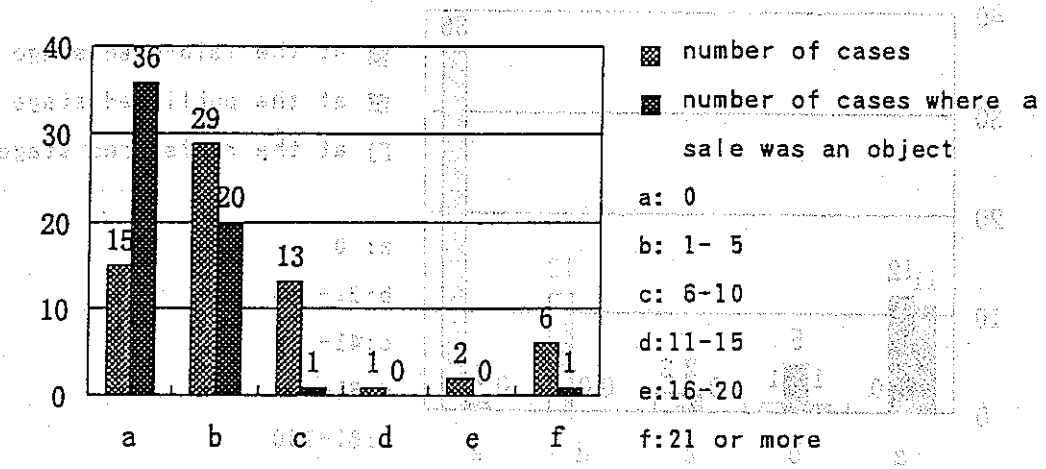


Fig.4

Q3(2) Total number of warnings sent

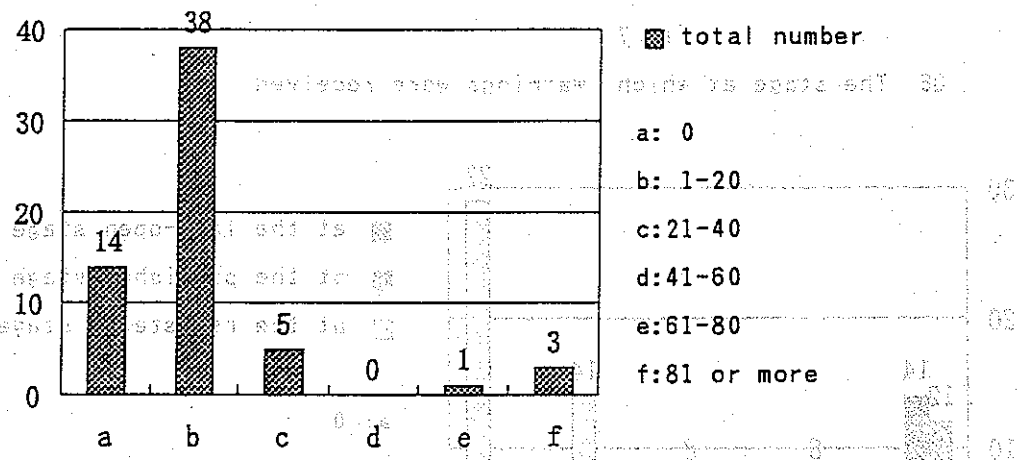


Fig.5

Q4 Number of warnings received

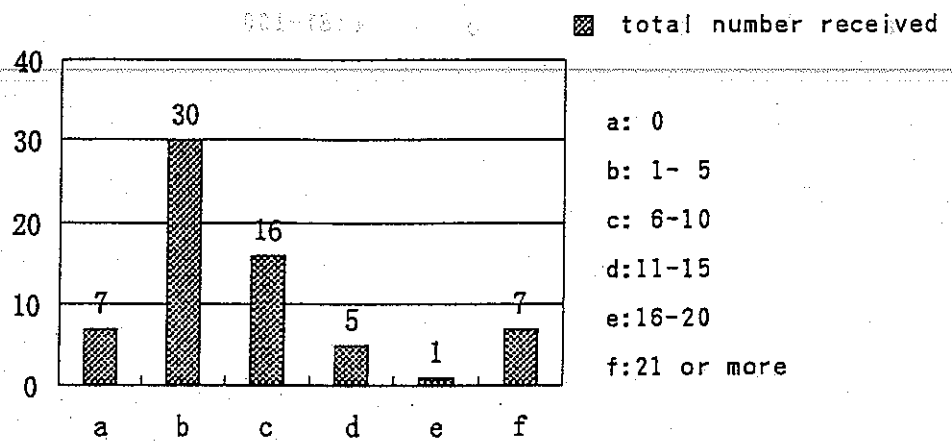


Fig.6

Q5 The stage at which warnings were sent

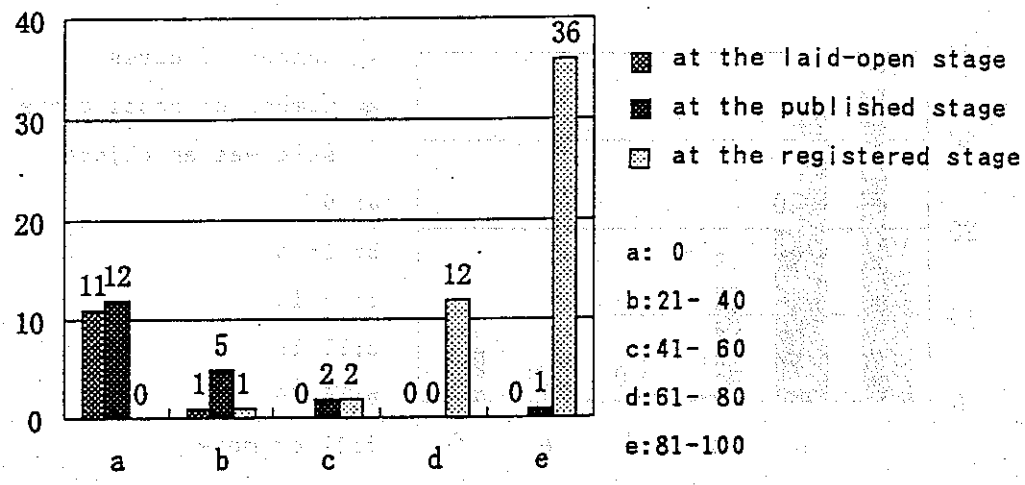


Fig.7

Q6 The stage at which warnings were received

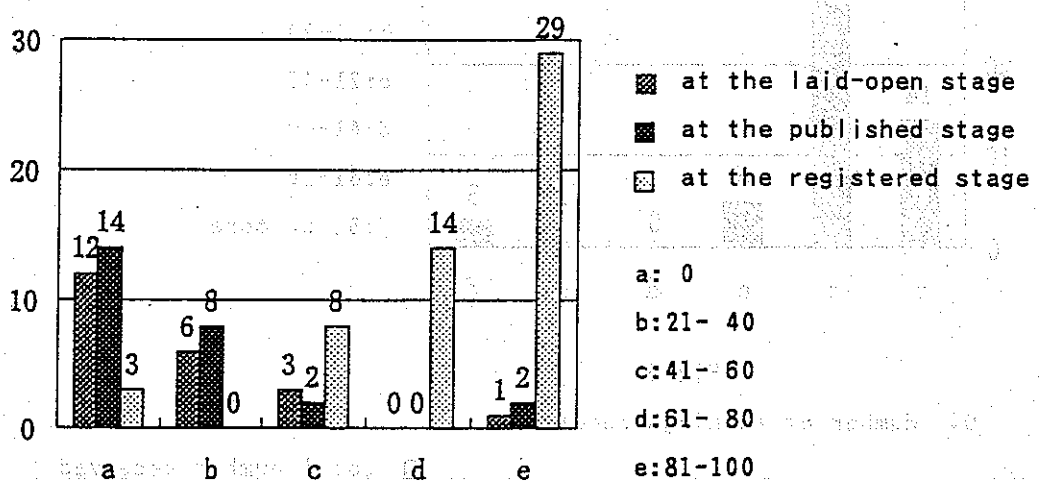
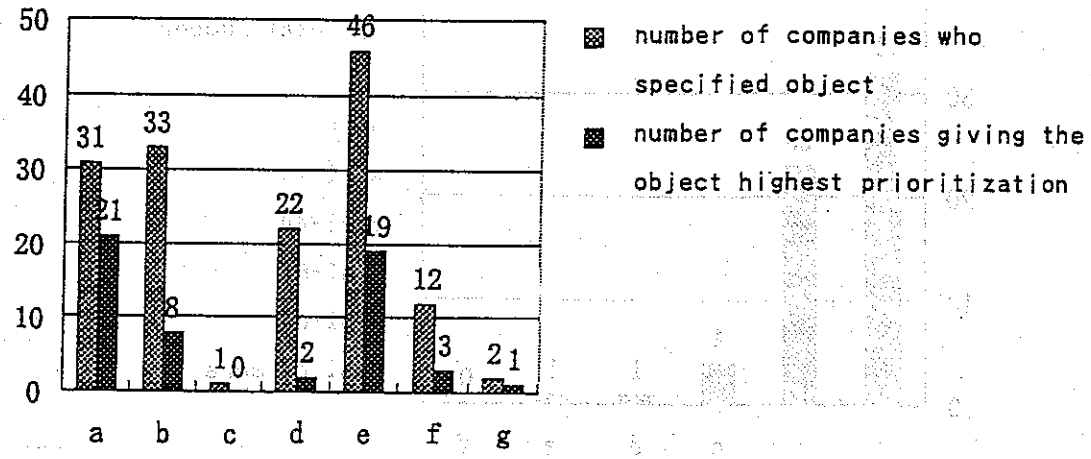


Fig.8

Q8 Object of sending warnings based on the United States patents



a:to obtain a voluntary suspension of the infringing activity by party

b:to offer a license to the infringer

c:settlement by arbitration

d:as a step prior to litigation (precautionary notice of litigation,etc)

e:settlement by negotiation (for example request for damage compensation, license fees, etc, by agreement)

f:a licensing activity by introduction (sale) of a right based on issuer's patent right, etc.

g:others

Fig.9

Q9(1) Number of cases in connection with which warnings were sent;

Q9(3) Number of cases where a sale was an object(Based on United States patents)

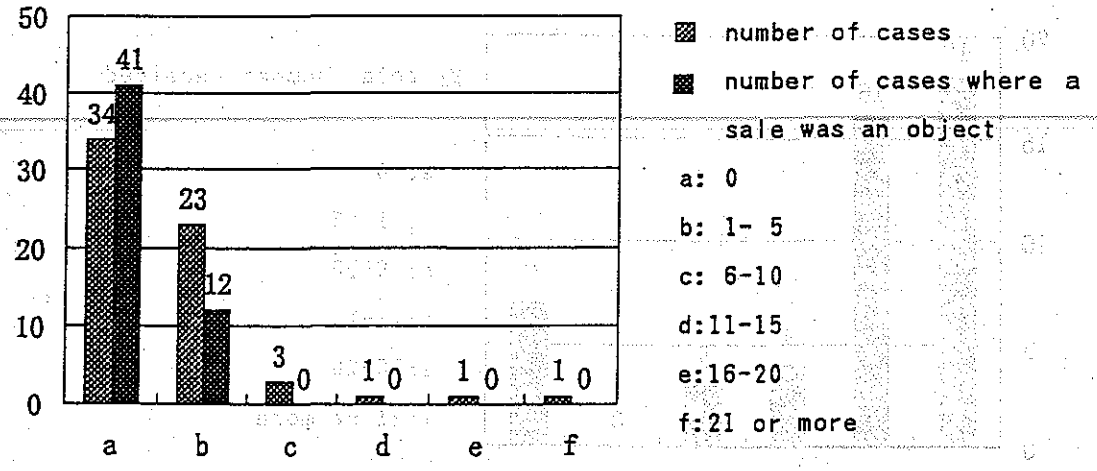


Fig.10

Q9(2) Total number of warnings sent (Based on United States patents)

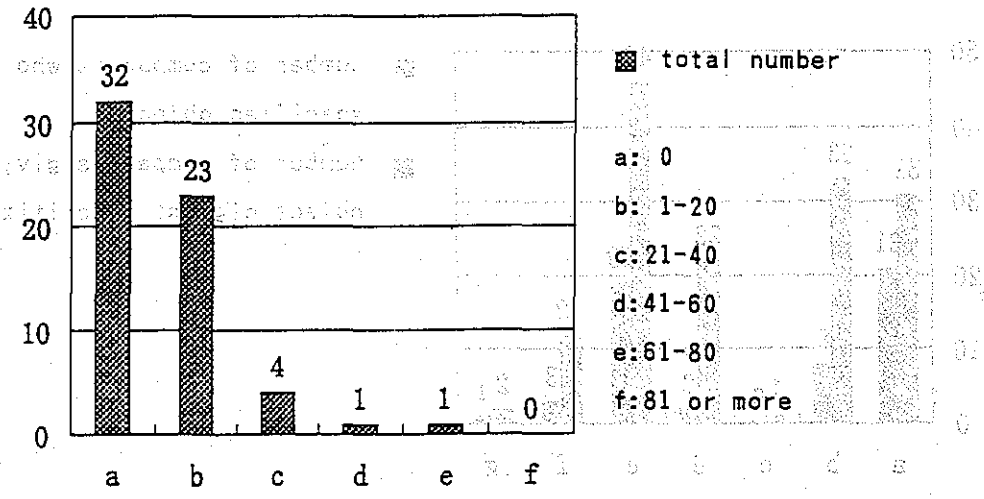


Fig.11

Q9(4) Total number of cases reaching litigation (Based on United States patents)

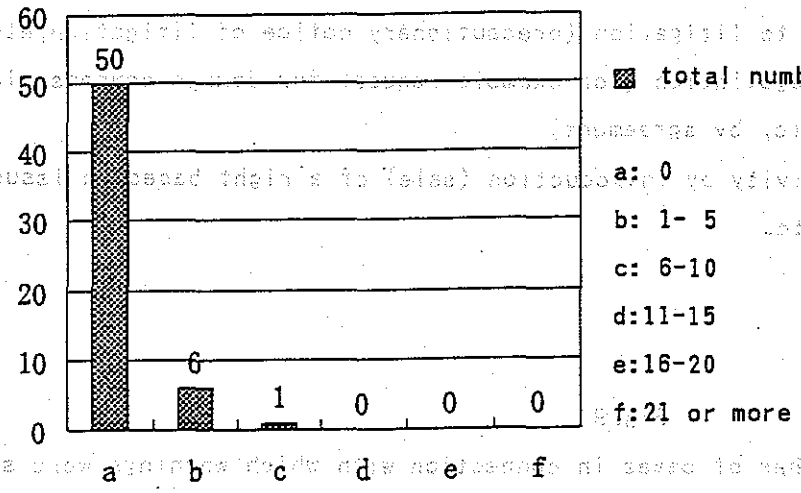


Fig.12

Q10(1) Number of warnings received (Based on United States patents)

