PACIFIC

INDUSTRIAL PROPERTY ASSOCIATION

太平洋工業所有権協会

PRESENTATIONS

INTERNATIONAL CONGRESS

BOSTON OCT.15-16-17,1975

1975 PIPA Boston Congress

October 15, 1975

Opening Address

by Takashi AOKI
President, Japanese Group

Honorary Chairman, Mr. President, ladies and gentlemen:

It is my real pleasure to make the opening address for the 6th Annual Congress of the Pacific Industrial Property Association.

It is quite significant to remark that thanks to the great efforts of the American group this 6th PIPA annual congress could marvellously be opened today here in Boston, a most historical place in the United States at a most historical moment when the celebration of the bicentennial anniversary is starting.

This is especially so, when I remind you that before the October Congress was finally fixed there was some deviation of opinion as to whether the Congress should be held in October or in the next March and when you see from the agenda of the Congress printed and delivered to you that many interesting and important topics are presented opportunely and timely by both the American and the Japanese groups.

The Number of participants in this Congress from the Japanese side is twenty out of the total 66 member companies. This is comparatively small. You may understand, however, the heavy economic recession now effecting Japanese industries apparently makes it difficult to get more members to attend

this Congress. Nevertheless, I am of the firm confidence that very frank and open discussions between US and Japanese members can bring about great success in the Congress.

Once again I reiterate my deep appreciation on behalf of the Japanese group to the American group, particularly to the chairman and members of the Congress's Preparatory Committee for their wonderful job.

Thank you.

So, the amendments to the Constitution and By-Laws went into effect on July 24, 1974.

The Fifth International Congress was held with the new Constitution under the presidency of the President of the Japanese Group as the Association President on October 29, 30 and 31 in Kyoto.

As you will remember, the Kyoto Congress closed with great success. One of the accomplishments was the discussion and adoption of the Rules and Regulations for the proposed PIPA Conciliation System.

Provisional Resolution for adopting the Conciliation System and requiring ratification by the Japanese and American Groups in accordance with the By-Laws was approved by a majority of votes of the Kyoto Congress.

I am very happy to report that these Rules and Regulations for the PIPA Conciliation System went into effect by the ratification of the American Group of which we were informed by letter of Mr. Remsen dated February 10, 1975, and the ratification of the Japanese Group at the General Meeting held on March 7, 1975.

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Now, I would like to refer to the activities of PIPA directed to international problems.

In April 1974, PIPA received a letter from Dr. Bogsch of W.I.P.O. relating to a questionnaire in connection with the proposed types of industrial property, namely, "Technology Transfer Patents" and "Industrial Development Patents", which were supposed to facilitate the acquisition of technology by developing countries.

Presidents of the American Group and the Japanese Group came to the conclusion that this matter should be referred to Committee #3 and that this Committee, by correspondence between the American Group and the Japanese Group, should formulate a proper response.

This response was made by the deadline date of September 15, 1974, to W.I.P.O. and reported and discussed at the Kyoto Congress.

At the Kyoto Congress, a proposal that we should send a representative to W.I.P.O. meeting in Geneva with regard to the new types of industrial property, was approved.

Dr. Kish of Merck & Co., Inc. attended the Meeting of the Working Group on the Model Law of Developing Countries on

Invention and Know-how which was held in Geneva on November 25 to 29, 1974, as an observer representing PIPA.

We learned from his report that the leadership of W.I.P.O. regarding the problems of the new model law and technology transfer was firmly resisted by the pressures of the developing countries, and support by the industrialized countries was definitely needed to counterbalance the pressures exerted upon W.I.P.O. by the developing countries.

In October 1974, PIPA was invited by W.I.P.O. to attend the meeting of the Committee of Experts on the Deposit of Microorganism for the Purposes of Patent Procedure as an observer. Such meeting was held on April 22, 1975. Unfortunately PIPA could not send a representative, but Mr. Jerry Behan of Merck & Co., Inc. attended that meeting as a representative of the United States. Mr. Behan kindly sent us a report of the meeting, so that we could be informed as to what transpired at such meeting. I would like to take this opportunity to express my hearty thanks to Mr. Behan for his effort.

Now we meet together here in Boston. We have, on the agenda of this meeting, many important items. Two or three of the items are directed to the study having its origin in Geneva

International Meetings and many of them are directed to the revisions of the U. S. and Japanese laws and licensing policies.

These items show that interests of the members of PIPA are directed not only to the mutual understanding of the systems and customs in both countries but to solutions of the international problems and cooperation on an international scale.

I believe I can say that PIPA has brought many fruitful results during the last five years. I sincerely hope for further progress in this Congress.

Thank you very much for your kind attention.

Keynote Address, President, PIPA-Mr. H. Levine

Once again it is my distinct pleasure and honor to welcome you at the opening ceremonies of this 1975 PIPA Congress. As I listened to Mr. Suzuki giving us his report on the 1974 activities, I could not help but think about the wonderful progress made by PIPA over the years. The papers presented in Kyoto last year were in depth treatments of very complex and important subjects and reflected much careful and detailed preparation. In addition, these presentations were directed to very meaningful and timely topics with a very high quality treatment for both the Japanese and the American presenters.

Certainly one of the historical and original aims of this organization, namely, the exchange of information, was indeed well achieved at the 1974 Kyoto Congress. The objectives of an informal exchange of views and enhancing our mutual fellowship and understanding also were well served at our Fifth International Congress in Kyoto as it has been at our past Congresses.

As we meet here in Boston in this historic Bicentennial Year we find ourselves in the midst of dramatic changes, which are taking place in the international arenas, where we compete with others in the world market places. The world of industrial property protection is being reshaped and I believe that this organization can and should make a contribution and participate in this reshaping. Yesterday

at the Board of Governors Meeting a great deal of discussion was spent on the need for additional vital action programs. The Board of Governors discussed the possibility of creating a new committee called an "Action Committee", and as we discussed this further we decided that we already had an "Action Committee" and it was called the Board of Governors. We should add to our past successes and see to it that we increase our contributions on the world scene by making our views known and helping reshape some of these emerging changes. For example, in addition to the changes in the United States and Japanese patent laws there are several treaties and conventions in a state of transition. There is the Paris Convention revision and the Code of Conduct considerations for the Model Law for Developing Countries which we will be hearing about during this Congress. As many of you know, meetings are scheduled in November and December of this year in Geneva to consider these important changes which can impact the industrial property world in which we all live and do business. We must consider the possibility of having PIPA representatives, who will express the clear position of PIPA on these important matters, at these meetings.

Your Board of Governors has express the view that we must develop actions and positions to be taken by PIPA's various committees so that we can more fully realize the contribution, potential and clout of this organization. This is not to say that we have not had actions and

important achievements in the past. One that comes easily to mind was already discussed by earlier speakers, that is, the achievements made by Committee #4 under the able and hard working stewardship of Dr. Newman and Mr. Teshima in developing conciliation procedures.

I believe that the 1975-1976 PIPA year will be an important and dramatic year for change and PIPA can make vital and meaningful contributions and we should do so selectively to help change and to help shape these changes which will affect all of us.

Thank you.

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Harold Levine - Introduction of Dr. Wiesner

My next chore is a very pleasant one, and that is to introduce to you our guest speaker who is the honorary chairman of this Sixth International PIPA Congress. He is Dr. Jerome Burke Wiesner.

In July, 1974, Dr. Wiesner took office as the thirteenth President of the Massachusetts Institute of Technology. Prior to his election as the President of this Institute, Dr. Wiesner had been a member of the faculty at MIT for 25 years. He is a former dean of the MIT School of Science.

Dr. Wiesner has distinguished himself in many, many fields and I'll mention but a few of them. From 1961-1964 Dr. Wiesner was the Science Advisor to the late President Kennedy and then for a brief time after that to his successor, President Lyndon Johnson.

As a public official and as a private citizen, Dr. Wiesner has participated in the shaping of national policies and programs relating to science and technology. Of special interest to this organization is that for many years he has been a frequent advocate of international negotiations looking toward effective controls and limitations in nuclear armaments as a deterent to nuclear war.

In the technological arena, Dr. Wiesner is recognized as an authority on microwave theory, communications science and engineering and radio and radar propagation phenomena.

During the second World War he was a leader of the development of radar and later he was one of the principals in the conception of radio transmission by scatter techniques for the earth's ionosphere.

Dr. Wiesner was born in Detroit, Michigan. He was educated at the University of Michigan where he received a Bachelor of Science Degree in Electrical Engineering. Later on he received a Master's Degree in Electrical Engineering and still later a Doctor of Philosophy Degree in Electrical Engineering.

In 1940 Dr. Weisner was appointed Chief Engineer for the Acoustical and Record Laboratory of the Library of Congress in Washington. In 1942, shortly after the beginning of World War II, Dr. Wiesner was on the research staff at the MIT's newly formed radiation laboratory. After the war, Dr. Wiesner joined the staff of the University of California's Los Alamos, New Mexico, Laboratory.

In 1946, he returned to MIT as an Assistant Professor of Electrical Engineering. Dr. Wiesner has held the faculty title of Institute Professor since 1962. This is MIT's highest faculty rank. From 1952-1961 Dr. Wiesner was a director of MIT's research laboratories of electronics. His work and leadership in technical areas, particularly in the field of microwave theory, communications, science and scatter transmission techniques have helped make MIT one of the leading electronic research centers in the world.

As I mentioned earlier, he has been a frequent advisor to various agencies in the Government including the President's Science Advisor. It might be of interest to this group to note that Dr. Wiesner first became associated with the so-called "Pugwash" group of scientists, who's activities have been directed toward improving communications and relations between intellectual leaders in Communist block nations and those of the rest of the world. The "Pugwash" group has become famous to us in another context which we'll be hearing more about during this conference.

Dr. Wiesner was appointed the Senior Academic Officer of MIT at the time Howard Johnson was installed as the twelfth president of the University. Dr. Wiesner succeeded to the Presidency as the thirteenth president of this famous institution. Dr. Wiesner has also been active in the professional journals and I have a list here of his many publications. It is indeed a pleasure to welcome Dr. Wiesner here this morning and its my honor and privilege to introduce him to you.

Guest Speaker-Honorary Chairman, Dr. Jerome B. Wiesner, President Massachusetts Institute of Technology

I hope my talk sir, will be as long as that introduction!

I don't know whether you have comparable superstitions in Japanese tradition but in our country being the thirteenth of anything is supposed to be unlucky. Since I'm sort of a casual person it was only after I became the President of MIT that I discovered that I was the thirteenth President or I'm not sure I would have accepted the job.

I'm very pleased to have the honor and privilege of addressing this group, although I've yet to understand what level of expertise, regarding patents or international property, qualifies me to speak to you. As I puzzled about what I should say that would have some relevance, I finally decided than nothing I could say would have relevance and would only expose my ignorance.

The only time I ever had anything to do with patents was when I was Science Advisor and tried to negotiate some patent agreements with the Soviet Union. Those negotiations were a dismal failure. I'm not sure whether we now have patent agreements, do we? With the Soviet Union? In any event I learned a lot about the Soviet Union in the process.

Since I have had many many experiences with international scientific activities, I will talk about those today and

try to relate them to your particular interests although I think your better qualified to do that than I am.

I particularly appreciate this opportunity to talk to this group for a variety of reasons. It may come as a surprise to you to know that the first overseas student at MIT was a Japanese who came a great many years ago in the 19th Century, and, it is still true, I suspect, that the largest number of overseas students is probably Japanese. Whenever one of us visits Japan we get a royal welcome from our Alumni. In fact, we hate to leave and come home.

In 1964 I had the privilege of visiting Tokyo to inaugurate the U.S./Japan Scientific Cooperation Program which I had helped plan. I have followed it with interest and am pleased to see that it has been one of the models of success of international scientific cooperation because to cooperate successfully both sides must have some competance and in this program both sides have that competence.

I don't suppose I need to remind this group that science and technology have both been a blessing and a problem for mankind. If it didn't have problems you wouldn't earn a living. But if your problems were the most serious problems we would be pretty fortunate. Science and technology have freed us from dependence on our muscle power and on our own unaided brain power. It has given us enormous scope, enormous speed and enormous capabilities to bend nature to

to our purposes. It has given us new materials, new fibers, and new processes which are involved in the every day business of your firms and of my institution.

One of my predecessors at MIT, a very famous scientist, called science "The Endless Frontier" and it certainly is that. We all know that every good scientist or good engineer who works uncovers more questions than answers in a given day and more opportunities than solutions.

Among the many things that science and technology have done for all nations, at least for nations like yours and ours, who have been able to successfully put it to work, is to put a premium on collaboration for the search for knowledge, the search for efficiency, the search for specialization and the search for better ways of doing things. This premium is great enough to overcome and frequently does overcome the barriers of strangeness which can be set up between peoples; namely, the barriers of language, culture, and distance of different lands. An example of the close relationships that have grown up technically, industrially and economically, are those between Japanese people and Japanese industries and American people and American industries.

It was mentioned earlier that I had been a participant in the early Pugwash meetings. When I joined the Pugwash

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group, it wasn't very popular in the U.S. - it still isn't? I'm not sure that it was in the Soviet Union either and at that time in 1957 when it began there was very little communication between the groups either formally or informally in the Soviet Union and the United States. There was really a very serious crisis and the Cold War was very intense. But we found that because we respected each other in terms of scientific work, and we knew what each of us had done, we were at least willing to listen to the nonsense that the other fellow was willing to talk about regarding international armament problems. Many of us on both sides were experts on military technology. I had spent 15 years or so working on air defense and radars and ballistic missiles and the Soviet counterparts had done the same thing. As a matter of fact, I had to have the permission of the United States Government to participate. I had asked a man who was a special assistant to President Eisenhower whether it was all right for me to participate in this strange conference to which I'd been invited. The President's response was that he thought it was probably all right because if anything went wrong they could always disown me! With that blessing, I attended the conference and we found that we did have a common ground. I think that the Pugwash group succeeded in bringing more formal groups together to discuss some of the problems.

I wouldn't claim that there is all light and understanding

between the Soviet Union and the United States with regard to arms or liberty or a whole variety of other matters. In fact, the arms race in some sense still goes on. The interesting thing about the arms race is the thing that doesn't exist any more, anybody's fear of it, if you can explain that. The discussions, understandings and knowledge of what goes on by both sides is sufficient to make people recognize the devastation and danger however, they also know enough about what each side is doing to recongize that it's very unlikely that either side could attack successfully. I'm sure most of you can recall the period in the late 40's and early 50's when people in the United States genuinely lived with the fear that we had to face a knock-out surprise attack and I really believe that the Soviet leaders lived with the same fear. This condition generated what we professionally call, a "positive feedback" system. We both took steps to protect ourselves which made the situation increasingly dangerous. We both set up very quick response systems so that we could respond very rapidly. This made the dangerof an accidental war very great. All of these things have been eliminated.

I could outline many other areas in which science speaks the universal language and has been instrumental in generating trust among people. But science, as I said earlier, has also caused a number of very serious problems

which we all must contend with and which in some inescapable way we all remain a part, you and we as individuals and members of bigger organizations and parts of countries.

We have created an independent world in which what's done in one place affects, whether we like it or not, other people all over the globe, either by what we lead them to do or by what we do. How to deal with the large problems generated by this interdependence is one of our major tasks. In fact, I regard it as a major task of the next decade or two. How to deal with these large system problems caused by the scale of science and technology, the growth of these inter-dependent systemsand the ability to still maintain the quality of our lives both of us I think means means certain essential things. It means freedoms, and a private enterprise system which I think, and I'll explain why, is essential for doing this.

What are these great problems? Well I've already mentioned the arms race. I think it remains a major threat. In some sense it gets worse because as more and more nations build nuclear power plants, they acquire at least the raw materials for building nuclear weapons and there is inherent in all this the danger of a greater dimension to the arms race.

Each passing year we learn that a major nuclear war would have additional effects that we hadn't realized earlier. We know, of course, that a major nuclear war would wipe out

very large numbers of people. Only recently the National Academy of Science published a report which said it is not certain that the human race would disappear if all the nuclear weapons that presently exist were detonated but you can't be sure that the long term effect wouldn't be that disaster. Now that's a major escalation of the threat that we had believed was inherent in a nuclear exchange. For example, in an exchange between the Soviet Union and the United States, we have always believed that tens or hundreds of millions of people would be killed but that the major damage would be restricted to the nations involved. It's now obvious that there would be a combination of the short term problems caused by fallout and the long term problems caused by radioactivity. People now believe the major impact would be caused by damaged to the ozone layer of the atmosphere which would increase the intensity of ultraviolet light on the earth. This breakdown would greatly increase the risk of the survivors so that the total effects of a nuclear war, horrible, unthinkable as they were before, are scaled even larger. Thus, the importance of making sure that such a war can't occur becomes even greater - the importance of stopping, in other words, the arms race and getting rid of those weapons becomes ever more important.

The population explosion, poverty and the problems of the poorer countries, that's already been mentioned, and I won't go into it, the problems and side effects of technology,

particularly the polution problems, I think are technical problems which we all should be able to deal with. It's a question of planning, right? Doing the right research.

Another problem is that of resource shortages, particularly energy shortages. I believe this problem is manageable. I've studied this area a good deal over the last decade when I was the President's Science Advisor. I had a major study of energy in which we concluded that it was possible to provide all the energy needs of a growing and more prosperous world in spite of the tramas that we and you have live through in the past two or three years. I believe we can develop a world resource system that's quite capable of providing us with all the energy and other materials we need, provided, and this is a big proviso, we're capable of organizing ourselves to take advantage of the other energy sources, including nuclear energy and coal, and proper forms of exploration to find existing reserves and proper kinds of conservation measures are adopted.

There is another very interesting problem which I think is a real, but not an overwhelming problem today, but which becomes an increasing problem each year. That problem is how to deal with what I would call a collapse of our large systems. Once, when I was in high school or college I worked for a power company. That power company had an old fashioned direct current system in the center of its supply area in the old part of the city, which was comprised of a series of storage batteries designed to prevent the system from losing load.

Somehow these storage batteries were taken out of service because they hadn't been used in 15 or 20 years and people concluded that they'd never use them again. One day something happened and the various AC to DC converters that were supplying this grid dropped the load and it took them days to go around to cut this system apart so that they could bring it back up a piece at a time. I think there's a lesson in that. I think that our society could get so complex that we could have a situation like the big East Coast energy shortage but on a larger scale, energy failure, power failure, etc. that could so totally paralyze the system for so long that food supplies might run down, energy supplies might run down and the ways in which you would transport them couldn't get started again. You would end up with what might have started as a minor failure somewhere which turns into a major catastrophe with hundreds or thousands of tens of thousands of people literally freezing if it was in the winter time or starving to death. This may sound preposterous but I don't think that one can demonstrate at what stage our systems will get to be that unmanageable until after it happens unless you really think about it and I think that's true.

We're seeing it in our economic system right now. When I was the President's Science Advisor there was a phrase that the economists on the Council of Economic Advisor's used to use that upset me very much because I thought they didn't know what they were talking about. They used to

talk about "fine tuning" the economy, do you remember that phrase? I just didn't believe they had enough knowledge about this elaborate feedbafk system for fine tuning. They were just lucky that the thing was going the way they wanted it to go and that they were being fine tuned. Now we see that the world economic system is not adequate to deal with the complex industrial society that we've created. I think its so that the economists have a better understanding than the practitioners are willing to put to work, at least in this country, and I suspect its true in countries that I know very well such as England.

I wouldn't want to make a statement about Japan because the politcal forces and the economic good sense are often in contradiction, that is, the problem is that political forces need short time solutions and the economic problems usually have longer time constants. In fact, this will turn out to be the major problem for all of these large system problems.

In all of this I have a prospective which comes from my background in communications, learning and computation. I regard science, technology, industry, business and the government when they are working properly, as parts of the great big learning machine. We are trying to figure out how to better satisfy the wants of our citizens. The learning machine has to be a machine with feedback so you can tell whether you're doing something right or wrong. Societies have to have

certain pieces of feedback.

In our kind of society, in which we have a great deal of diversity, and, when I say our kind of society I mean both the Japanese and the American societies, although I realize that there are vast differences as well as similarities, we do depend on individual initiative. We depend on private organizations and we have a profit measure which is a feedback signal in that part of the system and one can complain about it. It is an abstraction which takes all the possible things that can go right and wrong and puts them on a single line to measure the quality of the service, the quality of the sales effort and the efficiency of production. Everything you think about gets abstracted into what is a very small difference between two very large numbers called earnings. If its negative for very long that feedback message gets pretty loud and somethings done about it. If corrective actions aren't taken that particular unit tends to disappear from the society. That's kind of an extreme corrective step, usually things respond before that.

The same thing holds true of private organizations. If my university depends on private donors, incidentally, I think this is a very important part of the American social system which doesn't exist anywhere else and I think is an important thing for those of you who come from other countries to think about.

Japan has some private universities but they are not as important and dominant in the education sense as ours. Also, some of our institutions have to be responsive to a particular group in the society or they won't be supported. This means that we have to think about what the needs, interests and arguments are. We may not always agree and the donors may not always agree but everyone tends to understand that different institutions like mine are regarded as being the cutting edge of the intellectual life of society or the radical end of the society, depending on whether you like or don't like what they're doing. But nonetheless, there has to be some group in the society which respects and wants whats going on in such an institution for it to exist. The same thing is true of hospitals and other units. These institutions are driven to perform by some set of standards and to compete with each other. All private universities in this country do compete.

We judge our performance against Harvard, Yale, Princeton, and Stanford, California Institute of Technology and so on. Whereas, if we were funded centrally, as most European universities are, we would have much less interest in close relationships with various private groups. This diversity exists all through our society and we have always believed that this was an important element. Because diversity seems to be good and we can't make too big a single mistake, I think it's important as seen from theoretical grounds.