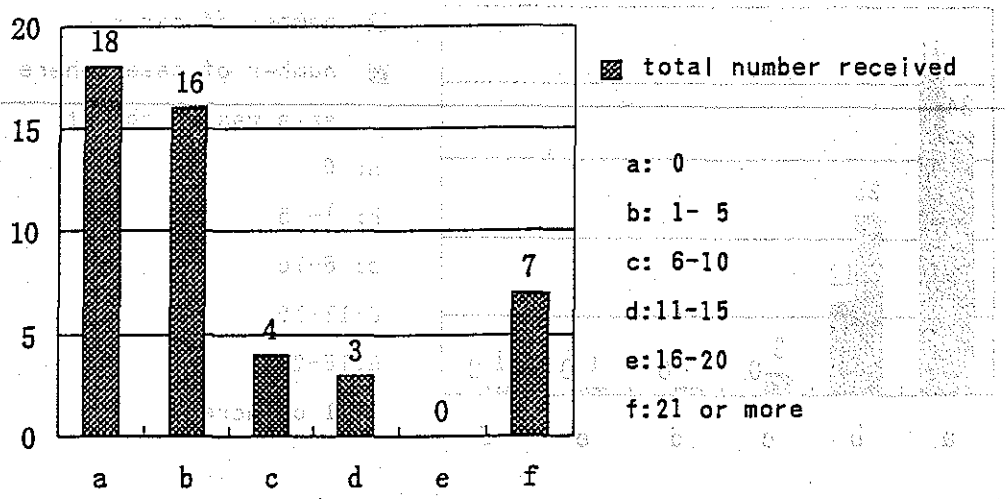


Fig.13

Q10(2) Total number of cases reaching litigation (Based on United States patents)

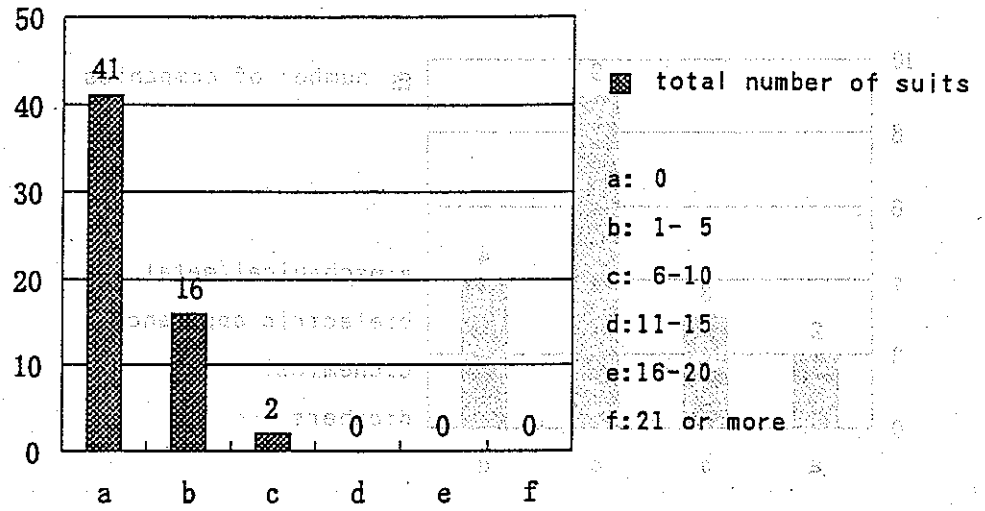


Fig.1

Q1 Number of companies who responded

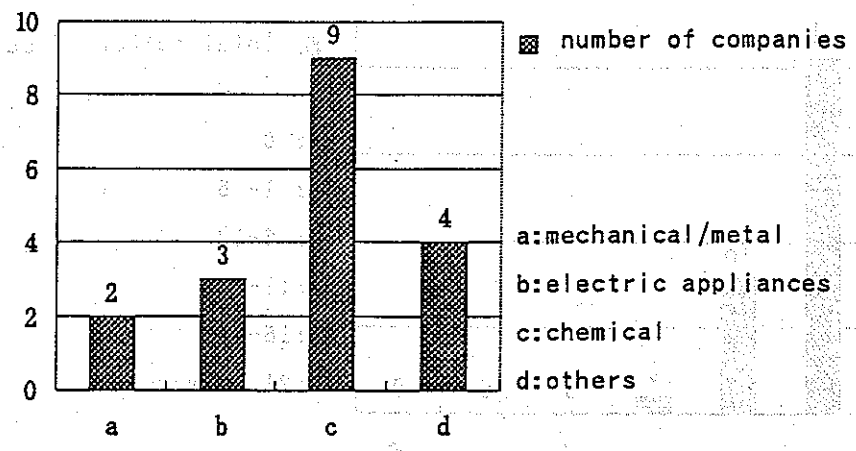
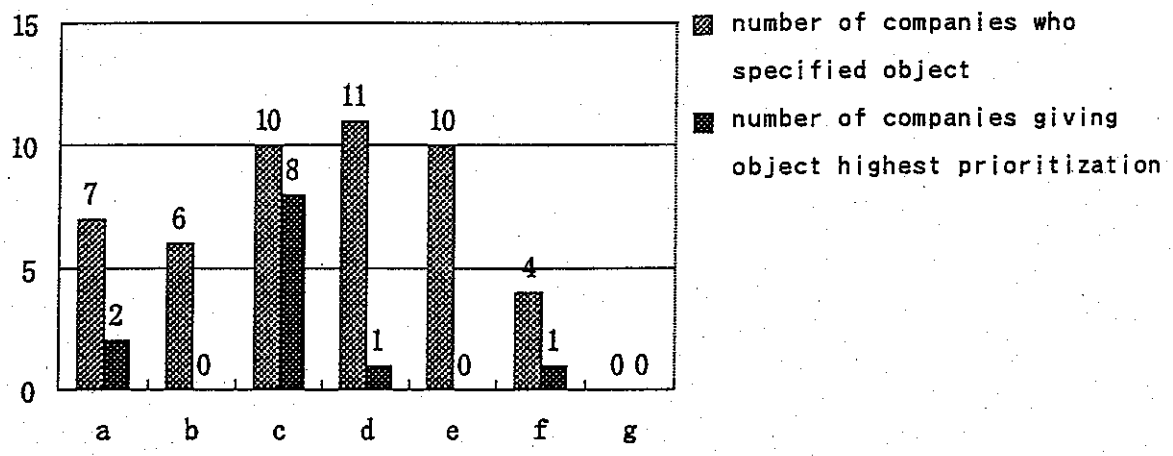


Fig.2

Q2 Object of sending the warnings



a:to exercise right to claim compensation

b:to offer a license to the infringer

c:to obtain a voluntary suspension of the infringing activity by party

d:as a step prior to litigation (precautionary notice of litigation,etc)

e:settlement by negotiation (for example request for damage compensation, license fees, etc, by agreement)

f:a licensing activity by introduction (sale) of a right based on issuer's patent right, etc.

g:others

Fig.3

Q3(1) Number of cases in connection with which warnings were sent;

Q3(3) Number of cases where a sale was an object

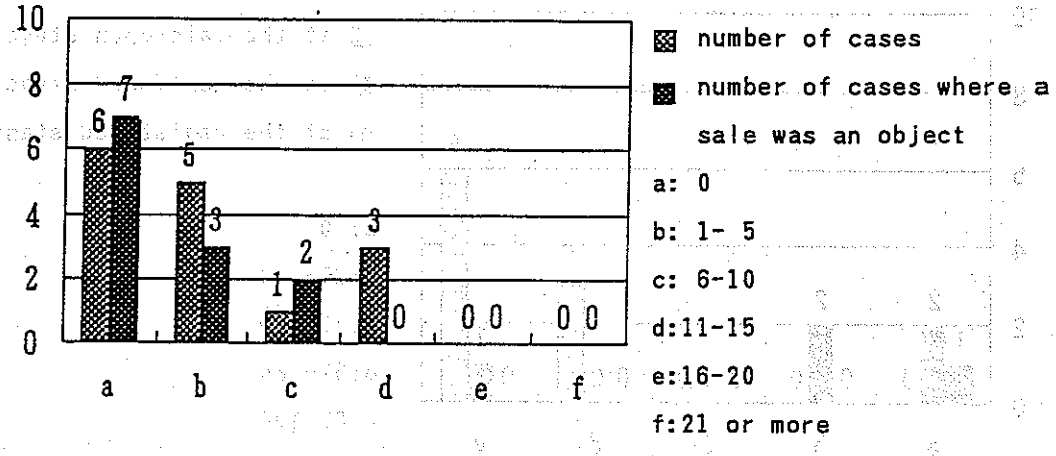


Fig.4

Q3(2) Total number of warnings sent

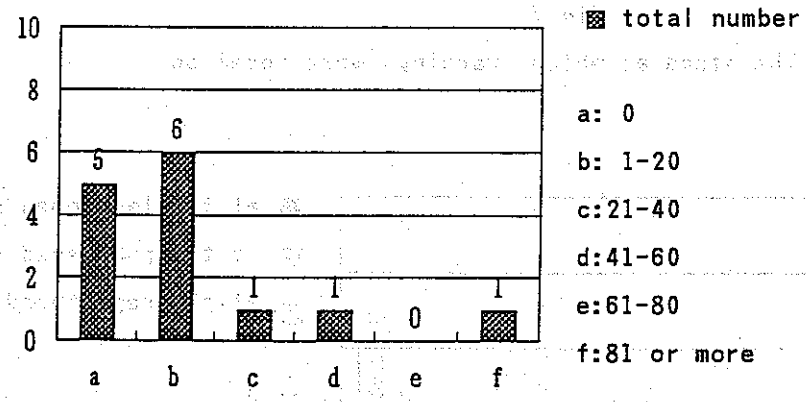


Fig.5

Q4 Number of warnings received

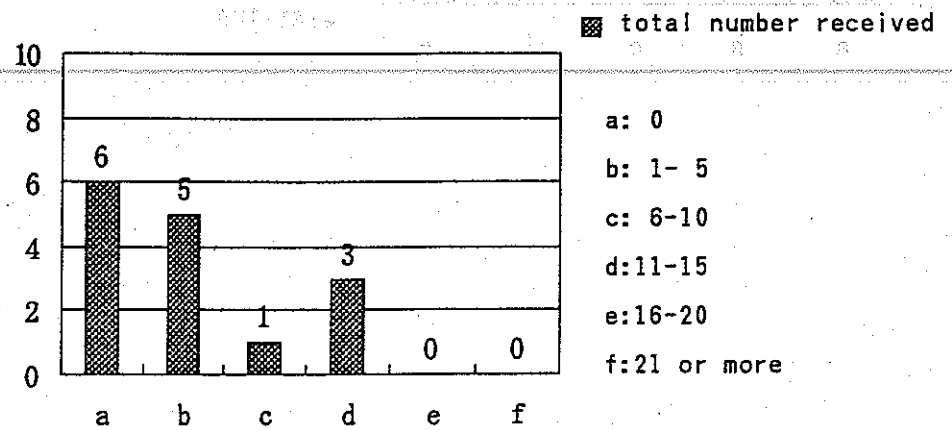


Fig.6

Q5 The stage at which warnings were sent

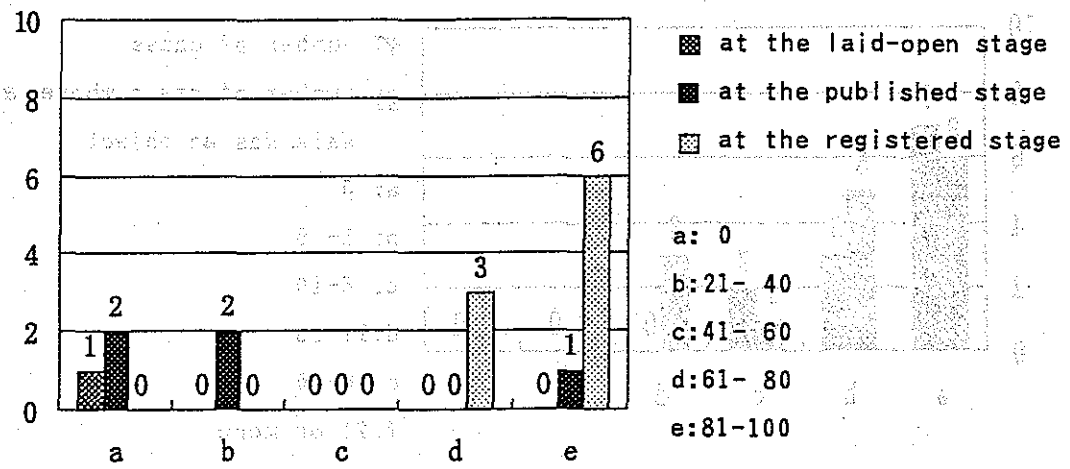


Fig.7

Q6 The stage at which warnings were received

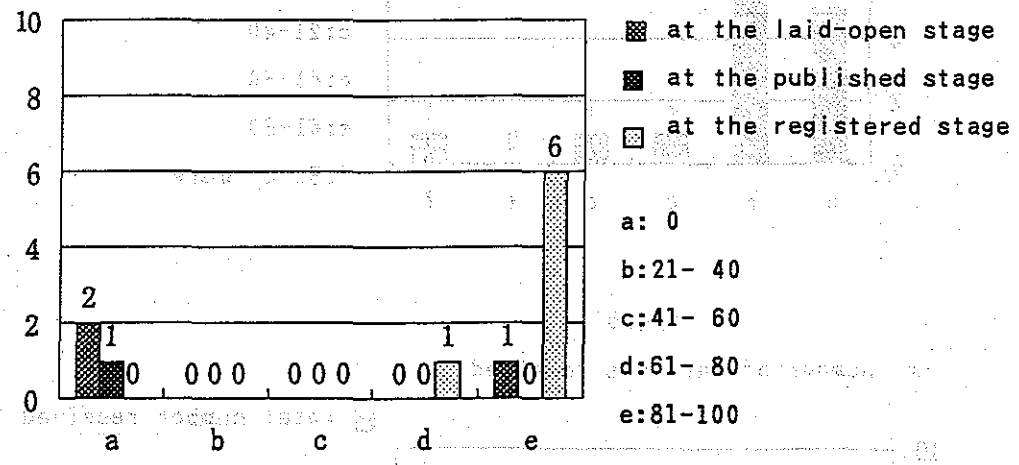
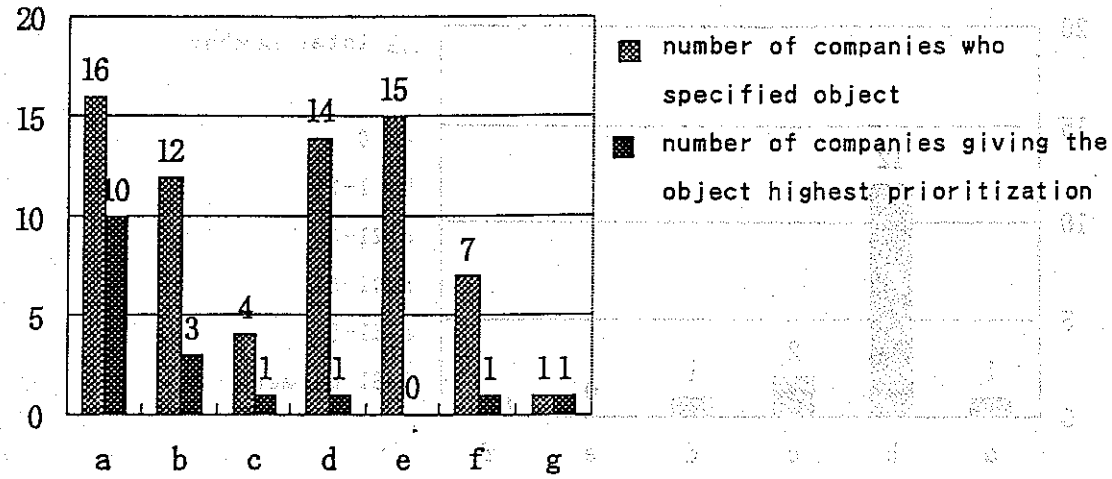