If you'd accept my premise that this is a learning system, then a learning system wants to have several important features. It wants to do a lot of experiments in parallel. It wants to, in other words, try a lot of things. It wants to have sensitive feedback so it can detect errors. It doesn't want the mistakes to get too big and that's where I think government fails in many ways.

Government has very poor feedback mechanisms. If the government runs many parts of your society, your vote has to be aggregated on how you feel about all of those things, the management of the economy, the national defense, the education systems, the telephone system, you name it. You can dislike one very strongly and still support the government and its very hard to protest, whereas, if you have many different units here you have a much more sensitive feedback.

I think its generally true that governments tend to make fewer but very big mistakes and I think the reason is obvious. The feedback chain is very long so that time constants are very long. Also government is very insensitive to error because there are so many pressures.

I think it is very important to keep in mind that which I mentioned earlier, namely, that in the past 25 or 30 years the scale of everything in our world has grown and with size the time constants have grown. The energy systems for example, from one form to another will take billions and billions, 30, 40, 50 100 billion dollars a year for 20 years

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or 30 years to go from present heavy dominance on oil to dependance on nuclear power or coal or something else. You can't short circuit this time element because you can't spend the entire Gross National Product on building up a new power industry. In fact, there's obviously a point at which you would be spending more energy to build the energy system than you have available and so there is a time constant.

I'm not quite sure what it is in this system, but its clearly very long and therefore means that we have to be able to be sensitive on these time scales. This poses for us the problem of how to be more sensitive about those things where governments should take the lead.

There are people who say "Well, this is pretty well established, all you have to do is run a socialist kind of state like the Soviet Union or the Chinese". I have puzzled about that a good bit and think I understand that problem and why it isn't really a solution for us or for you. The Soviet Union and the Chinese are playing "technological catch-up" in which they're trying to build up industrial capacity. They still are trying to build their chemical industry, their automobile industry, their power industries and their most important goal is to build up more of traditional kinds of things. We, on the other hand, are at a different stage, and as technological leaders, I think our problem is much more difficult. We have to anticipate what the next

cycle or the next stage ought to be. This calls for ways of anticipating our needs and of having some assessment of what the consequences of various stages of steps, alternate steps, will be. I don't think a real planning allocation process can function because you can't really predict for sure what you're going to need five or ten or fifteen years from now, so you can't really predict what it is your're going to want or want to be doing 10, 15 or 20 years from now. If you make the decision today that you know what you will want to do 20 years from now in the full sweep of your society, you'll have a maximum of options. But if you try to make the decisions for the future and try to force the direction of your society no matter how things turn out I think you will make, we will make, together, some colossal errors. Therefore, I believe what we must do is understand how to be more sensitive, how to create better feedback, how to understand our technological options, how to make them available, and how to see where the dangers are if we push to far in one direction. This approach will result in a system which has a maximum opportunity for experimentation.

If I had more time I would tell you of a number of experiments that are going on in this country to try and find ways of doing this. I'll just mention that in our Congress is something known as the Office of Technological Assessment which is trying to understand what various technologies can do, will do, and what the problems it will generate are. Also, there is a new Congressional Budget Office trying to

understand the consequences of Congressional financial arrangements.

One of the major difficulties in our nation is that we've made many commitments to national programs which appeared financially viable on the day we made them but we didn't look ahead into their total cost.

Health care and the prevention of environmental pollution are two examples. We undertook to change the conditions of environmental pollution too rapidly so we required investments that are very large and nobody tried to make a projection of the costs of these programs through the years and to see how they would aggregate for the nation as a whole. As a result the Budget Office is now trying to find ways of telling the Congress what the consequences of this years acts are likely to be over a period of time so that they can hopefully have more wisdom about the kind of problems we get into.

I think many of our industries are also worrying about this kind of longer range planning within the industry. I think it is important for them and institutions like mine to have programs for studying public policy and interaction of technology in society and abroad. We would hope that independent of what official groups might say about certain decisions or directions we would also study them and say here's our view and another institution might say this is their view and then there could be a big national debate

which hopefully could involve a lot of people in this society before the kind of things that have been undertaken in the past in which no discussion or understanding could be pursued. I think the great danger for us in our country, is that things will work so poorly that people will get discouraged and place their belief in somebody who will convince them that a much more tightly run, centrally run system is the solution to these problems, when in fact, as I've demonstrated it is much less likely to be a good learning system than the kind of system we have now.

Thank you.

October 16, 1975

Luncheon Speech

by Takashi AOKI
President, Japanese Group

Ladies and Gentlemen:

Soon after arrival here in Boston I asked Mr. Levine about who was selected as an honourable Japanese guest to give luncheon speech in this International Congress. His answer was unexpected one: that is you, Mr. Aoki. So, I was honoured to be the guest speaker already at this time when I am still the president of the Japanese group.

I met an American friend in New York before coming here to Boston and he told me there was very interesting article appeared in the New York Times Magazine at the beginning of this month about Japan at a considerable length. This is a review and observation of an American free-lance writer named Tolman which was published to commemorate the Emperor Hirohito and the Empress Nagako's visit to the United States of America.

Its title is "the Unites States and Japan: The Odd Couple" which emphased dissimilarities between Japanese and American. Please permit me to cite here just a very beginning part of it to you:

"In the past thirty-five years, the United States and Japan have found that their relationship has evolved 180 degrees. Despite a myriad of dissimilarities in almost every sphere, and even given a multitude of misunderstandings

on nearly every level, the people of both countries are gradually becoming more aware that an interdependent relationship exists in many fields.

By dissimilarities I mean all the obvious and important ones, as well as the many that aren't so apparent and don't seem so vital. Japanese fashion dictates that wedding attire for women is always black kimono; an American woman would not wear black to a wedding. Americans are said to have heard, but to not really believe, that Japanese bathe before entering the tub, then soak; Japanese, for their part, find it even harder to understand how Westerners could soak first and then wash themselves in the same water."

Here, I see the emphases placed on dissimilarities and misunderstanding between the both nations and yet their interdependent relationship enevitably established.

Now, turning back to our American and Japanese relationship in the Pacific Industrial Property Association and applying the similar sort of review to it, I am much pleased to say that in the past 5 years both American and Japanese have been rapidly and steadily learning each other to know where and to what extent we have dissimilarities and thus how and by what means we can exclude misunderstandings. We have also learnt the existence of close interdependent relationship as well as the necessity and importance of close international cooperation for the common benefit and interest in this field.

I further wish you to permit me to make another citation from the same journal. It said:

"When we talk about the misconception that Americans seem to have about Japan, the American Ambassador to Japan James Hodgson remarks

"Many American businessmen feel that there exists a business-government conspiracy which enables Japan to succeed economically. This may be ten % true, but Japanese work together because their entire social fabric is based on the theory of consensus. In this country of 110 million people, there are less than 10,000 lawyers. The Japanese believe in and have learned to work things out through compromise."

This is an interesting remark but I only hope this general behavior specific to the Japanese people will not slow down the PIPA's taking positive action and expressing their opinion on the vital and urgent international issues discussed this morning such as the model law revision problem for the developing countries and the Paris Convention revision problem.

Ladies and gentlemen, may I remind you that in the 5th International Congress in Kyoto last year Director-General of the Japanese Patent Office, H. Saito presented his guest speach at its opening session. Now, he is pleased to have an opportunity to send his greeting to this Boston Congress and I wish to read this message from the Honorable Commissioner, Mr. Saito. The interpreter will translate this Japanese massage into English.

Luncheon-Message from Honorable Commissioner, Japanese Patent Office

It is my great pleasure to have been given an opportunity to speak to you at the Sixth International Congress of the Pacific Industrial Property Association. I think it is truly significant that industrial property specialists of the United States and Japan, two friendly countries flanking the Pacific Ocean,have assembled here to freely exchange opinions and to promote mutual understandings.

I would like to take this opportunity then to introduce to you a recent trend and administration of industrial property in Japan.

Since 1971, an early publication and examination demand system has been introduced in Japan. Furthermore, in an effort to speed up the proceedings we have increased the numbers of examiners and investigators. As a result, we were able to shorten the time expended for handling the patents and utility models. However, with respect to trademarks, the rate of increase of applications has been very high. Consequently, time spent for examination procedures has now been lengthened as compared to what it took in the year of 1971. One possible explanation is that a considerable number of applications are non-use trademarks. Therefore, to cope with this problem, the administration

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this year submitted to the Congress a draft revision of the Trademark Act aimed at enforcing use and the Congress voted to adopt this draft. This revision aims at reverting to the original purpose of trademarks,namely to protect a trademark which by actual use has been recognized as an identification of goods. It has been ruled that a renewal of trademarks will not be granted to a trademark which has not been in use the past three years. Moreover, as you may know by now, the concurrent patent law revision had introduced the adaptation of a material patent system and multiple claim practice.

Turning our attention overseas, there has been noteworthy progress in international cooperation, particularly centering around WIPO. Both the United States and Japan have cooperated in this respect as members of WIPO. I myself, as a delegate from the Japanese Government, attended the Geneva arbitration committee meetings of WIPO and served on the executive committee of the Paris Convention. Such occasions have strengthened my belief that it is truly important to further international cooperation in the field of industrial property.

As you all know, an international patent classification agreement has been ratified by 17 nations and became effective as of October 7 of this year. At the same time, there will be increasing numbers of countries ratifying both PCT and TRT.

Moreover, I have a strong feeling of the importance of the recent so called "South and North problem" in the field of industrial property. As you all know, it has been

demonstrated at the 7th UN special economic session that developing nations have shown a strong interest in patent systems. In the resolution,which has been adopted at the session,it reiterated the necessities of examining the international code of conduct in regard to transfers of technology as well as reviewing international agreements of patents and trademarks to fulfill the needs of developing nations.

We do recognize the importance of a smooth technology transfer to developing nations to achieve the healthy development of the world economy as a whole. At the same time, we also recognize the important role expected to be played by an industrial property system. We cannot expect healthy worldwide economic progress without our great concern for economic development of developing nations. Therefore, it is very important that we strive to enhance the technological development of developing nations. Consequently, while we expect a self-propelled effort by the developing nations to establish a sound basis for their economic development, we must play an important role aiding the healthy development of a world economy as a member of the advanced nations. It is therefore desirable that WIPO and other international institutions continue to study fully the industrial property system today.

The Japanese Patent Office has been paying attention to the above mentioned question of developing nations and internationalization of various systems. At the same time,

we have domestically tried to achieve faster and better administration of patents, trademarks and so forth, in order to meet the needs arising from the sophistication of technology and its diversification. To perform the mission entrusted to us at the patent office we must strive to improve efficiency by mechanizing clerical works as well as adopting mechanical devices to get examination materials. Also, a closer co-operation among different countries is a must in order to meet the responsibilities bestowed upon us as one of the advanced member nations in the field of industrial property.

Lastly, as one of those who is in charge of administerating industrial property, I sincerely hope that the Congress will be fruitful and that there will be active participation by all who are here.

Thank you.

Luncheon - Address by the Honorable C. Marshall Dann
Commissioner, United States Patent and Trademark Office

Thank you very much, Hal. It's a great pleasure for me to be with you all.

I have known of the PIPA since it was started about 8 years ago but I had never attended a meeting when I was eligible to have been a member. We always had someone else from our organization attend so this is really the first chance I've had to have the pleasure of seeing you all assembled and I'm very pleased that this organization exists.

I think it's very helpful to have such a group where there is a chance for people from Japan and people from the United States to get to know each other well. It's helpful when you do business, it's helpful in exchanging ideas and it's the kind of effort that just can't help but result in better international relations and understanding.

It's always a pleasure to see the Japanese here and elsewhere. Either last week or the week before, I had a visit in my office from Mr. Justice Sakamoto of your Supreme Court, Mr. Hirata, who's a Judge in the Tokyo Court, and then either two or three weeks ago I was in Geneva with Mr. Saito, the director of your Patent Office.

Well, with an international audience of this kind it seems very appropriate to talk on an international topic

and I'm going to say just a few things about international trade and more particularly, as intellectual property arrangements bare on international trade. I don't need to say anything at all, I'm sure, to this group about the importance of international trade.

I'd like to quote our Secretary Kissinger on this. This is a little excerpt from the talk that he was to have delivered, but Ambassador Moynihan delivered, for the United Nations a month or so ago. He said, "Trade has been a driving force in the unprecedented expansion of the world. economy over the last 30 years. Comparative advantage and specialization, the exchange of technology, and movement of capital, the spurt of productivity that competition provides, these are central elements of efficiency and progress. Open trade promotes growth and combats inflation in all countries". I certainly subscribe to that.

Probably there is no country in the world that is ahead of Japan in its emphasis on international trade, we certainly have great respect for what you have done. International trade is very vital to the United States as well. And, there has been quite an expansion. From 1972 until 74 our export trade went from about 50 billion dollars to about 100 billion dollars. I don't know what the figure is now but I think its still higher. This amounts to about 7% of our total Gross National Product, and, of course, products involving sophisticated technology are at the fore-

front in the international trade.

Licensing of technology is a very substantial part of our return from overseas. Last year return from licensing exceeded three and one half billion dollars.

You also know that patents and trademark protection are quite important to you when you want to exploit your technology abroad. If you want to export to a country, its extremely helpful if you have patent and trademark coverage in that country. It is true that sometimes you may want to export something and be prevented by someone else's patent in a country. Nevertheless, overall I think it is unquestionably true that intellectual property protection furthers international trade and particularly the opportunity to obtain protection in countries other than your home country.

If you imagine a situation, lets say there were no Paris Convention and where it was very difficult to acquire patent protection anywhere except at home, it really would be the equivalent of tariff barriers or barriers to getting your goods to the other markets. While sometimes we wish we didn't have quite as much competition from abroad, we know it's good for us and it's good for the world to have this kind of trading between nations.

Japan and the United States are, of course, among the leaders in filing patent applications abroad. I have some figures for the year 1973 that indicate there were 8500 Japanese patent applications filed in the United States.

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We were even worse with Japan, we filed nearly 13,000 Japanese applications that year. So, there's a great interchange.

In this connection, it seems to us, in the government, as I'm sure it does to you, that it is very desirable to promote the international arrangements which make it easier to obtain protection elsewhere.

The Patent Cooperation Treaty seems to me a very desirable thing. I think in your meetings you've talked about the treaties, where they all stand and so on. You're aware that it looks as if the United States will ratify PCT very soon. The implementing bill, which the senate passed and which the house sub-committee has reported out, is now before the House Judiciary Committee. You may not have heard that Congressman Rodino, who's the Chairman of the House Judiciary Committee, worte a letter to Assistant Attorney General Copyer of the Antitrust Division to ask whether there were any antitrust objections to this and you'll be gratified to hear that our word is that Mr. Coyper either already has or is about to write back, and say "No, there are no objections". Therefore, we expect that just as soon as the House Judiciary Committe can get it properly on the agenda, and this could happen within a matter of weeks, the bill will pass and we will go ahead and deposit our instruments of ratification.

From conversations with representatives of some of the

other countries, it sounds as if enough countries would go ahead within the next year or so with ratification that my guess really is that PCT will be in operation in 1977 - so we should all get geared up for it. We thinkthe Soviet Union, Sweden and probably others will come along within the next year.

We know that Japan has some special problems in becoming accommodated to handling some of the obligations of PCT, but I'm aware that you're new change in the patent law was at least partly inspired by a desire to make the law consistent with PCT.

We in our office are busy trying to work out the procedures that we will follow when PCT is in effect. We expect to become a searching authority. We're of course anxious that when we do become a searching authority we won't be in a position where we have to treat international applications somehow faster or better than we treat United States applications and I don't really think there's any danger of that. Our time of pendency has dropped to the point where I think we will confortably be able to examine international applications in accordance with the requirements of the treaty.

We are guessing that when PCT comes into effect its use will build up gradually. We don't think everyone is

immediately going to file only international cases so we'll have a chance to work into it and stay on top of it.

Of course, the European patent laws and the Common Market patent laws are also working their way along and one of these days I expect that they will all be in effect. I think its all to the good and should make it easier for any one that has made a decent invention to obtain coverage in all of the places where he can get commercial advantage from it.

As you know, President Ford has sent the Trademark Regristration Treaty to the Senate for advice and consent for ratification. The implementing legislation has been prepared and is still working its way through the Executive Branch and has not been submitted to Congress yet.

I don't think there is any reason for us to expect that the United States will be ratifying TRT in the near future. You're well aware that many people are concerned about the changes that it would make in our national trademark law where we could no longer require actual use before registration. I think TRT is in the right direction in that it would make for easier international registration of trademarks. But I appreciate that there are real concerns the other way so I think it will be a while before we ratify it - if we ever do.

There is one interesting difference between PCT and TRT. PCT comes into effect after it has been adhered to by at least 8 countries of which at least 4 must be countries having so called major patent activity. TRT on the other hand only requires ratification by 5 countries, of any size, and so far it has been adhered to by Gabon, Togo and Upper Volta. So, it needs only two more countries and it could well come into effect very quickly, but, coming into effect is not the same thing as becoming a major force in the worlds trademark habits.

You probably have discussed how Japan stands with respect to the trademark treaty and I really am not up to date on this so I'll abstain from trying to discuss it.

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One of the other international initiatives that we think of as being quite important is the international patent classification effort. Last week the Strassburg Union or the IPC union actually came into effect. The Strassburg Agreement, signed in 1971, has just this year had enough countries to make it come into effect. They had the ceremonies last week. Deputy Commissioner Parker from our office was there. The United States is a member. Japan is not right now although it has supported all the work that has gone into this and I believe it intends to become a member fairly soon.

Of course, the United States does not use the International Patent Classification and it might be wondered why we are interested in it. Our thought is that ultimately it will be a very desirable thing if everyone could be on the same classification system. We have no idea of going back and converting all of our present search files to IPC and I'm sure that the countries that are using IPC have no idea of going back and putting it in our system. Yet, if we can work together and shape the classification for the future along lines that will be satisfactory to everyone, we think it will be a very desirable objective. We did not participate in the early years of IPC but we have for the last 5 or 6 years and it's one of our real interests now. At the Geneva Meetings that I attended 2 or 3 weeks ago one of the things that we were particularly interested in achieving and which did occur was setting up an adhoc coordinating

Well, it is our government's position, and I think it should be that of all of ours, that we are sympathetic with the aspirations of all countries that don't have much now to raise their level. Again to quote Secretary Kissinger, he said, "We must improve the basic opportunities of the developing countries in the world trading system so that they can make their way by earnings instead of by aid." We could take a number of different positions on this. We could say, "We like the arrangements the way they are, we're not going to agree to any change". I don't think it's a good tactic and I don't think it helps to obtain our objective to raise the standards throughout the world, which helps everyone in the world. Therefore, I hope that we may be able to prolong the discussions and work out accommodations which really will be of some help to the developing countries and at the same time will not affect the rules that have been so useful and successful as far as developed market economy countries such as ours.

We definitely do not intend to agree to changes which will spoil these arrangements but we are trying to approach the discussions with an open mind to anything that would be helpful to them without hurting us.

Thank you very much.

committee. This was done by the Executive Union of the Paris Convention, which is a coordinating committee setup to make sure that what was being done by the groups working on PCT, the groups working on IPC classification and the groups working on ICERIPAD paid attention to what one another was doing because they're all working on some matters that bear on classification, and handling of a search file. We were able to get a great deal of support for this and I think it will be a very useful thing.

I mention this mainly to indicate how our office and our government really has a very vital concern in these international matters and in trying to work things out so that we will operate on the same general lines.

Well, in closing, you can't talk about international patent matters without mentioning developing countries. I know you've discussed this at your meetings early this week. You're familiar with the concerns of the developing countries. They want to acquire technology any way they can get it. There is a general feeling that countries such as ours, who are rich in technology, owe it to the developing countries to bring them up to our level. They have become persuaded that patents, or the present arrangements for patents and trademarks and so on, actually impede rather than promote the transfer of technology and so they're quite determined to change some of our arrangements such as the Paris Convention.

Harold Levine-Summary of 1975 PIPA Conference

I am especially thankful to our Japanese colleagues for the extra effort which they expended in making many of the presentations to us in English. I also want to compliment Mr. Jackson on his deliberate tones in toning down the speed of his presentation. I don't see Mr. Jackson here this morning but I know it took a lot of effort on his part.

I was also very pleased to hear the meaningful and thought provoking words of the honorary chairman of this meeting, Dr. Wiesner.

I note that the U.S. Commissioner of Patents is scheduled to be here at the luncheon and there is still a little time before 12:30 so we are hopeful that he will be with us this afternoon.

I was very pleased to hear the message of the Director General of the Japanese Patent Office as delivered yesterday at lunch by Mr. Aoki.

We who are interested in the intellectual property field on a worldwide basis are moving into a new era which will be a turbulent environment for the world of patents and intellectual property. There will indeed be many pitfalls to contend with as we've heard, for example, on the European Convention, as so elequently elaborated upon by Mr. Shipman.

I believe that many of these pitfalls will be interlaced with many pockets of opportunity for improving the intellectual

property systems around the world not just for developing nations but also for developed nations.

There is indeed an opportunity to make significant contributions to the societies that these systems must serve. PIPA can, and must, play a vital role in the shaping of this turbulent environment. I think that we have made a good start and we are well on our way for PIPA to make contributions in helping to shape this environment.

The examples of the work of Committee #4 are a good illustration. The effort of Committee #3, as reported upon by Bob Benson, and the expertise once again demonstrated by Bart Kish in the highly complex area of international treaties should help us in large measure to move along this path The action committe which the Board of Governors re-discovered during our meeting the other day will also help us in this area.