Fig.8

Q8 Object of sending warnings based on the United States patents



a:to obtain a voluntary suspension of the infringing activity by party

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d:as a step prior to litigation (precautionary notice of litigation,etc)

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g:others

Fig.9

Q9(1) Number of cases in connection with which warnings were sent;

Q9(3) Number of cases where a sale was an object(Based on United States patents)

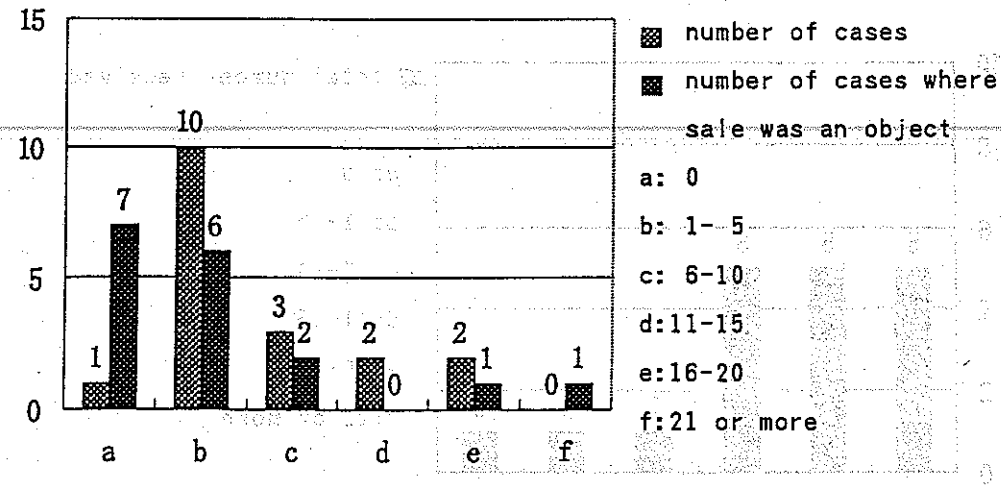


Fig.10

Q9(2) Total number of warnings sent (Based on United States patents)

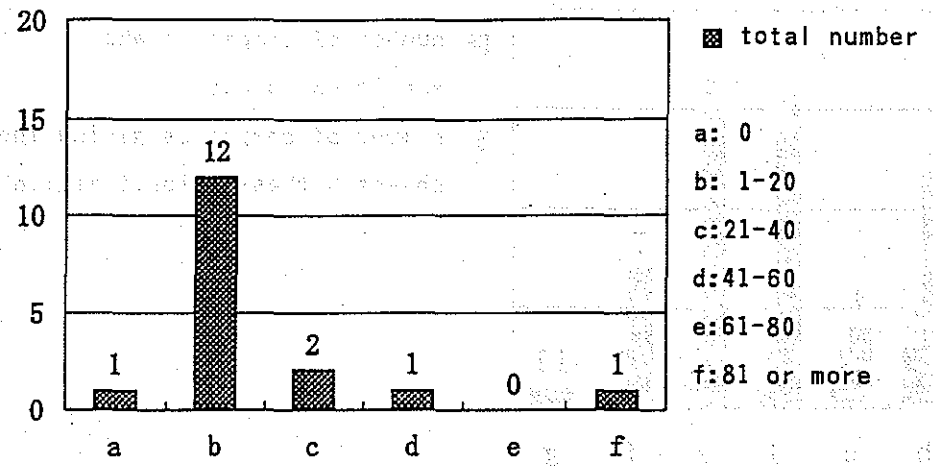


Fig.11

Q9(4) Total number of cases reaching litigation (Based on United States patents)

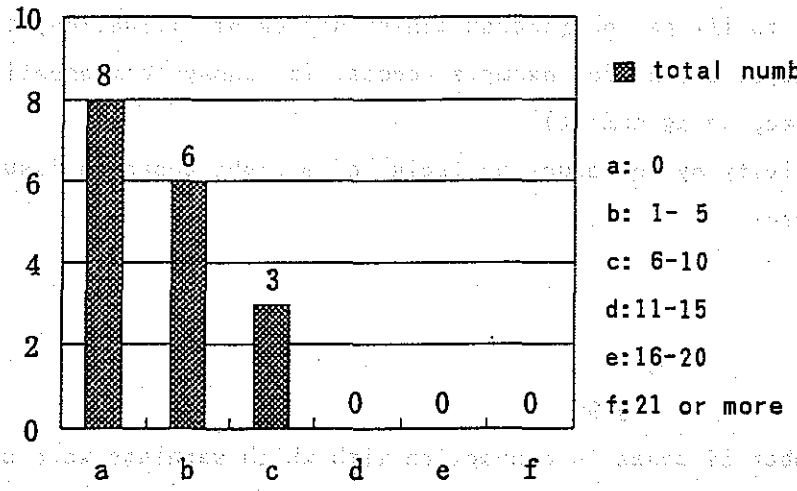


Fig.12

Q10(1) Number of warnings received (Based on United States patents)

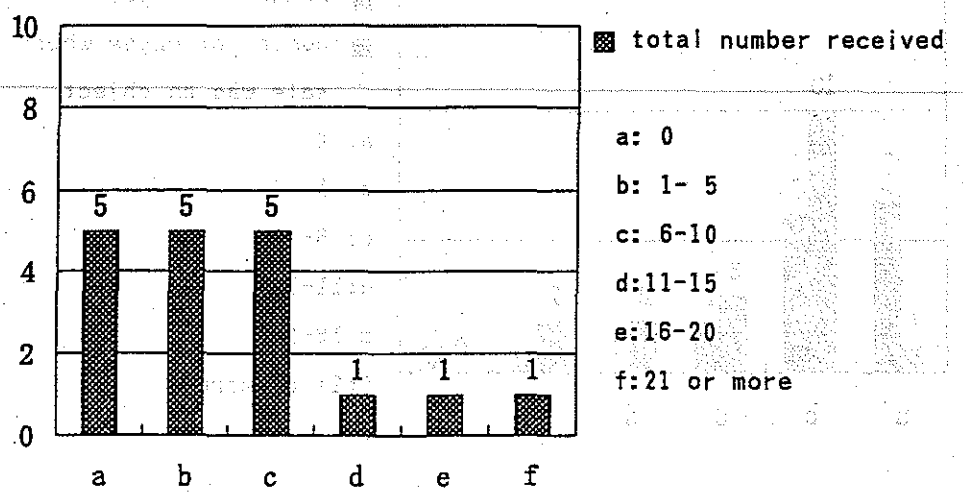
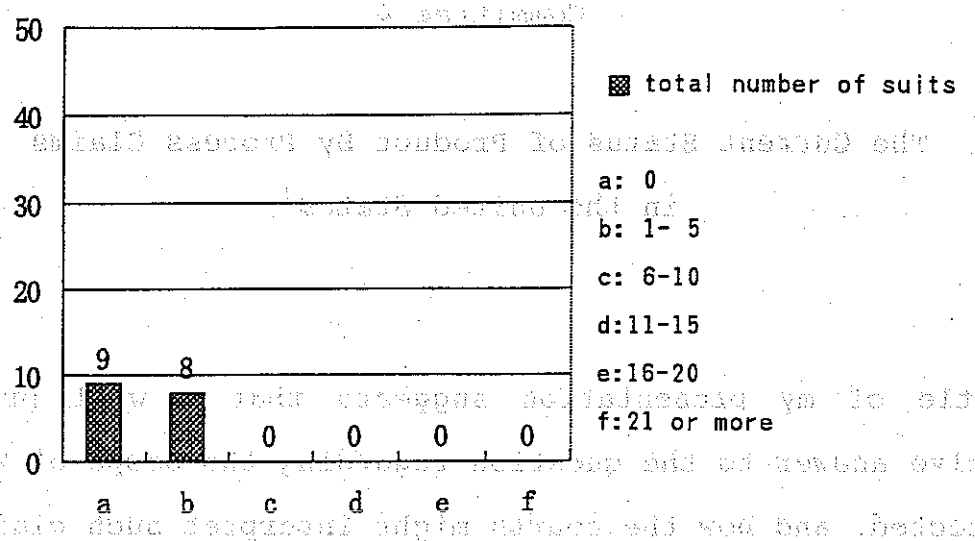


Fig.13

Q10(2) Total number of cases reaching litigation (Based on United States patents)



Pacific Intellectual Property Association

Hamamatsu Congress - October 1994

Committee 4

The Current Status of Product By Process Claims in the United States[1]

The title of my presentation suggests that I will provide a definitive answer to the question regarding the scope of what may be protected, and how the courts might interpret such claims. The short answer to the question is: "It's still confusing." That's the bad news. I suppose the good news is that there is still plenty of employment opportunities for patent lawyers.

All I can really do is review the controversy in the Federal Circuit regarding these kinds of claims, and provide an update on recent court precedents. The real answer regarding their value will have to be found in a future Federal Circuit decision.

Background

Historically, product-by-process claims were permitted in the U.S. only where one could not claim the product in any other fashion. (*Atlantic*, 23 USPQ 2d at 1489, and cases cited therein.) However,

[1]Lawrence T. Welch, The Upjohn Company

this rule of necessity is no longer being applied. (See, *In re Pilkington*, 162 USPQ 2d 145 (CCPA 1969)), and thus product-by-process claims can be used more frequently.

The current controversy really began with *Scripps Clinic and Research Foundation v. Genentech, Inc*, 927 F2d 1565, 18 USPQ 2d 1001 (Fed. Cir. 1991). This was a patent dispute over the blood clotting product known as factor VIII. Claim 13 read: "Highly purified and concentrated human or porcine [Factor] VIII:C prepared in accordance with the method of claim 1." Claim 1 was a multi-step, improved process for preparing Factor VIII.

While there were a number of interesting issues in the case, the court held, with regard to the interpretation of product by process claims as follows:"The correct reading of product-by-process claims is that they are not limited to product prepared by the process set forth in the claims" Id, at 1583. That seemed rather clear, although this was not an essential holding in the case, and thus may represent dicta.

However, the very next year the Federal Circuit decided *Atlantic Thermoplastics v. Faytex Corp.*, 970 F2d 834, 23 USPQ 1481 (Fed Cir. 1992). Claim 24 of this patent read: "The molded innersole produced by the method of claim 1." The defendant in this case was making a similar product, but not by the process of claim 1.

The Court, though Judge Rader, held: "[P]rocess terms in product-by-process claims serve as limitations in determining infringement." Id, at 1491. In so holding, the Court made some somewhat controversial statements.

First, the majority in the *Atlantic* case stated they were not bound by *Scripps*, since *Scripps* ignored Supreme Court precedent. Id, at 1485.

A request for hearing *en banc* was denied. The opinions issued on the denial of rehearing show a deeply divided court, on the merits, but particularly on the procedure, which the dissenting judges felt was overruling a prior precedent without a rehearing *en banc*.

Judge Rich concluded: "this court has another rule-as yet to be ignored by a panel, I believe-that where there are *conflicting* precedents, the *earlier* precedent controls." 23 USPQ at 1802. He also said that the *Atlantic* decision was "mutiny", "heresy", and "illegal". Id. I don't think he liked it.

Judge Newman, the author of the *Scripps* opinion, lamented that the differing opinions leave the law in disarray, noting the public needs to know "how the Federal Circuit will interpret a certain class of product-by-process claims, without depending on the luck of the draw of the appellate panel." Id, at 1803.

How does one reconcile these precedents?

Atlantic may be limited to its facts; however, Judge Rader, concurring in the denial of rehearing, argued that the Supreme Court precedents do not say that the process would only be a limit when the product is old. 24 USPQ 2d at 1141. Judge Newman clearly believed that it should have been narrowly interpreted, and sweeping statements as to the law should be avoided. She noted a patent from a divisional application claiming the product per se was rejected in reexamination. 23 USPQ 2d at 1803. This would suggest that the patentee in *Atlantic* was only entitled to the product as produced by the process claimed.

While Judge Rich commented that a later panel could follow *Scripps*, it hasn't happened yet.

In view of the conflicting precedent, it is clearly best to avoid claiming in *Atlantic* fashion, and even avoid claiming product by process at all. As Judge Newman noted; however, "there is more in heaven and earth than we know how to define in objective structural terms." 23 USPQ 2d at 1805.

The dissent in the denial of rehearing set forth a number of situations where product by process claims are used (see 23 USPQ at 1805).

These include:

(1) where the product is new and non obvious but incapable of independent definition;

(2) where the product is old or obvious, but the process is new; and

(3) Where the product is new and unobvious, but has a process limitation (e.g, a molded product).

This discussion is necessarily limited to those complex products for which an objective description is not possible, or for which the interpretation is ambiguous. However, based on the decided cases, it would seem best to claim novel products using physical/structural properties if possible. The risks are that the product may be deemed as not enabled by the specification; that they might encompass prior art; or that the data is simply wrong. As to the last point, one may be get some comfort from *In re Nathan*, 140 USPQ 601 (CCPA 1964) which held that clarification by a later amendment of an inherent property sufficiently identified in application was not new matter.

If you cannot claim the product by physical properties, one could try to claim it in a non-*Atlantic* fashion, e.g.: a product "which can be produced by process X".