Once again, I was most impressed by the results of each of the committees and the reports as presented by each speaker. I think that this years conference has been a success. Mr. Tom "Super Arranger" O'Brien has really done well. He has made our Congress a most pleasant and memorable experience including the delightful weather which he tells me will turn bad about 5:30 this evening, because his arrangements do not extend beyond that time. I think the evening at the Museum of Science was a delightful experience,

as was last eveningsdinner and the festivities following dinner. I think the folks that worked with Tom, Pat Hayes, Ed Bell and the others really deserve a hearty round of applause with our thanks.

I'd also like to comment for Mr. Aoki. I want to compliment him on his patience in waiting for replies to his telexes from me and I want to assure you that the delays did not have anything to do with my interest in pursuing the mat which you properly raised.

I'd also like to thank Messrs. Mihara, Kanzaki, Saotome and Suzuki, for their fine efforts in helping make this 1975 Congress a success.

I also have another observation on the next PIPA congress that will be scheduled for late 1976 in Japan. The precise dates are not yet worked out nor is the precise location in Japan crystalized but this is a subject that is under current intensive discussions and, as we know more, we will be letting you know.

We are especially pleased at the attendance at this session noting that this is a year of economic challange for all of our companies and it's noteworthy that the expense levels associated with attending this Congress are regarded as worthy enough and that the organization is regarded highly enough to warrant your attendance. I congratulate all of you for coming.

October 17, 1975

Closing Address

by Takashi AOKI
President, Japanese Group

In bringing to a close this 6th PIPA Boston Congress, I first of all wish to express my deep appreciation to the hospitality, kindness and consideration which have been shown by the American group in the preparation and execution of this Congress. All attendants of the Japanese Group are very much feeling the remarkable contribution dedicated by Mr. Levin, President of the American Group and all of those who had the responsibility of organizing this meeting, especially Mr. O'Brien, Program Chairman of this Congress and Mr. Bell, the Treasurer-Secretary.

Here is a small gift as a token of our thankful feeling to both of them.

We further wish to extend our appreciation to the following workers behind the scenes:

Miss Anne Nachado

Miss Sylvana Reekie

This is a small gift to each of them.

We should not forget to express deep thanks to the Congress interpreters, Mr. Takai and Mrs. Kaiser.

I am very pleased to clearly recognize the great success of this Congress and would like to appreciate all the efforts effected by the Committee Chairmen and speakers from both the American and Japanese Group, excellent jobs of whom were

no doubt the key factor of this success.

We are all obliged to recognize in this meeting the importance of actively catching up the international vital issues by mutually exchanging views and cooperating together and the joint governors meeting this afternoon will discuss this point further to improve our activities.

Finally, I personally wish to thank all of you for your warm support during the Congress. I am also honored for having worked with our over-all president Mr. Levine and again I express my appreciation to him as well as all the American members for their making our stay in Boston so enjoyable and marvellous.

Thank you and will see you in 1976 somewhere in Japan.

Committee Presentations
(Committee 1)

Committee No. 1
Japanese Group of PIPA

The Revision of Japanese Patent Law: Present Status

Introduction

Reports were made on the movement for the revision of the Japanese Patent Law at the past PIPA Congresses in Tokyo, San Francisco and Kyoto. The amendment of the Patent Law has now been materialized.

In the 75th Regular Session held on May 29 of 1975, the National Diet passed the Bill of Law for Partial Amendment of the Patent and Other Laws, the legislation being promulgated on June 25 of the same year. The high-lights of this amendment are:

(1) From the listing of inventions unpatentable under the law, the inventions of chemical substances, medicinal products, foods and beverages and luxury products were excluded;
(2) Embodiment claims were made admissible;
(3) In connection with the arbitration for the establishment of a non-exclusive license for working one's patented invention, a cross-licensing provision was enacted;
(4) There was made permissible an amendment of the specification at filing a demand for trial against the rejection ruling rendered after publication of the application;
(5) The duty of using a registered trademark was strengthened;
(6) Various fees were revised; and

(7) According to the ratification of the Paris Convention as amended at Stockholm, the related provisions of the domestic law were amended.

Of the above seven revisions, the first four (1-4) revisions will now be briefly explained. As to details, they will be independently reported.

1. From the listing of unpatentables under the law, the inventions of chemical substances, medicinal products, foods and beverages, etc. were excluded.

Article 32 of the existing law provides that patents shall not be granted on the inventions listed below.

(1) The invention of a food or beverage or of a luxury product;
(2) The invention of a medicine and of a method of producing a medicine which comprises mixing two or more medicines;
(3) The invention of a chemical substance;
(4) The invention of a substance which is to be produced by a method involving the transformation of atomic nuclei; and
(5) The invention which could be detrimental to public order, good morals and public hygiene.

By the recent amendment of law, the items (1), (2) and (3) were deleted. Among the reasons cited for such inventions having been disqualified for patents are:-

Foods and beverages and medicines are indispensable to daily life and a monopoly right, if accorded to any of them, will have a serious influence on national life; similar monopoly rights to chemical substances would exert substantial depressive influences on chemical industry; and such rights to medicines would also lead to the same outcomes.

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Therefore, under the law before the recent amendment, which admits process patents alone for foods and beverages, medicines and chemical substances, those who had developed new chemical substances engaged themselves in the useless research and development work on production processes and attempted to secure monopolies over the new substances by filing patent applications on a number of production processes irrespective of whether they were truly of commercial value. On the other hand, it cannot be denied that subsequent researchers were absorbed in research and development work on processes which were merely copying prior inventions or only to avoid a conflict with others' patents. Obviously, these directions are deviant from the authentic course of research and development.

Around 1957 there was argued the possibility of amending the law so as to exclude foods and beverages, medicines and chemical substances from the list of unpatentables but prematurity was the voice of the majority and no revision of law was made in this respect.

The Patent Law was amended in 1970 but, after deliberation, the Diet passed an incidental resolution to the effect that as to patents on chemical substances and medicines, efforts should be made to obtain a matured draft early. In the same year of 1970, the Japan Patent Association sent questionnaires to its member companies, taking poles on whether chemical substances and medicines should be removed from the list of unpatentables four to five years ahead. Of the chemical and related companies, about 80 percent answered 'yes'.

In 1974, the Industrial Property Council, which has been an organ under the Patent office and whose membership have been appointed by Director General of the office, submitted a recommendation to Minister of International Trade and Industry which said, in effect, that the law should be revised to make chemical substances, medicines, foods and beverages and luxury products patentable.

That is, the technique-developing capability of Japanese industry in the field of chemistry has attained a sufficiently high level in recent years to warrant a switchover from the development of production processes after foreign models to the development of products per se. Moreover, chemical research and development should be further encouraged through adequate protection of inventions of chemical substances.

As to medicines, foods and beverages and luxury products, if patents be granted on them, there will be no particular harm due to monopoly, for varieties of foods, drinks and medicinal products have for some time been available on the market.

Turning to the countries abroad, none of the laws of the United States, the United Kingdom, France and West Germany makes foods, beverages, medicines and chemical substances unpatentable.

As the result of the recent amendment, all the inventions unpatentable under the law of Japan are:

(1) The invention of a substance which is to be produced by a method involving the transformation of atomic nuclei; and
(2) The inventions which could be detrimental to public order, good morals or public hygiene.

It is noteworthy that the validity of certain patents is now restricted by a new provision which takes a lenient view of the social role of physicians and dentists. This new provision reads:
" The validity of a patent covering the invention of a medicine to be produced by mixing two or more medicines or a method of producing a medicine which comprises mixing two or more medicines shall not extent to the act of filling physicians' or dentists' prescriptions and the medicines to be compounded according to the prescriptions of physicians or dentists."

It should be mentioned that it will be on applications filed on and after January 1, 1976 that patents will be granted on foods and beverages, medicines and chemical substances. Thus, the new provisions of law do not apply to the applications currently on the Patent Office files or to be filed within this year. Of course, these provisions apply to the applications that will be filed on and after January 1, 1976 on the basis of Convention priority rights as well.

2. Embodiment claims will be admitted

Paragraph 5, Article 36 of the existing Patent Law reads, "The Scope of Demand for Patent (claim) shall state only the matters indispensable to the construction of an invention that are described in Detailed Description of the Invention." And it is an established practice that one invention should be stated in a single claim.

Thus, in the current practice, only one generic claim is admitted for one invention and no species claim is admitted. By the recent amendment, the so-called embodiment claim or claims have been made

allowable under a new provision as added following the above-quoted language, reading "It is not objectionable to state embodiments of the invention as well."

Turning to countries abroad, subclaims or species claims are allowed in a number of countries.

The advantages and disadvantages of a system permitting a plurality of claims for a single invention began to be studied with some vigor around 1950. We did not heard any particularly loud voice calling for a revision of patent law to adapt such a system. However, as Patent Cooperation Treaty (PCT) had come into focus since around 1966, the Patent Office set up a multiple-claim study group in 1969 as one of the measures for dealing with PCT and, consequently, the possibility of adopting a multiple claiming system became a subject of more concrete study. Japan Patent Association also established a Multiple-Claim Study Group which has selected and studied a number of problems.

Then, as Japan decided to join PCT which was signed in Washington in June, 1970, it became inevitable for her to carry into effect the multiple claim practice in a not-too-distant future and, thus, there has been a sudden up-surge in the momentum toward the adoption of this practice.

The Industrial Property Council referred to above submitted a recommendation to Minister of International Trade and Industry for the adoption of the multiple-claim practice along with the above-mentioned recommendation that chemical substances and others should be made patentable. Aside from Japan, only few countries have the single-claim practice and, as patent

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applications are getting more and more global, it is desired that Japan, too, will adopt the multiple-claim practice.

Particularly, for Japan to be a member of PCT, it is a prerequisite that she should adopt the multiple-claim practice.

Under these circumstances, the practice of allowing embodiment claims has been adopted. This practice, too, is applicable to patent applications that will be filed on and after January 1 of 1976.

A few comments seem to be in order on this newly adopted embodiment claim practice.

In the first place, the one-invention one-claim practice and the so-called consolidated application will be explained briefly. Let it be supposed, for instance, that someone has found that C is produced by reacting A with B. Let it also be supposed that the yield of the product is improved when the above reaction is conducted in the presence of catalyst X.

Please understand, in the first place, that here are two inventions, i.e. the invention of a method for producing C which comprises reacting A with B and the invention of a method for producing C which comprises reacting A with B in the presence of catalyst X. Therefore, in applying for patents, it would be necessary to file two independent applications for the above two inventions according to the one-invention one-application doctrine.

However, even when two or more inventions are involved, one is entitled to claiming these inventions in a single application provided that they are in such a relation as meets any of the requirements set forth in

Paragraphs 1 to 3, Article 38 of the Patent Law. This practice is called the consolidated application.

In a consolidated application, the same number of claims as the number of inventions are stated.

The fee for a consolidated application is lower than the sum of fees for independent applications covering the same number of inventions. Of course, it is higher than the fee of a single application claiming one invention.

In the above example, the two inventions, i.e. the method of producing C which comprises reacting A with B and the method of producing C which comprises reacting A with B in the presence of catalyst X meet the requirement specified for a consolidated application. Therefore, these two inventions may be claimed in a single application.

In other words, the two claims may be stated in one application. Then, claim 1 is directed to a method for producing C which comprises reacting A with B, and claim 2 relates to a method for producing C which comprises reacting A with B in the presence of X. It should be noted that the above claim 2 is not an embodiment claim.

Let it be assumed that, under the current practice, an applicant has filed two claims such that claim 1 is directed to a method for producing C which comprises reacting A with B and claim 2 is directed to a method for producing C_1 which is a species of C, which comprises reacting A_1 which is a species of A with B_1 which is a species of B. In the above situation, the application will be rejected on the ground that the invention of claim 1 and that of claim 2 are regarded as the same, thus failing to qualify for a consolidated application.

By the recent amendment of law, it has now been

made permissible to claim such a species claim or claims as embodiment claims, along with a generic claim. It may be borne in mind that the way of thinking explained above in connection with the number of inventicns is still valid.

In the example cited above, as a sequel to the first invention or claim directed to a method for producing C characterized by reacting A with B, there is admitted, for example, an embodiment claim directed to a method according to claim 1 wherein A is A_1, B is B_1 and C is C_1. Moreover, in the same application, along with a claim for the second invention (tentatively, claim 3) reading a method for producing C characterized by reacting A with B in the presence of catalyst X, there is admitted an embodiment claim directed to a method according to claim 3 wherein X is X_1.

The embodiment claim shall be stated in a dependent form.

The requirements that must be satisfied in order that two or more inventions may be claimed in a consolidated application are provided in Paragraphs 1 to 3, Article 38 of the Patent Law. By the recent amendment, the following qualifications have been added.

(1) The invention of a thing and the invnetion of a method comprising the use of the thing; and
(2) The invention of a thing and the invention of a thing which principally utilizes a certain property or attribute of the first-mentioned thing.

As an example of (2), there may be mentioned 'compound A' and 'an insecticide containing compound A as a main component'. Further, 'compound A' and 'a method of controlling insects which comprises using

compound A' may be mentioned as an example of (1).

It should, however, be understood that the cases of (1) are not limited to uses and applications but may pertain, for example, to 'a prime mover' and 'a method of controlling the prime mover'.

3. A cross-licensing provision has been enacted in connection with the non-exclusive license right to be established by arbitration for working one's patented invention.

As to the non-exclusive lincese to be established by arbitration, a report was already presented to the San Francisco Congress of 1973.

The arbitration for the establishment of a non-exclusive license may be demanded in the following cases.

(1) Where a patented invention has not been worked appropriately in the country of Japan for not less than three (3) consecutive years;
(2) Where the working of one's patented invention constitutes an infringement of someone else's patent; and
(3) The working of a patented invention is particularly necessary for public interest.

By the recent amendment of the Patent Law, some amendment was effected in the above-mentioned arbitration practice. This amendment pertains to the arbitration that may be demanded for the establishment of a non-exclusive license for working one's patented invention. Thus, this revision of law is such that when B has demanded the establishment of a non-exclusive license under a patent right owned by someone else A in order to practice his own patented invention,

the latter A is entitled to demanding the establishment or granting of a non-exclusive license under the patent owned by B. It is the so-called cross-licensing provision. It is provided that when director-general of the Patent Office does not award a non-exclusive license under the patent of A pursuant to B's demand, he shall not award a non-exclusive license under the patent of B upon A's demand.

Suppose, for example, that A owns a patent on chemical substance X and process P for producing said substance X. Let it be also supposed that B has a patent covering an improved process Q for producing the same chemical substance X. Now, B demands the establishment of a non-exclusive license under A's patent for the purposes of producing X by process Q and selling same. It should be mentioned, in passing, that the arbitration for the establishment of a non-exclusive license may be demanded even between patents covering the inventions of different categories, e.g. chemical substance X and method Q for producing X. On the other hand, A is entitled to demanding an arbitration for the establishment of a non-exclusive license under B's patent. In this case, the demand of A is allowed only when the demand of B has been allowed.

It should be understood that there may be cases in which the demand of A is rejected while the demand of B alone is admitted.

The above arbitration provision will come into effect on January 1, 1976.

4. The amendment of the specification at the time of filing a demand for trial against a rejection ruling rendered after publication of the application has now

been made allowable.

Under the existing law, when a demand for trial is filed against a rejection ruling, the specification and drawing(s) may be amended within thirty (30) days from the date of demand for trial. In such cases, the Patent Office examiner examines the demand and, if he has judged that the rejection reason has been obviated, nullifies the previous rejection ruling and renders anew a ruling that the application shall be patented. This is the so-called pre-examination practice. However, when the application has been rejected after publication, the specification and drawing(s) cannot as a rule be amended even if a demand for trial is filed against the rejection ruling. This is because, after publication, the applicant is permitted to make corrections within a limited range only when he has been served with an opposition or a new rejection reason. Therefore, the above pre-examination practice does not apply to the trial against a rejection ruling after publication. Heretofore, in connection with the trial against a rejection ruling after publication, where it appears that the rejection reason will be obviated only if the specification (and/or drawing) be amended, it has been an expedient practice to have a notification of rejection reason issued by the Examiner and, thereupon, make the necessary amendment. After the recent amendment of law, even where a trial is demanded against a rejection ruling after publication, it will be permissible to amend the specification and drawing(s) as to the matters indicated in the reason for rejection ruling only within the period of thirty (30) days following the filing date of the demand for

trial. It should be noted that such amendments must be limited to a restriction of the claim(s), a correction of clerical errors and a clarification of ambiguous descriptions.

Along with this permission of such amendments, the pre-examination practice has now been made applicable to the demand for trial against a rejection ruling after publication of the application.

The above amendment provision is applicable to applications filed after January 1, 1976.

The foregoing is a recapitulation of the highlights of the recent amendment of law pertaining to patents and of the background thereof. When the new law takes effect, there will arise various problems in connection with the enforcement of the law. While these problems will be discussed separately, attention should now be directed to the incidental resolutions of the two Houses relating to the Bill of Law for Partial Amendment of the Patent and Other Laws, said resolutions being relevant to the enforcement of the new law. The relevant parts of the incidental resolutions may be summarized as follows.

(1) To cope with the sharp increase in the amount of patent information, the work of information processing and the organization for that work should be developed and expanded.

(2) All necessary measures should be taken so that the patenting of foods and beverages, medicines and chemical substances will not lead to untoward effects such as the expansion of market control through the utilization of patent rights and the unfavorable influences on national life and on

the medium and small businesses. Particularly in enforcing the system of arbitration for the establishment of a non-exclusive license, the opinion of Industrial Property Council should be esteemed and the arbitration award or dismissal should be issued within six (6) months following the date of demand.

(3) In adopting the multiple-claim practice, the manners of stating claims and of interpretation of claims should be clarified for a smooth operation of the practice.

(4) The possible protection of soft ware by law should be promptly studied.

(5) Efforts should be made to improve the treatment of the Patent Office examiners, judges and other officials and the level of their qualities.

A FEW PROBLEMS RELATING TO THE NEWLY ACCORDED PATENTABILITY OF CHEMICAL PRODUCTS OR THE LIKE IN JAPAN

JAPANESE GROUP
COMMITTEE 1 (PATENTS)

Reported by
TUNEWO SIMADA,
Takeda Chemical Industries, Ltd.
AND OTHERS

Summary

By the recent amendment of the Patent Law of Japan, chemical substances, medicinal products, methods of compounding medicines, foods and beverages and luxury products which have been disqualified for patents are now to be excluded from the list of unpatentable items.

In this report, a few problems that are incidental to this revision of law will be taken up and discussed. Referring, first, to the invention of a method for compounding medicines or of the resultant medicinal products, the validity of the patent has been made not encompassing the act of filling a physician's or dentist's prescriptions and the resultant products. While this revision of law does not seem to create any significant trouble, we wish to point out, at the outset, that there are now a few problems that have to be liquidated.

Comments seem to be in order, too, on the patentability of the so-called chemical analogy process. The argument will be advanced that, even for such process inventions, the assessment of patentability should be made on the basis of objective and integral consideration. Further, some observations will be made on the relation between allowing a chemical substance or the like (briefly, chemical product) for patent and the arbitration for the establishment of a non-exclusive license. Then, our desire will be expressed that the new system will be enforced and administered with sufficient prudence so that the new concept of granting patentability on chemical products will not be skeletonized.

Introduction

As already reported by this Committee at the Kyoto Congress of PIPA last year, we had witnessed some solid deliberation over the possibility of removing from the list of unpatentable items in the Patent Law of Japan the substances which are to be produced by chemical processes (hereinafter called chemical substances), medicines, methods for producing medicines which comprise mixing two or more

medicines (hereinafter referred to as methods for compounding medicines), foods and beverages and luxury products, and the above concept was finally made into law by the enactment of the Law for Partial Amendment of the Patent and Other Laws in the 75th Regular Session of the National Diet, said Law being to take effect on January 1, 1976.

While a general review of the law as recently thus amended has been given in a report separately presented by this Committee, all the revisions directly related to chemical substances, medicines and methods for compounding medicines, foods and beverages and luxury products are the following.

1. From Article 32 (unpatentable inventions) of the Patent Law, Item 1 (foods and beverages, and luxury products), Item 2 (medicines and methods for compounding medicines) and Item 3 (chemical products) were deleted.
2. To Article 69 (the scope precluded from the validity of a patent), a new Item 3 (the act of filling a physician's or dentist's prescriptions and the resultant preparations) was added.

Thus, these changes in the language of law are not drastic indeed but, for many years Japan has had chemical products included in the list of unpatentables and, from the applicant's point of view as well as that of the Patent Office, this means the introduction into the Patent Law of a brand new concept which they have almost never harbored. It is, therefore, expected that a number of problems will arise

in connection with the art of application for patent and the art of examining applications as well as in the exercise of rights. In fact, there has for some time been some amount of argument in various circles. In this report, a few of such problems will be selected and discussed as seem to be interesting to members of the American Group. At the outset, however, the matters which have been controversial at the stage of deliberation in the National Diet for the recent amendment of law will be briefly reported. Thus, in this regular session of the Diet, it was the subject matter of debate in the two Houses whether the contemplated preclusion of chemical products from the list of unpatentable items would be truly favorable to the industry and national economy of Japan and the following questions were raised there.

1. Were we sure that the chemical industry of Japan had attained a sufficiently high status to withstand the attack of chemical product patent applications from abroad?
2. Were we sure that the acquirement of chemical substance and other patents by large corporations would not depress the small and medium firms with less patent development capabilities?
3. Were we sure that allowing patents on chemical products, etc. would not be deteriorate to public interest?