The EPO Guidelines for Examination state that since a product is not rendered novel merely because it is produced by a new process, a claim to a product produced by a process "is to be construed as a claim to the product as such" and should be preferably take the form "Product X obtainable by process Y." (See Guidelines for Examination in the European Patent Office, Part C, Chapter III (4.7b).)[2]

It would seem best in the case of an old product made by a new process to broadly claim the new process. There were no policy or other reason not to limit as in *Atlantic*.

What are the competing policy considerations here? All would agree that the patentee should be able to protect the true scope of what he invented. It would seem that the *Atlantic* plaintiff was not entitled to any more protection. His product claims were rejected.

Judge Rader suggested that reissue can be a remedy, but this seems illusory. In order to recapture the subject matter, one would need support in the specification. Obviously, if you could support the product claim in the specification, would have claimed differently initially. Further, under the reissue statute, you cannot broaden

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[2]My understanding in Japan is that there are no decided cases, but a pending case, *DSM v. Mitsui Petrochemical*, in the Tokyo District Court, concerns the issue of what scope should be afforded to language "High strength polyethylene fiber *obtainable* by [process]." However, the case may settle, and, in any event, the prior art shows fiber made by different process.

the scope of your claims after 2 years. Also, there are intervening rights involved with reissue.

What about the concern about determining the scope of claims? Arguably, determining infringement may be difficult, but not impossible. For example, *In re Hughes*, 182 USPQ 106, 108 (CCPA 1974) noted that "rule of necessity," which was the original basis for allowing product by process claims was for public convenience only. Thus, product-by-process claims even if "inconvenient" should be permissible as a matter of public policy.

Certainly, some range of equivalents necessarily should accrue to pioneer inventions. On the other hand, extremely broad, sketchy or ambiguous claims should not be allowed or upheld as not enabled or encompassing prior art. For example, according to *In re Brown*, 173 USPQ 685,688 (CCPA 1972) the PTO can reject product -by-process claim if product "reasonably appears" to be in prior art, since PTO cannot make comparisons.

A blanket rule that product by process claims will be limited to product as produced by that process can be tremendously unfair in certain technologies. It leads to a number of questions, e.g.:

(1) How soon do you file patent applications?

(2) Can you afford to wait to fully characterize?

Clearly, one should not be allowed, through product by process claim, to cover product made by prior art process.

Conclusions

While it is not possible to completely predict what the courts will do with product by process claims, several points seem most important.

(1) The obvious solution is to claim in non product-by-process fashion if at all possible.

(2) One should put in a claim to product with whatever characterizing data you have unless you clearly can't enable it or it will cover prior art.

(3) If you must claim the invention as product-by-process, try to use language such as "Product X which can by produced by process Y", or "Product X obtainable by process Y." While there is no guaranted this will be accepted, it makes your intention clear as to claim scope.

(4) If you do not intend the product-by-process claims to be limited to the product produced by the process, don't say so in prosecution. *Atlantic's* attorney made statements indicating that the process limitations made this claim different from the product

claim in the divisional application. Judge Radar found them to be ambiguous, but clearly he agreed with their import, i.e., the process limited the scope of the claim.

(5) Finally, if you are the patentee, pray for Judge Newman or Judge Rich on appeal; if you are the defendant, pray for Judge Radar.

(1) Title:

Study on the Current Use of Alternative Dispute Resolution (ADR)

(2) Date:

October 1994 (the 25th Plenary Session in Hamamatsu)

(3) Source:

1) Source: PIPA
2) Group: Japan
3) Committee: 4

(4) Authors:

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(6) Statutory Provisions:

Civil Proceedings Act/Articles 786, 800, and 802 (Japan)

Civil Execution Act / Article 22, No. 5 (Japan)

(7) Abstract:

Alternative dispute resolution (ADR) outside of a court setting to resolve disputes in intellectual property rights becomes more popular both in Japan and the U.S. The Fourth Committee of PIPA Japanese Group investigated the current trends in ADR with respect to how the PIPA members use ADR and how the members feel about ADR. Based on the findings, the significance of ADR and the techniques of ADR have been studied anew to point out the current problems and to make recommendations on future improvements. According to the findings, the Japanese Member companies showed great expectations of ADR despite the presence of virtually no experience in ADR while the American Member companies do not necessarily show a positive tendency to expand the use of ADR admitting their higher usage of ADR than their Japanese counterparts. Discussed herein are the requirements for the consultation function of the ADR associations and for the formulation of rules and systems for flexible addressing of different cases in order to facilitate ADR and fully exploit its advantages.

1. Preface

Measures for settlement of disputes fall into two main categories: "litigation" as a national compulsory measure for settlement of disputes and "reconciliation" as a purely private measure for settlement of disputes, the gap between which is bridged by arbitration and mediation, which are collectively called alternative dispute resolution (ADR).

Meanwhile, disputes over intellectual property rights involve those technologies which cannot be judged without expertise on patent rights concerning highly advanced technologies or copyrights concerning state-of-the-art software and those trade secrets which must not be disclosed as a prerequisite to their value. Unlike ordinary commercial disputes, therefore, disputes over intellectual property rights require that persons in charge of their settlement should preferably have expertise on both technical and legal matters. Further, "litigation" involves enormous expense, adopts technical non-experts as judges, requires much time for conclusion, and makes it a general principle to be executed at the open court in Japan. On the other hand, "reconciliation", in the event of failure in settlement, leaves room for other measures for settlement of disputes. Taking these into consideration, it seems to have great significance to consider ADR in resolving disputes.

Accordingly, it is necessary to delve into the essence of ADR, the possibility of effective use, the cautions, if any, in recourse to ADR, and other matters.

2. Outline of ADR

(1) Definition of ADR

ADR is a general term for measures for settlement of disputes other than litigation through the agency of impartial third parties and typically available as "arbitration" and "mediation".

1) Definition of Arbitration: Arbitration is a method whereby both parties concerned in any dispute enter into a mutual agreement (arbitration agreement) to commit its settlement to judgment by impartial third parties

(arbitrators), in compliance with which such third parties (arbitrators) execute judgment. Arbitration is provided for as described below in Article 786 of the Civil Proceedings Act. Article 800 of the same act provides that a decision of arbitration shall have the same effect as an irrevocable decision. Further, the execution of arbitration is granted in Article 802 of the same act.

Requirements for Arbitration: Arbitration requires a mutual consent (arbitration agreement) between both parties concerned in any dispute to the effect that they commit its settlement to arbitration. In the event of the existence of any arbitration agreement, any appeal that may be made by either one party concerned for litigation will be rejected.

Procedure of Arbitration: Proceedings may be determined by both parties concerned, arbitrators, and arbitration associations at their discretion, customarily, in compliance with the rules of arbitration associations. Arbitrators may also be appointed in any numbers by the both parties concerned at their discretion. Trial is conducted through questioning in secret from the public under the supervision of arbitrators. Arbitrators may form their own conviction without complying with any strict investigation procedure of evidence. A decision of arbitration may also be made secrete from the public. Further, a decision of arbitration is not bound by any written substantive law but made by the majority or unanimity of arbitrators.

Effects of Arbitration: A decision of arbitration has the same effects as an irrevocable decision and allows no room for appeal. Further, a decision of arbitration is deemed to be executable.

2) Definition of Mediation: Mediation is a method whereby both parties concerned in any dispute are intermediated by impartial third parties (mediators), who provides intercession and cooperation in an effort to reach an agreement (reconciliation).

Requirements for Mediation: Mediation requires not a mutual consent between both parties concerned in any dispute but only a motion from either one party concerned.

Effects of Mediation: A decision of mediation is binding on neither party concerned. While a decision of mediation made by a court of justice is deemed to be executable if duly recorded in a protocol of mediation (as provided for in the Civil Execution Act, Article 22, No. 5), a decision of mediation made by any other body than a court of justice is deemed to be inexcusable.

(2) Related Treaties

Japan acceded to the New York Convention, or "United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958)"to which almost all the major countries in the world acceded. Consequently, Japan is stably eligible for approval and execution of decisions of arbitration with almost all the major countries in the world.

Also related to arbitration are the bilateral treaty concerning trade voyage with a host of foreign countries including the United States, "Protocol on Arbitration Clauses" concerning the multilateral treaty of arbitration in 1924 (Geneva Protocol), and "Convention on the Execution of Foreign Arbitral Awards" concerning the execution of foreign decisions of arbitration in 1927 (Geneva Treaty).

3. Current Status of Settlement of Disputes over Intellectual Property Rights (Findings of Present Questionnaire)

(1) Outline of Present Questionnaire

The present questionnaire has been conducted on the Member companies in Japan and the United States with the aim of identifying their previous use of ADR as a measure for settlement of disputes over intellectual property rights, the advantages and disadvantages of ADR in comparison with litigation now established as a common official measure for

settlement of disputes, and the future ideals of ADR envisioned by the Member companies.

To conduct the present questionnaire in Japan, questionnaires were sent to the Member companies in the Japanese Group of the PIPA and answered by 69 companies, of which 65 companies (9 in the mechanical and metal industries, 18 in the electric industry, 37 in the chemical industry, and 1 in the other industries) made valid answers.

To conduct the present questionnaire in the United States, questionnaires were sent to the Member companies in the United States Group of the PIPA and answered by 22 companies (1 in the mechanical and metal industries, 5 in the electric industry, 12 in the chemical industry, and 4 in the other fields).

(2) Findings and Analysis of Present Questionnaire

(For detailed data, refer to the separate table attached hereto. For Q6, Q12 to 17, also refer to the separate tables and figures attached hereto.)

(Q3) Concerning the number of disputes experienced by the Member companies in the past decade and their previous use of ADR

1) The 65 Japanese Member companies surveyed were questioned about the number of disputes experienced over intellectual property rights (disputes arising from warnings, institution, agreement clauses, etc.) in the past decade. According to their answers to this question, 62 companies experienced many domestic disputes over intellectual property rights (8 companies experienced 101 or more such disputes); and only 3 companies experienced no such dispute. Similarly, 56 companies experienced international disputes over intellectual property rights (6 companies experienced 101 or more such disputes); and only 9 companies experienced no such dispute.

On the other hand, the 22 American Member companies surveyed were also asked the same question. According to their answers to this question, 20 companies experienced many domestic disputes over intellectual property rights in the past decade (6 companies experienced 101 or more such disputes); and only 2 companies experienced no such dispute. Similarly, 21 companies experienced international disputes over intellectual property rights (3 companies experienced 101 or more such disputes); and only 1 companies experienced no such dispute. Thus, it can be suspected that American companies see a greater increase than Japanese companies in the number of companies experiencing many disputes and are prone to more domestic disputes than international disputes.

2) Of the Japanese Member companies admitting their experience with disputes in (1) above, almost all the companies attempted to settle or actually settled disputes only through negotiation between parties concerned. The same also holds true of the corresponding American Member companies.

(3) Of the Japanese Member companies admitting their experience with disputes in (1) above, 41 companies brought domestic disputes into litigation and 24 companies did not while 36 companies put international disputes into litigation and 29 companies did not.

Of the corresponding American Member companies, 19 companies brought domestic disputes into litigation and 3 companies did not while 18 companies put international disputes into litigation and 4 companies did not. Thus, it can be realized that the American companies see a greater increase than Japanese companies in the rate of disputes brought into litigation.

4) Of the Japanese Member companies admitting their experience with disputes in (1) above, only 1 company used ADR as a measure for settlement of domestic disputes (only

once)while only 6 companies applied ADR to international disputes.

Of the corresponding American Member companies, 14 company used ADR as a measure for settlement of domestic disputes (only 1 company had recourse to ADR 11 to 50 times) and 8 companies did not while 8 companies applied ADR to international disputes and 14 companies did not. Thus, it can be assumed that American companies use ADR much more frequently than Japanese companies and apply ADR to domestic disputes more frequently than to international disputes.

(Q4) Concerning arbitration clauses in agreements

The Japanese Member companies surveyed were questioned about whether they had furnished their agreements with third parties concerning intellectual property rights (such as license agreements or technology transfer agreements) with arbitration clauses providing for arbitration (ADR) as a measure for settlement of disputes over the contents of such agreements. According to their answers to this question, the majority of them added arbitration clauses in domestic agreements "on a case-by-case basis" or "in very few cases" while more than one third of them added such clauses in international agreements "in almost all cases". Thus, it has come to light that Japanese companies attach importance to ADR in dealings with foreign companies (or at the request of foreign companies).

On the other hand, most of the American Member companies surveyed added arbitration clauses in both domestic and international agreements "on a case-by-case basis". Thus, it has come to light that American companies use ADR less positively than expected.

(Q5) Concerning previous use of ADR

The Japanese Member companies surveyed were questioned about their previous (indefinite) use of ADR as a measure for settlement of disputes over intellectual property rights. According to their answers to this question, 3 companies used ADR against domestic disputes (three times) while 7 companies

used ADR against international disputes (7 times). The frequency of previous use by these Japanese companies in compliance with arbitration (ADR) clauses in existing agreements is 0 time for domestic disputes and 3 times for international disputes.

Further, the Japanese Member companies admitting the absence of their previous use of ADR were questioned about their reason for having no use of ADR. According to their answers to this question, 8 companies "reached a settlement between parties concerned"; 6 companies "had little knowledge of ADR";4 companies "experienced no dispute"; 4 companies "underestimated the impartiality and reliability of ADR"; and 2 companies "referred to the impossibility of making an appeal of dissatisfaction".

On the other hand, the American Member companies surveyed were also asked the same question. According to their answers to this question, 10 companies used ADR against domestic disputes while 7 companies used ADR against international disputes. (The exact frequency of their use of ADR is unknown.) Thus, it has also come to light that American companies use ADR to a considerable degree.

(Q6 to 11) Concerning the findings of questionnaires to Member companies having previous use of ADR

1) The Japanese Member companies admitting the presence of their previous ADR were questioned about their motive for having use of ADR (in Q6). According to their answers to this question, 5 companies "received intercession from a court of justice and other third parties"; 3 companies "complied with arbitration (ADR) clauses in existing agreements"; and 2 companies "complied with the request of the other party in cases where the rights of the other party were concerned". Thus, it is clear that no Japanese Member company voluntary used ADR.

On the other hand, the corresponding American Member companies were also asked the same question. According to their answers to this question, 6 companies "complied with arbitration(ADR) clauses in existing agreements"; 3 companies

"received intercession from a court of justice and other third parties";2 companies "complied with the request of the other party in cases where the rights of the other party were concerned"; 4 companies "complied with their own request in cases where the rights of the other party were concerned"; 1 company "complied with the request of the other party in cases where their own rights were concerned"; no company "complied with their own request in cases where their own rights were concerned"; and 1 company "referred to any other motive".

2) The Japanese Member companies admitting the presence of their previous use of ADR were questioned about the type of ADR adopted (in Q7). According to their answers to this question, 3 companies used "arbitration" (3 times) while 7 companies used "mediation" (7 times).

On the other hand, the corresponding American Member companies were also asked the same question. According to their answers to this question, 10 companies used "arbitration" while 6 companies used "mediation". The exact frequency of their use of arbitration or mediation is unknown. In addition, 3 companies used "mini-trial" as "any other measure" (twice).

3) The Japanese Member companies admitting the presence of their previous use of ADR were questioned about ADR agencies or organizations (in Q8). According to their answers to this question, 2 companies used "the International Chamber of Commerce (ICC)" (twice); 1 company used "the American Arbitration Association (AAA)" (once); 4 companies used "courts of justice" (4 times); and 3 companies used "any other ADR agency or organization" (3 times).

On the other hand, the corresponding American Member companies were also asked the same question. According to their answers to this question, 2 companies used "the ICC";7 companies used "the AAA"; 1 company used "the JCA"; 2 companies used courts of justice; and 4 companies used "any other ADR agency or organization". The exact frequency of their use of these ADR agencies or organizations is unknown.

4) The Japanese Member companies admitting the presence of their previous used of ADR were questioned about the object of disputes to which ADR was applied (in Q9). According to their answers to this question, 9 companies experienced disputes over "patents" (9 times).

On the other hand, the corresponding American Member companies were also asked the same question. According to their answers to this question, 7 companies disputed over "patents";4 companies disputed over "know-how"; 1 company disputed over "copyrights"; and 1 company disputed over "any other object". The exact frequency of their disputes over these objects is unknown.

5) The Japanese Member companies admitting the presence of their previous use of ADR were questioned about the nationality of the other party in disputes to which ADR was applied (in Question 10). According to their answers to this question, 5 companies disputed with "American companies" (5 times); 3 companies disputed with "Japanese companies" (3 times); and 2 companies disputed with "European companies" (twice).

On the other hand, the corresponding American Member companies were also asked the same question. According to their answers to this question, 9 companies disputed with "American companies"; 3 companies disputed with "Japanese companies"; 2 companies disputed with "European companies"; and 1 company disputed with "Asian companies (excluding Japanese companies)". The exact frequency of their disputes with these other parties is unknown.

6) The Japanese Member companies admitting the presence of their previous use of ADR were questioned about whether they were satisfied with the results of ADR (in Q11). According to their answers to this question, 2 companies were "satisfied"; 2 companies were "dissatisfied"; and 4 companies were "uncertain". Their reasons for being "satisfied" include "early settlement with an agreement on reasonable terms and

conditions" and "proposal of adequate solutions by arbitrators or mediators with adequate expertise". Their reasons for being "dissatisfied" include "defeat in disputes" and "lack of expertise of arbitrators or mediators on patent systems and technologies". Their reasons for being "uncertain" include "withdrawal of arbitration or mediation in the middle of disputes", "eventual reconciliation without recourse to arbitration or mediation", "seemingly sufficient or insufficient understanding of their positions by arbitrators or mediators", and "variation from case to case".

On the other hand, the corresponding American Member companies were also asked the same question. According to their answers to this question, 4 companies were "satisfied"; 4 companies were "dissatisfied"; and 4 companies were "uncertain".

(Q12 to 17) Concerning the opinions of Member companies surveyed on ADR

1) The Japanese Member companies surveyed were questioned about "whether ADR is necessary for the settlement of disputes over intellectual property rights" (in Q12). As for arbitration, 45 companies answered "yes"; 3 companies answered "no"; and 17 companies answered "yes and no". As for mediation, 43 companies answered "yes"; 5 companies answered "no"; and 17 companies answered "yes and no". Thus, it has come to light that a great number of Japanese companies feel the necessity of ADR.

On the other hand, the American Member companies surveyed were also asked the same question. As for arbitration, 6 companies answered "yes"; 12 companies answered "no"; and 4 companies answered "yes and no". As for mediation, 6 companies answered "yes"; 11 companies answered "no"; and 5 companies answered "yes and no".

Thus, it is clear that the necessity of ADR is affirmed and denied by the overwhelming majority of Japanese companies and American companies, respectively. It should be noted, however, that the answers of the American Member

companies surveyed to this question contradict those to the questions 4) and 6) below, which seems to suggest that there is a difference between Japanese companies and American companies in their interpretation of the necessity of ADR.

2) The Japanese Member companies surveyed were questioned about "the advantages of ADR" in their opinion (in Q13). In order of decreasing number, their answers to this question are "low cost" (44 companies), "availability of varying solutions depending on actual situations" (33 companies), "quick settlement" (31 companies), "maintenance of secrecy" (21 companies), "absence of procedural complications" (21 companies), and "possibility of appointment of arbitrators or mediators at their discretion" (9 companies).

On the other hand, the American Member companies surveyed were also asked the same question. In order of decreasing number, their answers to this question are "availability of varying solutions depending on actual situations" (14 companies), "quick settlement" (11 companies), "maintenance of secrecy" (8 companies), "low cost" (7 companies), and "absence of procedural complications" (6 companies).

3) The Japanese Member companies surveyed were questioned about "the disadvantages of ADR" in their opinion (in Q14). In order of decreasing number, their answers to this question are "difficulty in selection of arbitrators or mediators" (33 companies), "impossibility of making an appeal of dissatisfaction" (28 companies), "incomplete results" (25 companies), "low impartiality and reliability" (17 companies),and "impossibility of validation of patents in Japan" (14 companies).

On the other hand, the American Member companies surveyed were also asked the same question. In order of decreasing number, their answers to this question are "necessity of agreements as a prerequisite" (13 companies), "impossibility of making an appeal of dissatisfaction" (7 companies), "difficulty in selection of arbitrators or

mediators" (5 companies), "incomplete results" (4 companies), and "high cost" (4 companies).

Noticeable points in these answers are that: the top-ranking answer among the Japanese Member companies, "difficulty in selection of arbitrators or mediators", is not cited so frequently by the American Member companies; the top-ranking answer among the American Member companies, "necessity of agreements as a prerequisite", is not counted among even the top five answers by the Japanese Member companies; and the top five answers among the American Member companies include "high cost", which is not cited by the Japanese Member companies.

4) The Japanese Member companies surveyed were questioned about "whether they have any intention to use ADR as a measure for settlement of disputes over intellectual property rights" (in Q15). According to their answers to this question, 2 companies "have an intention"; 44 companies "have an intention on a case-by-case basis"; 17 companies "currently have no intention"; and 2 companies "have no interest in ADR".

On the other hand, the American Member companies surveyed were also asked the same question. According to their answers to this question, 11 companies "have an intention"; 11 companies "have an intention on a case-by-case basis"; no company" currently has no intention"; and no company "has no interest in ADR". Although the overwhelming majority of the American Member companies deny the necessity of ADR in Q12, all of them have an active intention to use ADR or to use ADR on a case-by-case basis. 5) The Japanese Member companies surveyed were questioned about "the future necessary improvements in ADR in their opinions" (in Q16). In order of decreasing number, their answers to this question are "practice of more aggressive propaganda of ADR" (31 companies), "provision of more satisfactory methods for appointment of arbitrators or mediators" (27 companies),"implementation of ADR through the intercession of courts of justice" (20 companies), and "intercession with the other party by ADR agencies" (7 companies).

On the other hand, the American Member companies surveyed were also asked the same question. In order of decreasing number, their answers to this question are "implementation of ADR through the intercession of courts of justice" (6 companies), "no comment" (5 companies), "practice of more aggressive propaganda of ADR" (4 companies), "provision of more satisfactory methods for appointment of arbitrators or mediators" (1 company), and "intercession with the other party by ADR agencies" (1 company).

What is noteworthy in these answers is the high-ranking answer among the Japanese Member companies, "provision of more satisfactory methods for appointment of arbitrators or mediators", is not valued so much by the American Member companies.

6) The Japanese Member companies surveyed were questioned about "the possibility of future use of ADR" (in Q17). According to their answers to this question, 20 companies predict "wide use of ADR"; 21 companies predict "limited use of ADR only in the United States"; 17 companies predict "virtually no use of ADR"; 7 companies make no comment.

On the other hand, the American Member companies surveyed were also asked the same question. According to their answers to this question, 5 companies predicts "wide use of ADR";6 companies predict "limited use of ADR only in the United States"; 9 companies predict "virtually no use of ADR"; 2 companies make no comment. What is noteworthy in these answers is that the greatest number of the American Member companies predict "virtually no use of ADR" despite the high frequency of their previous use of ADR.

4. Current Problems and Future Prospects of ADR

(1) Significance of ADR as Measure for Settlement of Disputes over Intellectual Property Rights

As is apparent from the findings of the questionnaires, there are very few cases in Japan where disputes over intellectual property rights are settled by ADR because they are settled through negotiations between both

parties concerned in most cases. Basically, the same also holds true of the Unites States except the higher frequency of its use of ADR than Japan. As is also evident from the findings of the questionnaires, however, there is observed actual presence of previous use of ADR in the United States and there are entertained little expectations of use of ADR in Japan. Such inconsistency can be attributed to the following facts:

1) Relationship between ADR and Reconciliation through Negotiations

It is only natural that an attempt at settlement of disputes over intellectual property rights is started with negotiations between both parties concerned in most cases excluding some exceptional cases. There would arise no problem, therefore, if such disputes could be settled by reconciliation under the conditions which are generally satisfactory to the both parties concerned. In other words, ADR will suffice if it is available as one useful countermeasure comparable with litigation in those circumstances where reconciliation cannot be or cannot seem to be realized under such satisfactory conditions. Accordingly, it follows that the significance of ADR as a measure for settlement of disputes over intellectual property rights is not negated by the fact that the majority of such disputes are settled by reconciliation through negotiations between the both parties concerned.

2) Relationship between ADR and Litigation

In cases where disputes cannot be settled through negotiations between both parties concerned, the present practice is to commit such disputes to litigation. It is not always, however, that litigation is an optimal measure for settlement of disputes over intellectual property rights considering cost, time, jury trial, and other factors involved. Rather, ADR may be superior to litigation in many respects as is shown by the findings of the questionnaires, so

that ADR should reveal its significance in cases where its advantages are fully exploited.

(2) Problems of ADR as Measure for Settlement of Disputes over Intellectual Property Rights

1) Difficulty in Conclusion of Agreement on ADR

A prerequisite to ADR is a mutual consent between both parties concerned in disputes to that effect. In reality, however, it is usually unlikely that the both parties concerned will ever use ADR immediately upon the start of disputes without any arbitration (ADR) agreement concluded there between in advance. In the event of a failure in the negotiations between the both parties, it is only natural that they demand a favorable measure for settlement of disputes to their own interest. In the United States, for example, it is most likely that patentees will opt for jury trial, which is generally supposed to be favorable to their own interest. Thus, if either one party concerned opts for any other measure than ADR, the possibility of ADR will be precluded no matter how eagerly the other party concerned desires for ADR. It seems almost certain that this situation is responsible for the presence of virtually no use of ADR.

2) Reliability of ADR

As is suggested by the findings of the questionnaires, ADR has not received sufficient recognition particularly in Japan with respect to its system and concept, not to mention the existence of ADR agencies. In this situation, it is simply no wonder that ADR is unavailable as a measure for settlement of disputes over intellectual property rights exerting a great influence on corporate activities. More specifically, one key factor is, for example, the reliability of arbitrators or mediators on the staff of ADR agencies. Particularly in Japan, no information is available concerning the Panel members as arbitrators or mediators in charge of settlement of disputes over intellectual property rights. Assuming, therefore, that ADR is taken only as a simplified form of litigation in this situation, any parties concerned,

who are pressed for a serious decision, will not hesitate to prefer litigation in terms of reliability.

3) Misunderstanding of Advantages of ADR

The advantages of ADR over litigation, as described above, do not apply to all cases. For example, there seems to be some cases where ADR is not always advantageous litigation in terms of cost and time especially where the cases involve intricate disputes. As another example, while quick decision is reached because there is no appeal means allowed, this conversely means that due preparations must be made to address any risk that may be involved in lack of appeal means. Thus, any parties using ADR will be required to become skillful in applying ADR in different manners depending on the case.

4) Judgment of Patent Validity

In Japan, the idea used to prevail that the validity of patents, due to their public utility, should not be judged in the process of settlement of private disputes in the light of Article 786 of the Civil Proceedings Act providing that "arbitration shall take effect only where there exists the right of reconciliation over the subject matter in dispute". Accordingly, some opinions hold that disputes over intellectual property rights, often involving judgment of the validity of patents, are unsuitable for ADR. In the United States, on the other hand, the 35 USC Section 294 was enacted in 1982 as a confirmation of the validity of arbitration agreements for patents, providing that arbitration may judge not only the conflicting possibility of patents but also their validity. In response to this development, there is a call for equivalent amendments to relevant legislation in Japan. To be more realistic, however, it seems that this issue can be solved by avoiding direct judgment of the validity of patents in such a manner that the scope of patent rights is determined in consideration for their validity as a measure of judgment of infringement, as has been conventionally practiced by Japanese courts of justice.

(3) ADR Associations in Japan

ADR associations in Japan and their features are studied below.

1) JCA

As is obvious from the findings of the questionnaires, only one of the Member companies surveyed used International Commercial Arbitration Association (JCA)headquartered in Japan.

Meanwhile, there is no significant point in which the JCA's Commercial Arbitration Rule as amended on June 11, 1991 differs from the arbitration rules of the American Arbitration Association (AAA), the International Chamber of Commerce (ICC), and other standing arbitration agencies supposedly with a respectable actual achievement in arbitration in the United States and Europe. Further, the JCA is characterized in that its place of arbitration is set in Japan, namely selected from its head office (in Tokyo) and its branch offices (in Nagoya, Osaka, and Kobe) by mutual consent between parties concerned (in accordance with the provisions of Article 3 of the JCA's Commercial Arbitration Rule) and that arbitration procedures can be followed in Japanese. Judging from these and other facts, it can be assumed that the JCA is of utility value particularly as a agency for settlement of disputes among Japanese companies.

At present, there is no established use of the JCA as an agency for settlement of disputes over intellectual property rights mainly because there is no established use of arbitration itself as a measure for settlement of disputes over intellectual property rights between Japanese companies. Such being the case, there seems to be a need to reconsider the utility value of the JCA in line with future review of the necessity of ADR.

2) Mediation by PIPA

According to the findings of the questionnaires, no Member company surveyed used mediation by the PIPA. It seems, however, that mediation by the PIPA deserves consideration as

a measure for settlement of disputes between Japanese companies or between Japanese and American companies.

Mediation by the PIPA features its specialization in disputes over intellectual property rights and bases its procedure and rule on the following basic principles:

a. Providing a procedure easy to follow.
b. Providing no binding force or no sanction in the event of failure of mediation.
c. Providing a procedure ensuring the protection of rights and maintenance of secrets of both parties.
d. Providing a measure open to both Member companies and non-Member companies.