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The government answers to these questions were:

Though it may not be sufficient, the present status of Japan's chemical industry is internationally competitive and, objectively speaking, it may be said that the way has already been paved for the extension of patentability to chemical substances, etc.

Even if it is difficult for small businesses to be fully competitive with large corporations in overall terms, the former may rather acquire technology development capabilities even surpassing those of large corporations in the specific fields they specialize in and it cannot be said that small businesses will be particularly held at disadvantage if patentability is accorded to chemical substances, etc. As to the protection of public interest, this can be ensured by taking advantage of the system of arbitration for the establishment of a license right under Article 93 of the Patent Law.

As regards the anxiety relating to medical care of nationals which might be induced by allowing patents for methods of compounding medicines, they deal with the problem by amending Article 69 of the Patent Law so that the validity of such a patent right will not cover the acts of filling physicians' or dentists' prescriptions and the resultant medicinal preparations.

After such questions and debates, a poll was taken for the deletion of Items 1 through 3 of Article 32 of the Patent Law as originally proposed by the government, thus formally admitting the chemical

products patent system into the Patent Law of Japan.

To follow up this revision of law, the Patent Office is about to lay down a guideline of enforcement of the Patent Law concerning the inventions of chemical products, etc., and copies of a tentative draft of the guideline has been distributed to various private groups for comments. This enforcement guideline, as judged from its language, is not any significant departure from the substance of the Draft of Enforcement Guideline which was explained by this Committee before the Kyoto Congress of last year and its contents are yet to be sufficiently crystallized. Therefore, the particulars of this guideline will not be reported here but we shall for now deal with the following three questions: (1) what is outside the validity of a patent right, (2) whether a chemical analogy process should be patentable, and (3) the arbitration for the establishment of a non-exclusive license.

I. The scope outside the validity of a patent right (Article 69)

Article 69 of the existing Patent Law lists as the scope outside of patent right, the working of the patent for testing and research purposes, the ships and aircraft passing over the national territories, and the things that have existed since the date of application. By the recent amendment

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of law, a new item has been added to this Article. Thus, in some specified cases, the validity of a patent now does not extend to the inventions of medicines to be produced by mixing two or more medicaments and of methods for producing medicines through admixture of two or more medicines.

Thus, these inventions were unpatentable under Item 2, Article 32 of the Patent Law but the recent amendment of law has made them patentable. To avoid the unnecessary anxiety that might be created thereby in connection with medical care of nationals, a minimum of restriction has thus been imposed on the exercise of patent rights. The new Item 3 of Article 69 provides to the effect that the validity of a patent covering the invention described above does not cover the acts of filling physicians' or dentists' prescriptions and the resultant medicinal preparations from the consideration that said anxiety as to medical practice could thereby be arrested. Resembling this legislation is the provision of Section 30 of the French Patent Law, and the British government also seems to include a similar provision in the amendment of law now under deliberation. In any event, even assuming that there is no provision of that kind, there would be almost no problem in practice even if there be a problem from the standpoint of jurisprudence. In fact, few of the countries having some system or other holding medicines patentable, including the United States, have such a provision. Moreover, so far as we know, there is no case in

which there has been any trouble in connection with medical care of nationals or an action has for that reason been instituted against physicians or dentists for patent infringement.

This new provision does not seem to have any significant problems, nor does it seem to unduly prejudice the patentee's interest but careful consideration has been paid so that an abuse of this provision will not unduly jeopardize the patentee's interest. Thus, this provision pertains only to the medicines to be produced by mixing two or more medicaments, excluding the mixing of a medicament with a non-medicament, and to the acts of filling physicians' or dentists' prescriptions. Therefore, the acts of pharmacists to prepare pre-compounded medicines, diluted powders, etc. for unspecified patients will fall within the ambit of validity of patents even if they did so in accordance with physicians' or dentists' prescriptions. The same applies to their acts of compounding medicines for some patient based on the physician's prescription for a different patient.

Moreover, in this new provision of law, "medicine" is defined as a "thing which is used for the diagnosis, therapy, treatment or prevention of diseases in man". This definition has been simply transferred from Item 2 of Article 32 and, therefore, may be construed as the latter provision was previously construed. However, there are few court cases relating to this definition and no significant problem has arisen in connection with

the conventional construction. The Patent Office has established an examination standard for patent applications relating to the inventions of medicines under the existing law, and is of the opinion that, of such, supplies such as bandages, capsules, etc., the products which are not to be directly applied to human bodies, e.g. diagnostic reagents, etc., cosmetics such as soap, depilation cream, etc., for instance do not fall within the class of medicines in the common or routine parlance but are patentable even under the existing Law. This view is generally reasonable and will be upheld in construing Paragraph 3, Article 69 of the Law as Amended. However, in this standard, the bases, solvents, etc. which are merely intended for diluting medicinally active ingredients, and the stabilizers, solubilizers, etc. which are effective only before administration are not regarded as medicines and, if problems arise, they will arise in and around this field. Thus, since the particular provision applies only to the mixing of two or more medicaments, it would be controversial, at least in theory, whether the validity of a patent right covers the act of mixing a medicament with a stabilizer for the purpose of increasing the shelf life of the former according to a physician's or dentist's prescription or the act of diluting a medicament with a physiologically inert diluent or excipient.

Furthermore, it is suspected that there will be some problem relating to the means termed "mixing".

Thus, the same interpretation as that of the provision of Item 2, Article 32 of the existing Law seems to apply to this language as well. However, it is suspected that there is some room for reassessment as to whether this interpretation is valid or not. Thus, if the act of mixing comprises an act of the type which does not fall within the scope of the routine act of compounding medicines, the above-mentioned examination standard does not regard it as the act of mixing two or more medicines to produce a medicinal product but, even when mixing induces a chemical reaction, regards the act as mixing of medicaments only if the act cannot be differentiated from the mixing operation which is performed even in the routine compounding of medicaments. Furthermore, in the application of Item 2, Article 32 of the existing Law, the Patent Office takes the view that, even when a medicinally effective composition can be obtained by mixing two or more materials which will not have medicinal effects if they are independently administered to the human body the act falls within the concept of mixing medicaments, but it is also a subject of controversy if this view holds validity in the application of the new provision of Paragraph 3, Article 69.

Although this new provision of Paragraph 3, Article 69 of the Patent Law harbors the above problem insofar as the interpretation of law is concerned, it is probably quite rare that the same provision will actually become a source of controversy and the provision may righteously be con-

sidered to be a provision enacted just to be on the safe side. In fact, in the recommendation submitted by the Industrial Property Council to Minister of International Trade and Industry in connection with the recent amendment of law, a rather negative view was expressed. Thus, for example, the recommendation said:

> In foreign countries, too, it does not seem to have been considered as really problematic, for it could constitute an infringement in theory but actually it does raise no problem, or from the theorem that the physician's act is not the working of a patent as a business endeavor. In Japan, however, some restrictions may be imposed on the validity of a patent right in connection with the physician's act, if it comes to be desirable in view of rather specific social position of physicians.

II. Whether a chemical analogy process ought to be patented

Until the recent amendment of the Patent Law, the invention of a chemical substance had been held to be an unpatentable invention even if the invention satisfied the patentability requirements. This provision of law was enacted into law in 1921 and retained in the Law of 1959. However, since the invention of a process for producing a chemical substance was not held unpatentable, any one who had invented a chemical substance was entitled to filing a patent application for the invention of a process for producing the chemical substance and having a patent issued. As the chemical product as such was now made patentable by the recent deletion of Item 3, Article 32 of the Patent law, the Patent Office published a Draft Enforcement Guideline in which the invention of a so-called chemical analogy process was held to be lacking in inventive step and unpatentable. The situation provided the impetus for much argument as to whether a chemical analogy process should be allowed as it had been or ought to be rejected for reason of the lack of inventive step. Under the circumstances, the question of whether chemical analogy processes should be held to be patentable or not will be discussed below.

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The concept of chemical analogy process had its beginnings in Germany but no uniform definition of the term has yet been developed. The Draft Enforcement Guideline referred to above is reticent about what is exactly meant by this term but in the following discussion, we shall use the term as meaning the following --- A chemical analogy process is a method for producing a new substance similar to a known substance through a procedure which is identical with, or similar to, the procedure used for the production of said known substance, with the proviso that, in comparison with the known substance, said new substance displays an effect which is not foreseeable and pronounced.

Under Paragraph 2, Article 29 of the Japanese Patent Law, it is provided, as one of the patentability requirements that the invention shall have "inventive step" over the state of the art at the time of application. The term "invention step" means that an invention is outstanding against the technical background as of the application date, that is to say it cannot be easily accomplished by mere reference to the known literature and the like.

As is apparent from the Patent Law as amended, patentability of chemical products was established for the first time by cancelling "the invention of a chemical product" from the list of unpatentable items in Article 32 of the Law and it is not that the chemical analogy process was added to the list of unpatentable items in exchange for the above cancella-

tion, nor was Item 2 of Article 29, which provides for inventive step of a patentable invention, revised in such a manner that inventive step would be denied to a chemical analogy process. According to the conventional practice, it may be that the invention of a chemical analogy process is unpatentable, primarily speaking, for the process per se is devoid of inventive step, but if the product chemical substance obtainable by that process is new and displays a unique effect which is beyond anticipation from any known similar chemical product, the effect is regarded as the effect of the process and the invention of a process for producing a chemical product is evaluated for inventive step. In this manner, patentability has thus far been accorded to the invention of a chemical analogy process.

This kind of practice allowing the invention of a chemical analogy process was no wonder at all under the old system where chemical products were held to be unpatentable and no one questioned the validity of such a practice. Now that, following the delisting of chemical substances as an unpatentable, the Patent Office is going to adopt the policy of denying patentability to the invention of a chemical analogy process for the lack of inventive step, it seems in order and necessary for us to ponder more seriously over the question of whether or not it is unreasonable to consider that a chemical analogy process has the so-called inventive step. There is an argument that, in the past, the inventive

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step of a chemical analogy process was recognized by daring to incorporate the effects of the invention of a chemical product in the invention of a production process but a production process should intrinsically be regarded as an integral triad consisting of starting material, process and product compound and a chemical analogy process is no exception to the rule. Therefore, the effect of a product substance is naturally the effect of the chemical analogy process and this, in turn, means that it does not seem appropriate to place the effect of the substance outside of the production process.

If one takes the view that the effect of a substance is inherent in the invention of a production process as such, it is quite natural to recognize inventive step in the invention of a chemical analogy process and there ought not to be any room for differences in treatment under the law which accords patentability to chemical substances on the one hand and the law which make them unpatentable on the other hand.

In fact, the question of inventive step should arise only in the relation of a particular invention and the state of the art obtaining at the date of application and is quite unrelated to the grant of a chemical substance patent.