Based on these basic principles, the PIPA formulates its Mediation Rule. For example, Article 2 provides that both parties concerned may select arbitrators from the PIPA's Arbitration Panel consisting of at least 10 specialists in various aspects of issues surrounding intellectual property rights.

Thus, the PIPA's Arbitration Rule is sufficient to handle actual disputes over intellectual property rights, in the light of which both Japanese and American companies, particularly Member companies, need to reconsider the utility value of mediation by the PIPA as a measure for settlement of disputes particularly over intellectual properties. Depending on the resulting development, the PIPA might as well consider making necessary arrangements.

(4) Future Necessary Improvements in ADR

Now that it has been proved that ADR has a significance as a measure for settlement of disputes over intellectual property rights and that a great number of companies, though having no current use of ADR, consider future use of ADR, it is desired that the above-mentioned problems currently surrounding ADR should be solved. Its future necessary improvements are described below.

1) Consent on Using ADR

It is an inevitable fact that a prerequisite to ADR is a mutual consent between both parties concerned in disputes to that effect. Facilitating such consent will probably provide the greatest future improvement in ADR. A first conceivable method to this end is to add a clause providing ADR in advance in any agreement that may be concluded between parties concerned in disputes. Actually, this method is beginning to come into wide use to produce increasing effects. In the absence of such an agreement, on the other hand, it is indeed difficult for the both parties concerned to have immediate use of ADR, but it would seem even in this situation that a mutual consent on ADR might be facilitated through intercession by any competent third party. One such third party imaginable is, for example, a court of justice. In fact, it is far from unusual that the US Federal Court, when receiving alleged suit for patent infringement, functions as an ADR agency or intercedes with another ADR agency to reportedly produce favorable effects. Another effective method is to authorize ADR agencies to accept applications for ADR from either one party concerned and urge the other party concerned to consent to such applications. The effectiveness of this method is directly proportional to the reliability and authority of the ADR agencies. One movement toward materialization of this method can be seen in the recent news that an international arbitration agency with such authority will be inaugurated in the World Intellectual Property Organization (WIPO) in October this year. Indeed, the future activities of this new body are expected to draw much attention.

2) Reliability of ADR

The findings of the questionnaires suggest that there is not yet adequate public recognition of ADR itself. To meet this difficult situation, it is necessary to practice more aggressive propaganda of ADR agencies available and ADR procedures. Certainly, the reliability of ADR will not be enhanced until such propaganda promotes ADR, which, in turn, proves its actual achievement in arbitration or mediation.

What is more important is to enhance the reliability of arbitrators or mediators on the staff of ADR agencies so that they may form a Panel appealing to the general public. Such Panel members will have to include authoritative experts in the fields of intellectual property rights and various technologies and specialists of large experience in arbitration or mediation.

3) Exploitation of Advantages of ADR

It is desired that ADR agencies should make a further study of the advantages of ADR over trial, thereby developing a system to provide various forms of ADR for selection by users depending on the features of disputes concerned and presenting a guideline for such selection. For example, ADR agencies are given some room for consideration as to how to distinguish between arbitration and mediation. Judging from the fact arbitration has the advantages of secrecy and rapidity but is subject to risks involved in its first trial system, ADR might as well have a process of first executing mediation with no binding force and then shifting to arbitration as needs dictate. Conversely, ADR might be more effective in some cases if arbitration were executed first and then followed by mediation before the review of its results.

(5) Conclusion

As has been described above, ADR has a significance as a measure for settlement of disputes over intellectual property rights while Japanese companies entertain little expectations of using ADR. It is desired, therefore, that ADR agencies with full adaptability should be formed from authoritative experts in legal and technical matters and authorized to actively urge a mutual consent between both parties concerned to use ADR with due consideration for the facilitation of a mutual consent on ADR, the enhancement of the reliability of ADR, and the development of a system to exploit the advantages of ADR.

Attached documents:

(1) Findings of questionnaires (Questions 1 to 17)

(2) Charts and diagrams (Questions 6 and 12 to 17)

(3) Forms of questionnaires

Reference:

"Survey Report on Arbitration System from Viewpoint of Disputes over Intellectual Property Rights", (May, 1991), the Japan Federation of Mechanical Industry, Intellectual Property Institute (juridical foundation)

"A Study of Arbitration System Concerning Industrial Property Rights", the Secretariat of the Association of Patent Attorneys, Patent Vol. 46, No. 11 (1993)

Questionnaire-PIPA Japanese Group

June 9, 1994

Alternative Dispute Resolution

Dear Sir/Madam,

Alternative dispute resolution (ADR) outside of a court setting to resolve disputes in intellectual property rights becomes more popular both in Japan and the U.S. We, the Fourth Committee of PIPA Japanese Group, would like to investigate the current trends in ADR with respect to how the PIPA members use ADR and how the members feel about ADR. To accomplish this, we request that you complete the enclosed questionnaire and return it to us.

The results of our investigation will be made available to the members and a Japan/US panel discussion will be held at the 25th International Conference.

In the questionnaire, if a multiple choice is provided, please check the appropriate box. If for any reason you are reluctant to answer, please leave it blank. Please note that the results of this questionnaire will only be published as statistical data.

In this questionnaire, "Arbitration" means the submission by two contesting parties of their disagreement to an impartial arbitrator agreeing that his ruling in the dispute will be binding and final. "Mediation" means the settlement of a dispute between two parties by the intervention of a third party, who acts impartially and attempts to reconcile differences.

We thank you for your cooperation.

Fourth Committee
PIPA Japanese Group

QUESTIONNAIRE

Q1: What is your main business ?

Machine-Metal
- ☐ iron & steel
- ☐ nonferrous metals
- ☐ automobiles
- ☐ shipbuilding
- ☐ precision machines
- ☐ power-driven machines
- ☐ metals-machines
- ☐ other metal-machines ( )

Electric Machines-Appliances
- ☐ general electric machines-appliances
- ☐ computers
- ☐ telecommunications
- ☐ household appliances
- ☐ musical instruments/acoustics
- ☐ measurements
- ☐ electric cables
- ☐ electronic parts
- ☐ other electric machines-devices ( )

Chemical
- ☐ general chemicals
- ☐ organic chemicals
- ☐ rubber
- ☐ plastics
- ☐ petroleum
- ☐ petrochemicals
- ☐ fibers
- ☐ pharmaceuticals
- ☐ food
- ☐ cosmetics
- ☐ other chemicals ( )

Other ☐ ( )

For questions Q2-Q5, please answer for the cases of both domestic and international disputes.

Q2: (a) About how many disputes regarding intellectual property including receiving warnings, litigations and contractual disputes were you involved in last year ?

domestic	international	
☐	☐	over 101
☐	☐	51 - 100
☐	☐	11 - 50
☐	☐	1 - 10
☐	☐	none

(b) About how many of the above cases have you resolved or did you want to resolve by negotiation ?

domestic	international	
☐	☐	over 101
☐	☐	51 - 100
☐	☐	11 - 50
☐	☐	1 - 10
☐	☐	none

(c) About how many of the above cases ended up being litigated ?

domestic	international	
☐	☐	over 101
☐	☐	51 - 100
☐	☐	11 - 50
☐	☐	1 - 10
☐	☐	none

(d) About how many of the above cases have you resolved or did you want to resolve by ADR ?

domestic	international	
☐	☐	over 101
☐	☐	51 - 100
☐	☐	11 - 50
☐	☐	1 - 10
☐	☐	none

Q3: (a) About how many disputes in intellectual property including receiving warnings, litigations and contractual disputes have you been involved in during the last ten (10) years ?

domestic	international	
☐	☐	over 101
☐	☐	51 - 100
☐	☐	11 - 50
☐	☐	1 - 10
☐	☐	none

(b) About how many of the above cases have you resolved or did you want to resolve by negotiation ?

domestic	international	
☐	☐	over 101
☐	☐	51 - 100

☐	☐	11 - 50
☐	☐	1 - 10
☐	☐	none

(c) About how many of the above cases ended up being litigated ?

domestic	international	
☐	☐	over 101
☐	☐	51 - 100
☐	☐	11 - 50
☐	☐	1 - 10
☐	☐	none

(d) About how many of the above cases have you resolved or did you want to resolve by ADR ?

domestic	international	
☐	☐	over 101
☐	☐	51 - 100
☐	☐	11 - 50
☐	☐	1 - 10
☐	☐	none

Q4: Do you have a dispute resolution clause such as an arbitration clause in your agreements regarding intellectual property ?

domestic	international	
☐	☐	all/most of
☐	☐	case by case
☐	☐	none

Q5: (a) For how many disputes have you used ADR to reach a resolution ?

domestic	international	
☐	☐	over 101
☐	☐	51 - 100
☐	☐	11 - 50
☐	☐	1 - 10
☐	☐	none

If you answer for both domestic and international 'none', please answer the next question then move onto Q 12.

What the reason you have never used ADR ?
( )

(b) About how many times have you used ADR because of an ADR clause in an agreement ?

domestic	international	
☐	☐	over 101
☐	☐	51 - 100
☐	☐	11 - 50
☐	☐	1 - 10
☐	☐	none

Q6: Why have you used ADR ?

- ☐ ADR clause in contract
- ☐ conciliation by court or third party
- ☐ the other party's desire because his rights were in dispute
- ☐ your desire because the other party's rights were in dispute
- ☐ the other party's desire because your rights were in dispute
- ☐ your desire because your rights were in dispute
- ☐ other ( )

Q7: What type of ADR have you used and in how many cases ?

☐ Arbitration ( ) ☐ Mediation ( )
☐ other ( )
( )

Q8: What association/organization have you used for ADR and in how many cases ?

☐ AAA (American Arbitration Association) ( )
☐ ICC (International Chamber of Commerce) ( )
☐ JCA (Japan Commercial Arbitration Association ( )
☐ court ( )
☐ other ( )
( )

Q9: What kind of intellectual property dispute have you resolved by ADR ?

☐ patent ( ) ☐ know-how ( )
☐ copyright ( ) ☐ trademark ( )
☐ other ( )
( )

Q10: If you have ever resolved an intellectual property dispute by ADR, what was the other side's nationality ?

☐ US ( ) ☐ Japan ( )
☐ Europe ( ) ☐ Asia except Japan ( )
☐ other ( )
( )

Q11: If you have ever resolved an intellectual property dispute by ADR, were you satisfied with the resolution of ADR ?

- ☐ satisfied ( )
- ☐ not satisfied ( )
- ☐ neither ( )

Q12: Do you think ADR is necessary, especially arbitration and mediation, in order to resolve disputes in intellectual property rights ?

arbitration	mediation	
☐	☐	yes
☐	☐	no
☐	☐	don't know

Q13: What do you think are the merits of ADR ?

- ☐ inexpensive fees
- ☐ fast resolution
- ☐ easy to keep secrecy
- ☐ flexibility in resolution
- ☐ simple procedure
- ☐ you nominate arbitrator
- ☐ continue business while dispute resolution proceeds
- ☐ other ( )
- ☐ no merit

Q14: What do you think are the demerits of ADR ?

- ☐ expensive
- ☐ complex procedure
- ☐ requirement of agreement between the parties
- ☐ difficulties in choosing arbitrator
- ☐ less fairness/trust
- ☐ no practical resolution
- ☐ resolution is vague
- ☐ no appeal allowed
- ☐ takes time before injunction
- ☐ difficulties in reaching in-house conclusion
- ☐ no authority to resolve patentability in Japan
- ☐ other ( )
- ☐ no demerits

Q15: Do you intend to use ADR to resolve intellectual property disputes in the future ?

- ☐ yes
- ☐ depends
- ☐ not now
- ☐ never want to

Q16: What improvements should be made for you to use ADR more frequently ?

- ☐ court conciliates ADR more often
- ☐ One of the parties can request the ADR association to propose to the other party the use of ADR
- ☐ ADR association opens the names of arbitrators or its nomination process

- [ ] need more publicity
- [ ] other ( )
- [ ] do not know

Q17: What do you predict for the future usage of ADR to resolve intellectual property disputes ?

- [ ] widely used
- [ ] widely used in the U.S.
- [ ] not so used

Thank you.

Findings of Questionnaires
wherein each number corresponds to that of answerers.

Q 1.

business	Japan	U. S.
Machine-Metal	9	1
Electric Machines-Appliances	18	5
Chemical	37	12
Other	1	4
total	65	22

Q 2.

(a)

range	Japan		U. S.	
	dom.	int.	dom.	int.
over 101	1	0	0	1
51 - 100	1	2	0	0
11 - 50	12	10	8	2
1 - 10	43	37	12	15
none	8	16	2	4

(b)

range	Japan		U. S.	
	dom.	int.	dom.	int.
over 101	1	0	0	0
51 - 100	1	1	0	0
11 - 50	10	10	7	3
1 - 10	43	35	13	14
none	10	19	2	5

(c)

range	Japan		U. S.	
	dom.	int.	dom.	int.
over 101	—	—	0	0
51 - 100	0	0	0	0
11 - 50	0	0	0	1
1 - 10	15	22	17	9
none	50	43	5	12

(d)

range	Japan		U. S.	
	dom.	int.	dom.	int.
over 101	—	—	0	0
51 - 100	0	0	0	0
11 - 50	0	0	1	0
1 - 10	0	1	12	5
none	65	64	9	17

Q 3.

(a)

range	Japan		U. S.	
	dom.	int.	dom.	int.
over 101	8	6	6	3
51 - 100	8	4	5	4
11 - 50	26	17	7	9
1 - 10	20	29	2	5
none	3	9	2	1

(b)

range	Japan		U. S.	
	dom.	int.	dom.	int.
over 101	8	6	5	2
51 - 100	8	4	4	3
11 - 50	22	15	8	9
1 - 10	23	29	3	7
none	4	11	2	1

(c)

range	Japan		U. S.	
	dom.	int.	dom.	int.
over 101	—	—	0	0
51 - 100	0	0	1	1
11 - 50	3	5	7	3
1 - 10	38	31	11	14
none	24	29	3	4

(d)

range	Japan		U. S.	
	dom.	int.	dom.	int.
over 101	—	—	0	0
51 - 100	0	0	0	0
11 - 50	0	0	1	0
1 - 10	1	6	13	8
none	64	59	8	14

Q 4.

ADR clause	Japan		U. S.	
	dom.	int.	dom.	int.
all/most of	5	23	0	1
case by case	22	28	21	18
none	38	14	1	3

Q 5.

(a)

range	Japan		U. S.	
	dom.	int.	dom.	int.
over 101	0	0	0	0
51 - 100	0	0	0	0
11 - 50	0	0	1	1
1 - 10	3	7	9	6
none	62	58	12	15

(b)

range	Japan		U. S.	
	dom.	int.	dom.	int.
over 101	0	0	0	0
51 - 100	0	0	0	0
11 - 50	0	0	0	0
1 - 10	0	3	7	5
none	9	6	3	2

Q 6.

Why have you used ADR ?	Jpn.	U. S.
ADR clause in contract	3	6
conciliation by court or 3rd party	5	3
the other's desire on his rights	2	2
your desire on the other's rights	0	4
the other's desire on your rights	0	1
your desire on your rights	0	0
other	0	1

Q 7.

type of ADR	Jpn.	U. S.
Arbit.	3	10
mediat.	7	6
other	0	3

Q 8.

organ.	Jpn.	U. S.
AAA	1	7
ICC	2	2
JCA	0	1
court	4	2
other	3	4

Q 9.

property	Jpn.	U. S.
patent	9	7
know-how	0	4
copy-right	0	1
trade-mark	0	0
other	0	4

Q 10.

the other side's nationality	Jpn.	U. S.
Japan	3	3
U. S.	5	9
Europe	2	2
Asia	0	1
other	0	0

Q 11.

Were you satisfied ?	Jpn.	U. S.
satisfied	2	4
not satisfied	2	4
neither	4	4

Q 12.

necessity of ADR	Japan		U. S.	
	arb.	med.	arb.	med.
yes	45	43	6	6
no	3	5	12	11
don't know	17	17	4	5

Q 1 3.

merits of ADR	Jpn.	U.S.
inexpensive fees	44	7
fast resolution	31	11
easy to keep secrecy	21	8
flexibility in resolution	33	14
simple procedure	21	6
you nominate arbitrator	9	5
continue business while dispute resolution proceeds	8	4
other	4	3
no merit	2	0

Q 1 4.

demerits of ADR	Jpn.	U.S.
expensive	2	4
complex procedure	0	2
requirement of agreement between the parties	10	13
difficulties in choosing arbitrator	33	5
less fairness/trust	17	0
no practical resolution	3	0
resolution is vague	25	4
no appeal allowed	28	7
takes time before injunction	6	3
difficulties in reaching in-house conclusion	9	2
no authority to resolve patentability in Japan	14	1
other	4	2
no demerits	4	1

Q 1 5.

Do you intend to use ADR in future ?	Jpn.	U.S.
yes	2	11
depends	44	11
not now	17	0
never want to	2	0

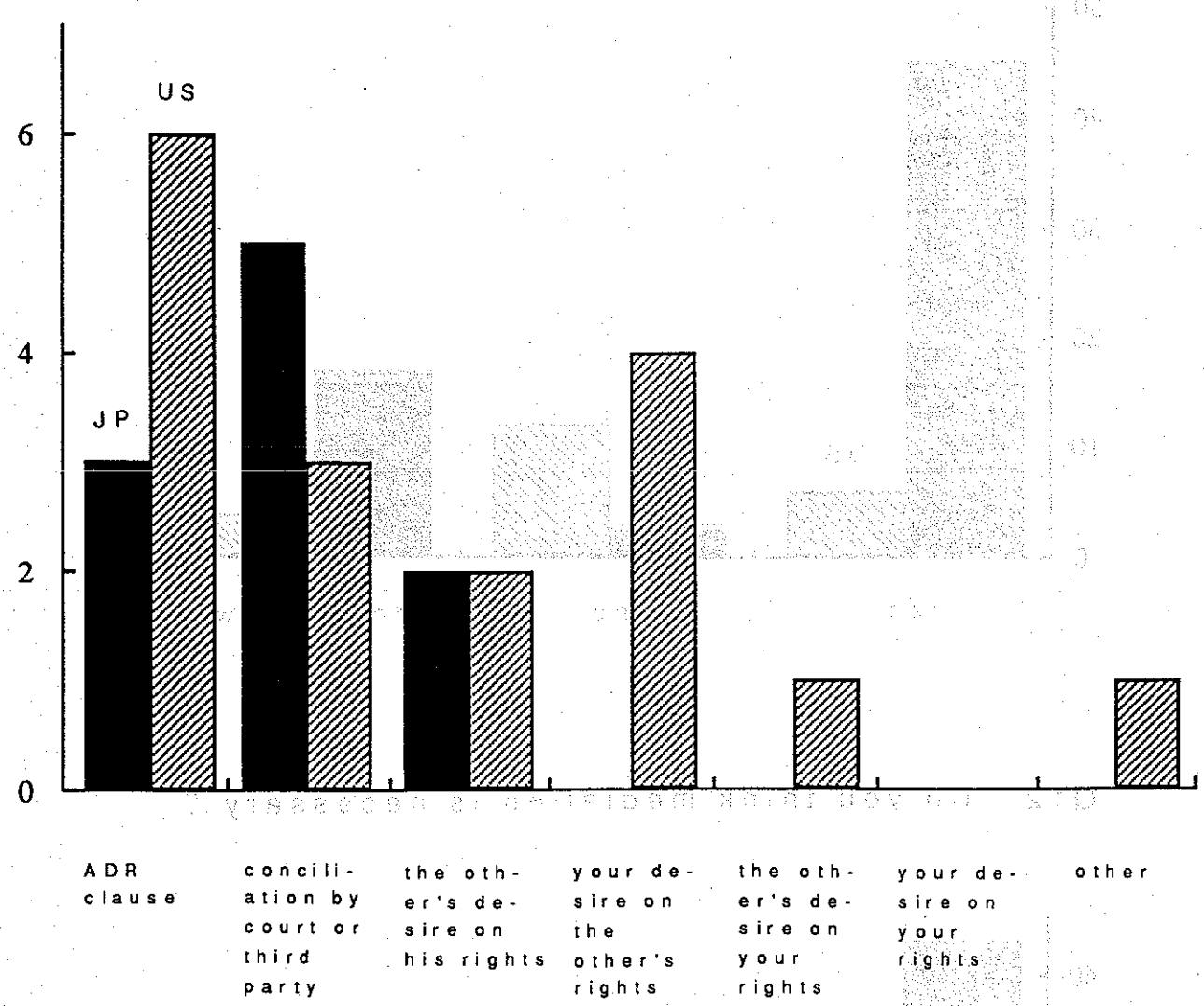
Q 1 6.

What improvements should be made for more frequently use ?	Jpn.	U.S.
court conciliates ADR more often	20	6
ADR association proposes to the other party the use of ADR	7	1
open the names of arbitrators or its nomination process	27	1
need more publicity	31	4
do not know	6	5
other	7	5

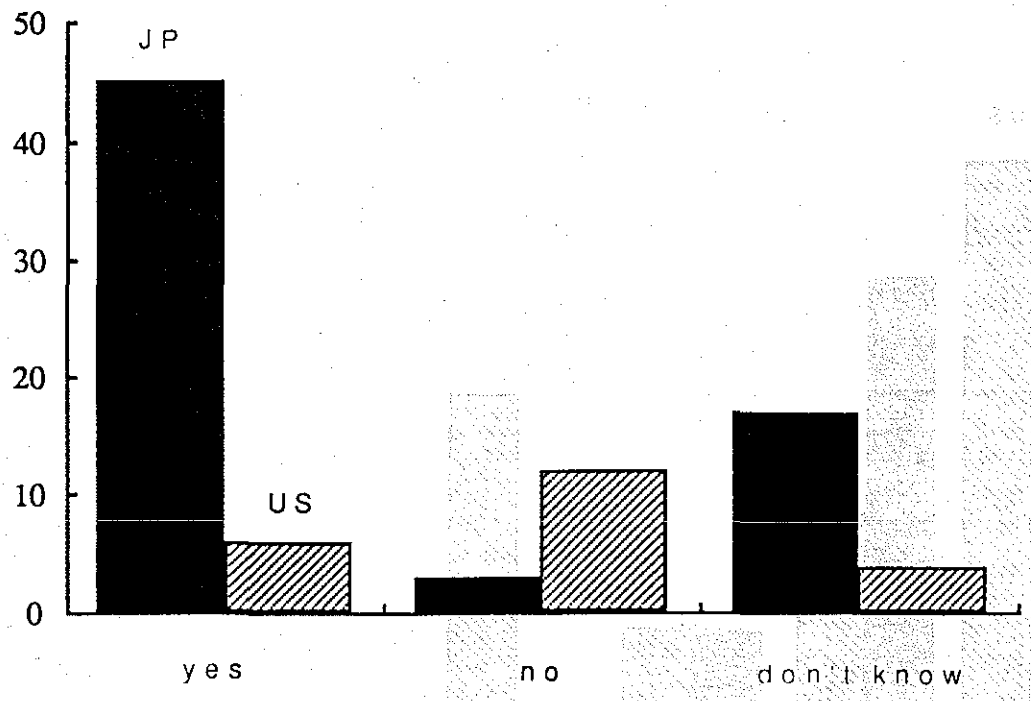
Q 1 7.

What do you predict for the future usage ?	Jpn.	U.S.
widely used	20	5
widely used in the U.S.	21	6
not so used	17	9
no answer	7	2

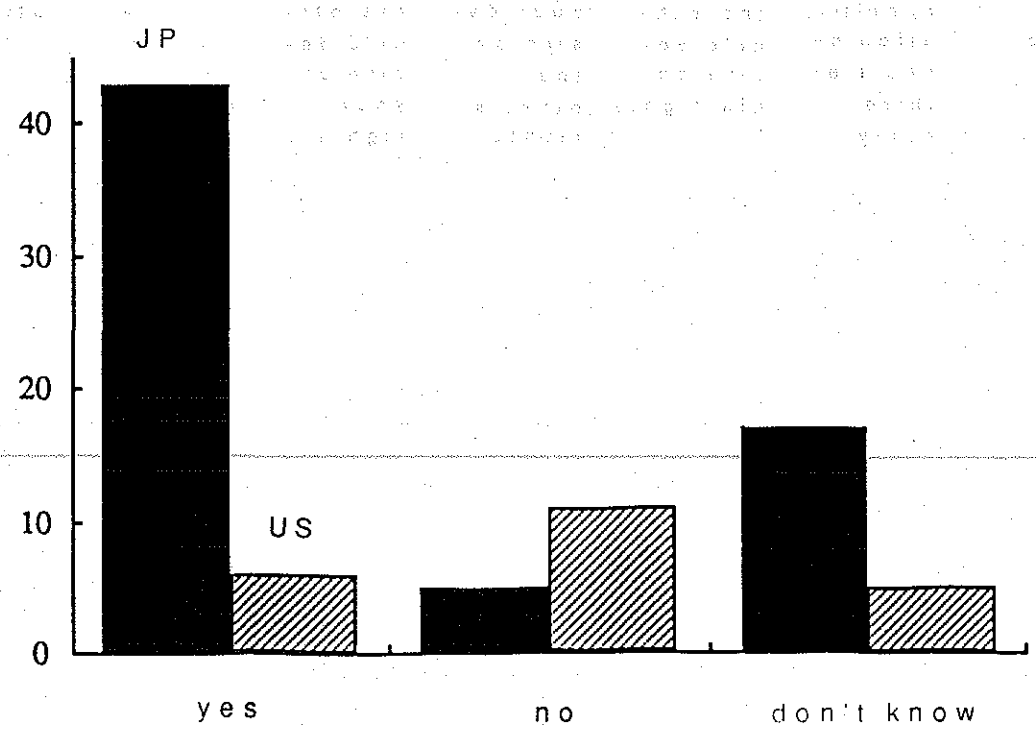
Q6 : Why have you used ADR ?



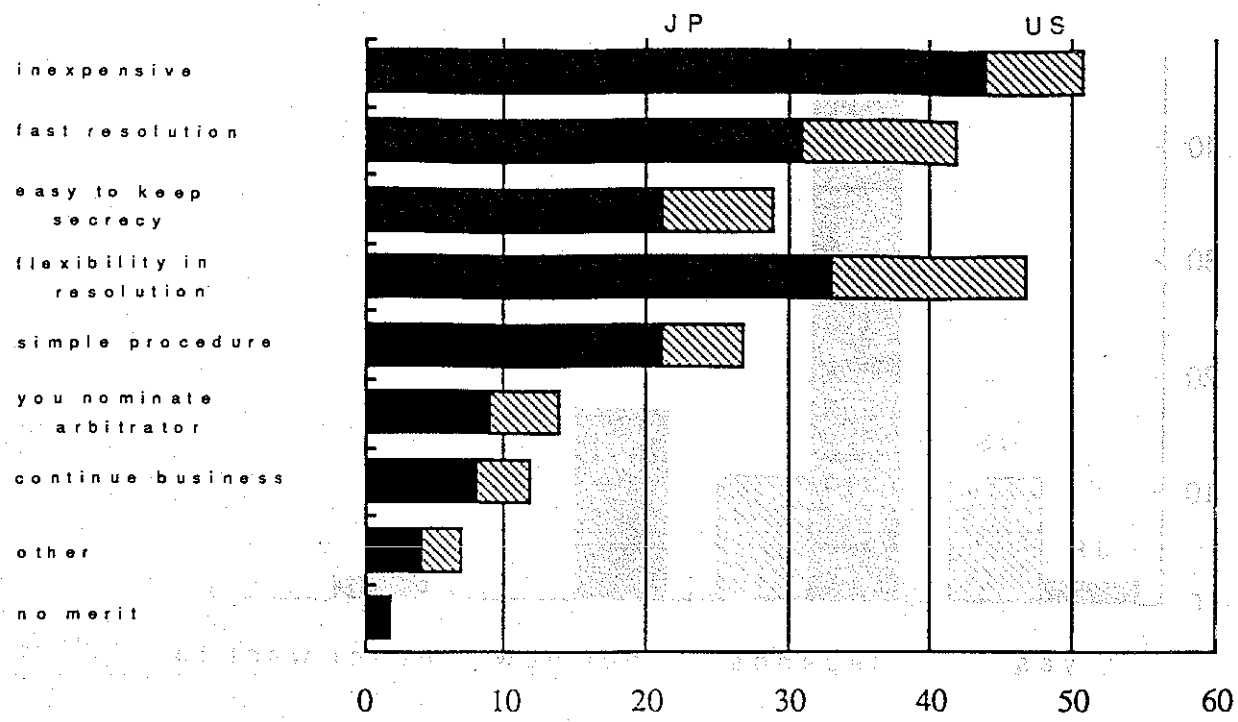
Q12 : Do you think arbitration is necessary ?



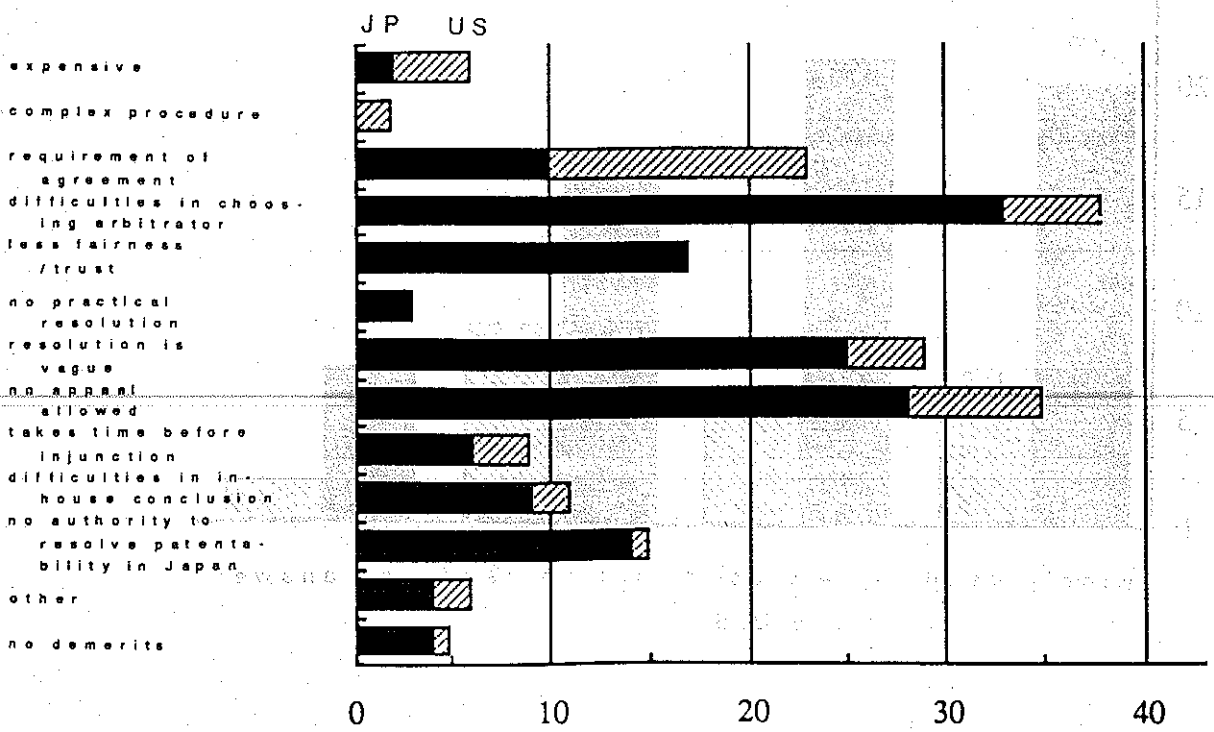
Q12 : Do you think mediation is necessary ?



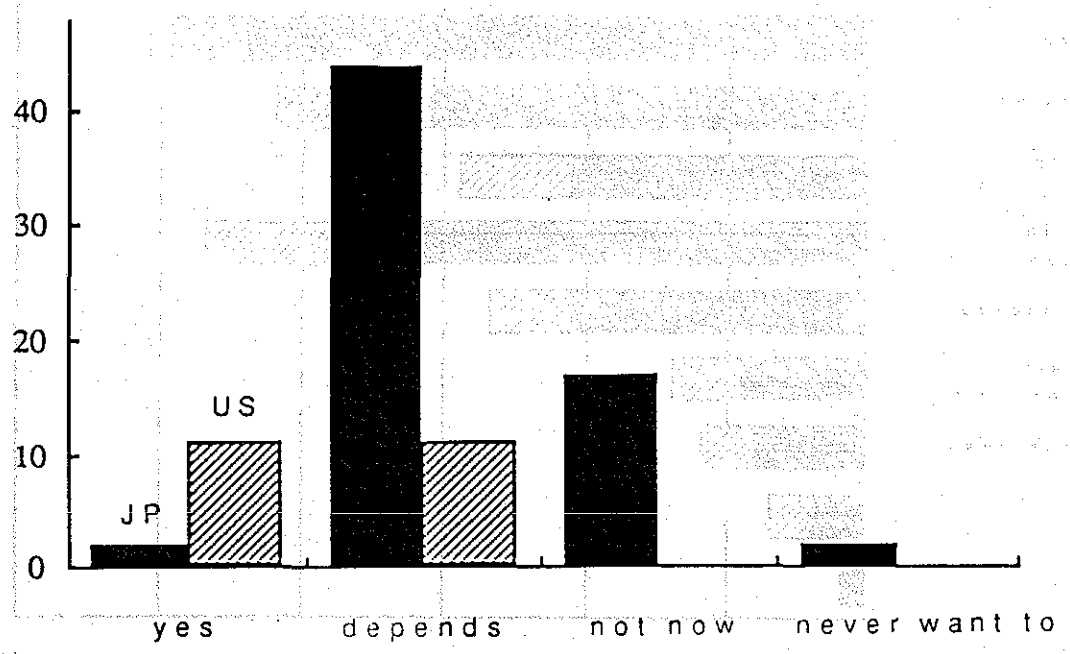
Q13 : What do you think are the merits of ADR ?



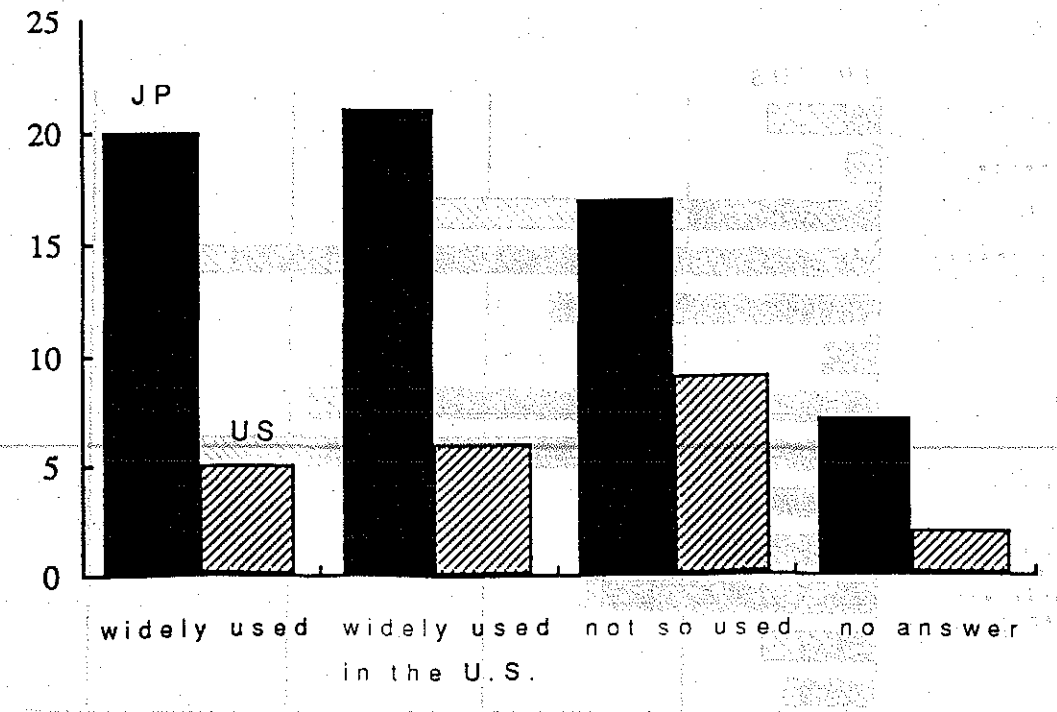
Q14 : What do you think are the demerits of ADR ?



Q15 : Do you intend to use ADR to resolve intellectual property disputes in the future ?



Q17 : What do you predict for the future usage of ADR to resolve intellectual property disputes ?



BAIRD AND THE STANDARD OF PATENTABILITY

Craig E. Larson
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My son is fond of reading books called, "Choose Your Own Adventure." Let me give you an example of how this literary genre works. After reading a few pages introducing the characters and the setting, the reader may find the main character--let's pretend he's a young Viking slave called Torfinn--standing in a Nordic harbor gazing at the good ship Osprey. Torfinn has escaped from his masters and now has a choice--will he set sail for that rich land lying to the west called Iceland?...or will he set sail for farther points, through fierce gales and ice mountains floating on the sea, to mysterious lands that may lie beyond? "If you advise Torfinn to cross the ocean turn to page 80," the book instructs. "If you advise him to voyage to Iceland turn to page 69." Thus the reader picks his way through the book, making choices from time to time as he reads along.

My son's favorite literary form inspires my presentation today. You can choose your own adventure, form your own opinions, draw your own conclusions.

Let me first introduce the protagonist of our adventure: a decision by the U.S. Court of Appeals for the Federal Circuit in In re Baird, 29 USPQ2d 1550 (1994). Baird was an appeal from the U.S. Patent and Trademark Office involving a patent application claiming a "flash fusible toner." The toner is distinguished by its binder resin--a polyester that is the reaction product of bisphenol A and one of three dicarboxylic acids. The Examiner had rejected the claims as obvious over a patent to Knapp. Knapp showed developer compositions distinguished by a polyester that was the reaction product of a class of diphenol compounds encompassing bisphenol A and a class of dicarboxylic acids encompassing the three recited in Baird's claim. The Patent and Trademark Office Board of Patent Appeals and Interferences upheld the Examiner's rejection.

While Knapp's formula defining the class of dicarboxylic acids embraced many more, Knapp listed 20 typical acids. Knapp's list of 20 included the three acids recited in Baird's claim.

Judge Lourie's opinion in Baird indicated that Knapp's class of diphenol compounds numbered in the millions. Moreover, Judge Lourie noted, "the diphenols that Knapp specifically discloses to be 'typical,' 'preferred,' and 'optimum' are different from and more complex than bisphenol A." This, in the opinion of the CAFC panel deciding Baird, meant that "Knapp does not teach or fairly suggest the selection of bisphenol A;" "a disclosure of millions of compounds does not render obvious a claim to three compounds, particularly when that disclosure indicates a preference leading away from the claimed compounds."

Having introduced our protagonist, let me now introduce the antagonist of our adventure, the Patent and Trademark Office. Baird was decided on January 19, 1994. In the April 19 Official Gazette Commissioner Lehman instructed Patent and Trademark Office examiners to ignore it:

> In the opinion of the Commissioner of Patents and Trademarks, Baird was wrongly decided by the Court because an improper standard of patentability under 35 USC 103 was applied in assessing the obviousness question before the Court.

The dramatic tension between our antagonist and our protagonist reveals the central theme of our adventure: the U.S. standard of patentability. What is it? Is it too high, too low, or just about right? Who thinks so and why?
How can we decide who's right? Now, on to our "scenes a faire."

ITEM In December 1993, Commissioner Lehman ordered reexamination of a multimedia search and retrieval patent in response to significant industry concern expressed about the patentability of the claimed subject matter.

ITEM In an interview published in the January 17, 1994, issue of Chemical and Engineering News, Commissioner Lehman stated:

> I think that when you have billion-dollar judgments against major corporations in patent infringement cases it should be a warning sign that something is wrong in the system.... In addition, patents are easier to get now and are more often upheld than they used to be. That means, I think, that there has been a lowering of the threshold of patentability, of the standard of obviousness, in some cases. This is particularly alleged to be a problem in computer software. We may be issuing patents on things that a lot of people would say are not really nonobvious inventions.

ITEM On January 19 Baird was decided.

ITEM At hearings held on February 10-11 in Arlington, Virginia on patenting of software-related technology, the Patent and Trademark Office asked witnesses to comment on whether software should be subject to different standards of novelty and obviousness than are used for other technologies.

ITEM On April 19 Commissioner Lehman publishes a notice in the Official Gazette instructing examiners to ignore Baird.

ITEM On April 29 the Patent and Trademark office invited public comment on whether a more rigorous standard of non-obviousness is needed in both patent prosecution and patent enforcement, referring to a recent debate on whether US patent policy is being effectively served by the current standard of non-obviousness under 35 USC 103. Critics are said to contend that patents are being granted on inventions that the industry views as being trivial, simple, or straightforward. Public hearings were scheduled in July to consider the effect of the current non-obviousness standard applied by the agency and the courts upon promoting the progress of science and the useful arts.

ITEM At a May 5 hearing by the House Subcommittee on Intellectual Property and Judicial Administration on legislation to liberalize the conditions of patentability of processes using or making novel and nonobvious products, witnesses from IBM and Dow Chemical told the panel that enactment of the bill would allow patent owners with product claims to "recapture vast areas of technology formerly free and available to the public." However, the bill was endorsed by the Patent and Trademark Office and by representatives from the biotech and pharmaceutical industries.

ITEM At the Spring meeting of the ABA Intellectual Property Law Section, Judge Ellis from the U.S. District Court of the Eastern District of Virginia asserted that the "clear and convincing" burden of proving obviousness and high litigation costs is discouraging challenges to weak patents. Judge Ellis stated that the tendency to avoid litigation is partially due to a trivializing of nonobviousness and that the Patent and Trademark Office's filter for improvidently issued patents is becoming more porous, concluding that something must be done to reinvigorate the nonobviousness standard.

ITEM On May 18 Commissioner Lehman ordered the reexamination of a software patent issued two years ago on a method for inserting advertisements into a computer program.

ITEM On July 20 witnesses at the Patent and Trademark Office hearing on the current standard for evaluating the non-obviousness of inventions testified that a more rigorous standard is not needed, although many called for more consistent and accurate application of the current standard by the Office during examination.

ITEM An article in the July 1994, issue of the ABA Journal states, "A reversal in the tide of federal patent decisions has made filing a patent suit almost a no-lose proposition."

ITEM In a letter to the editor published in the September 1994, issue of the Journal of the Patent and Trademark Office Society, Paul Morgan notes the following:

> The economic reality is that more than 185,000 U.S. patent applications are filed per year, and no one, not even large companies, can afford to spend more than a small amount of time on normal patent applications without impacting the research and development on which these applications are based. 185,000 patent applications per year @ $10,000 is $1.85 billion merely in preparation and filing costs. That is not including prosecution costs, issuance costs, maintenance fees, or the much greater costs of obtaining and maintaining foreign equivalent patents. Most importantly, only a very small, and usually unknown in advance, portion of patent applications will ultimately provide any clear or direct economic advantage or return to the owner. Estimates of 4% have been made. Less than 0.003% of the 185,000 will ever be actually litigated. Thus, normal patent applications simply cannot cost more than a small fraction of the R&D they represent without deterring that R&D. Many small entities, even with their 50% PTO fee subsidies taxed from large entities, are already hard pressed by current patenting costs.

Mr. Morgan also notes a recent survey of members of the Association of Chief Patent Counsels by Lawrence Kastriner that found that 98% find impeding patents of others they think are invalid at least once a year and 79% several times a year; 88% consider the current PTO reexamination procedures unsatisfactory and only 7% are likely to advise using reexamination in response to a patent considered invalid; and 90% would favor a better post-grant opposition procedure.

What do you think? Is the standard of patentability too low in the United States? How can we tell whether it is or not? Choose your own adventure.

As a young Viking slave (or an old patent attorney), your life is all work and no play. But you are determined to escape and regain your freedom. Plan your escape route carefully. There are many deadly surprises awaiting you. But if you succeed, you may attain a life of glory and honor. Good luck!