In this connection, there might arise the question of whether, if chemical analogy processes are deprived of patentability, the chemical analogy processes heretofore patented would be judged to be invalid for the lack of inventive step. It is,

however, thought that the Trial Board will probably never render such judgements and it would be not appropriate enough to assert from this possibility alone that it is unreasonable to deny patentability to chemical analogy processes. On the part of the Trial Board, however, it would be forced to render diametrically opposite judgements on the same count in a case under the existing law on the one hand and in a case under the new law on the other hand and it is quite doubtful that such a dogmatic attitude will be acceptable to the Court.

The new Draft Guideline of Enforcement states that the invention of a chemical analogy process is devoid of inventive step, thus reversing the past Patent Office practice by 180 degrees, but what is meant thereby seems to be that although the invention of a chemical analogy process has inventive step under the existing law, it will have no inventive step under the new law. Is such a straightforward doctrine acceptable to the general public? Moreover, the proposition is not pursuasive indeed, inasmuch as the sole reason cited is the introduction of a product patent system.

It is suspected that this policy of the Patent Office is derived from the way of thinking that, if patentability is afforded to chemical products, it will no longer be necessary to sustain the patentability of the invention of a chemical analogy process which has only be recognized, as a remedy, for filling up the loophole in the law enacted in the days when such patentability was denied. And

it is apparently to rationalize this way of thinking that they have contrived the argument that the invention of a chemical analogy process is devoid of inventive step. However, there ought not be allowed such a walkout of practice in disregard of the express provisions of law. Since the patent claiming a chemical substance per se does not necessarily coincide, in the scope of right, with the patent claiming a process for producing the same chemical substance, it ought to be that, when he has obtained a new chemical substance, the applicant has a multi-pronged option to seek a patent for the chemical substance per se, a patent covering a chemical analogy process, a patent for each of them separately or a patent for both of them in the manner of a so-called consolidated application. It is difficult to imagine a case in which any inconvenience would be caused by allowing such an option. In the practice relating to chemical analogy processes, a comparatively broad scope of product compounds has so far been recognized, and it would be difficult to restrict the scope at a stroke for the reason that products per se have been made patentable. On the other hand, to claim a chemical product per se, the product must be identified as a prerequisite and, accordingly, rigorous working example requirements will be imposed, with the probable result that the range of compounds which could be covered by a given single patent would have to be limited. It follows, then, that some people argue that it would in some instances be more advantageous to seek a patent for

a chemical analogy process. However, since it is not that Article 29 of the Patent Law has been amended and because the inventive step of a chemical analogy process has heretofore been evaluated according to the inventive step criteria for product compounds, there is no justification for the thinking that the examination criteria as to novelty, inventive step and utility for the two categories of claims should be thought of as independent and different criteria. Thus, it is our opinion that patent rights should be granted for the same scope of compounds on both types of claims.

Should a difficulty be encountered because of affording patentability to a chemical analogy process as they have done to this day, it would be such that in relation to the patent claiming a product with substantially the same contents as such, if the same person has filed an application on one of them at a stage where his other application still remains to be publicly not disclosed, he will be entitled to patents for both and, in substance, he might enjoy some extension to the duration of right.

Since they differ in category, the two inventions ought to be judged to be patentably distinct inventions (This is apparent even from the fact that, process patents have been allowed under the Law denying patentability to chemical products), but the above difficulty would be obviated if a practice be established such that there may be cases in which such two inventions will be regarded as substantially the same invention.

In the foregoing, the validity ~~of~~ of invalididy of denying patentability to inventions of chemical analogy processes has been reviewed from various points of view.

It is considered to be theoretically reasonable to say that it is incorrect to deny such patentability and no particularly serious trouble will be encountered in practice. Therefore, it is our position that inventions of chemical analogy processes should be dealt with just as they have been. In any event, it is very dangerous to establish any Enforcement Guideline that, in effect, would rule out inventions of chemical analogy processes as lacking in inventive step notwithstanding the fact that no definition of a chemical analogy process has been established as yet.

Even in the case of the invention of a chemical analogy process, it seems to be a reasonable procedure, so far as law enforcement is concerned, that the patentability of such an invention should be evaluated, as the invention of a process for each application taking starting materials, processes and products into synthetic consideration.

Incidentally, Japan Patent Association has voiced similar way of thinking and submitted to the Patent Office a representation which says, in effect, that the paragraph denying inventive step to inventions of chemical analogy processes should be dropped from the Draft Enforcement Guideline.

III. Arbitration for the establishment of a non-exclusive License

Under the Patent Law of Japan, non-exclusive Licenses may be granted when:

(1) The patented invention has not been worked (Article 83);

(2) It is necessary for working one's own invention (Article 92); and

(3) The working of the patented invention is particularly needed for public interest (Article 93).

As regards the particulars of these cases, there is nothing to add to what was reported by Committee No.2 of the Japanese Group at the PIPA San Francisco Congress of 1973. Furthermore, in this Congress, a report on this question has already been separately made from this Committee together with a discussion on the so-called cross-licensing provision newly added to article 92 by the recent amendment of the Law.

Now, in the following part of this report, emphasis will be placed on the "Draft Guideline for the Enforcement of the Arbitration System" which is regarded as 'rule-of-thumb' criteria for the future enforcement of this arbitration system for the establishment of non-exclusive licences and the debates made in the National Diet in connection with this system.

Thus, these points will be reviewed and reported in connection with the introduction of a product patent system into the Patent Law.

According to the answer of Director-General of the Patent Office in the Diet, the number of demands for arbitration since 1960, the year in which the existing law took effect, and the outcomes of such demands are as set forth below in the table.

Applicable provision of law	Total No. of demands	Demands withdrawn	No. of reconciliations	Demands dismissed	Arbitration
Article 83	9	7	1	1	0
Article 92	3	2	1	0	0
Article 93	0	0	0	0	0

It will be apparent from the above table that only a limited number of demands have been filed for arbitration and that there has been no case whatever which has ended with an award to the demandant.

However, as the recent amendment of the Patent Law has made patentable chemical products, etc. which are closely related with our daily life, it is expected that the number of arbitration demands will increase in the future. The above-mentioned 'Draft Guideline for the Enforcement ~~Procedure for~~ of the Arbitration System' has been proposed for the purpose of processing these arbitration demands, the number of which is thus expected to increase, properly to assist in a smooth execution of the arbitration system and, consequently, checking the harms which are suspected to arise on adoption of a product patent system. This draft was presented as a reference material in the recommendation which the Industrial Property ~~ies~~ Council, an advisory organ

under Minister of International Trade and Industry, had submitted in connection with the recent revision of law, and it is expected that the arbitration system will be administered essentially on the basis of this Draft. Incidentally, only fundamentals are shown in the Draft and, as to particulars, the Invention Working Committee of the Council will decide on them. Then, the final text will be released to the public.

The non-exclusive license under Article 83 is granted only when the patented invention has not been appropriately worked in the territories of Japan for not less than three (3) consecutive years. Moreover, such a non-exclusive license is not granted when there is a legitimate reason for such appropriate non-working (Paragraph 2, Article 85). Therefore, it is presumed that a non-exclusive license is granted when the patent owner is not interested in the working of the patented invention. Therefore, if a non-exclusive license be allowed, the patent owner will not suffer any serious disadvantage. We have to admit, in case where the patent right should be of such a nature as defending the patentee's product of another invention against the appearance of a possible competitive product, granting of such a non-exclusive license could be an indirect disadvantage of the patent owner. This will be of a matter of inevitable, when considering that the grant of a patent right anticipates its actual working. In this connection, it may be pointed out that, in Japan, the act of importing a product is regarded

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also a mode of working under Article 2, Item 3 of the Patent Law and that, therefore, assuming that 100 percent of a certain product is imported from abroad, the act will be regarded as appropriate working insofar as Japan's domestic demand for the product is being met at appropriate prices.

Now, the non-exclusive license under Article 92 will be discussed below.

By the recent amendment of law, a new provision relating to the so-called cross-licensing was added to Article 92 but since a more detailed treatment of this matter is reported independently, no explanation will be given here on the subject of cross-licensing.

What seems somewhat strange to us, however, is that not much argument was expended in the course of deliberation at the National Diet on this new provision on cross-licensing. The argument was exclusively limited to that on the terms during which is demandee is permitted to file a counter-statement and a counter demand for arbitration. Prior to the amendment of law, the Industrial Property Council had recommended to incorporate in Article 92 of the Law a provision reading "A senior patentee may, when a demand for arbitration is lodged against him from a junior patentee, condition his grant of a license under his patent upon obtaining a grant of the junior patent". The law after actual revision seems to be a step backward from the above recommendation. However, no debate was made in the Diet. As will also be mentioned hereinafter, Article

93 was a subject matter of much debate in the Diet but, from our standpoint, Article 92 is the very thing on which most of our anxiety rests.

By the way of illustration, assuming that, after the person called A used the process P to produce a product S and obtained a patent right to the product S, a process patent was granted to the person called B on another process P' for the production of said product S, the person B will request A to grant a license if he wishes to work the process P' and, should A decline the request, B will probably demand the arbitration under Article 92.

In connection with this arbitration, the above-mentioned Draft ~~Procedure~~ Guideline for the Enforcement of the Arbitration System lists, as the conditions under which a non-exclusive license is granted, the following two cases:

(a) The invention of the junior application is useful for a purpose quite distinct from that of the invention of the senior application;

(b) The invention of the junior application has an obvious technical progress over the invention of the senior application.

The Draft ~~Procedure~~ Guideline further states that when:---

(c) As to the right of a meritorious patented invention, a person who has accomplished an improvement invention of minor order demands the arbitration, or

(d) By the establishment of a non-exclusive license the demandee's business is made difficult to continue or otherwise seriously and adversely affected,

the demandee's interest will be unduly impaired, and that these instances correspond to the cases in which the non-exclusive license under Article 92 will not be granted.

Referring to the above conditions, it is difficult to draw a line of demarkation or make objectively clear-cut judgements, as to both the qualification for admitting a demand for arbitration (d) and the condition (c) for denying the demand. This is why we have some apprehension about Article 92.

If these criteria be made less stringent for junior patentee B, the interest of substance patentee A would be impaired to frustrate the intent of the legislature in the recent amendment of law which introduced product patents. It is, therefore, hoped that the practice of arbitration under Article 92 will be enforced with care and prudence. It is also hoped that arbitrations will be made not by judging the cases from static points of view such as on the similarity or dissimilarity of objects and the relative superiority or inferiority of inventions but after evaluating each case from down-to-earth and dynamic points of view, taking into consideration the question of whether the working of the junior invention will be beneficial not only to the junior patentee but also to the society at large.

In the following, the non-exclusive license under Article 93 will be explained. Notwithstanding the fact that this provision was left intact in the recent amendment of law, it had been a subject of

much debate in the Diet, being deliberated in connection with the question of adopting a product patent system. This provision attracted so much attention because:-

Since the Japanese are not so familiar with the practice of product patents and, moreover, all of the chemical substance and others which were to be made patentable are closely related to the daily life of the nation, they had some fear about the possible influence of the exercise of such patent rights on public interest.

It was because of this fear that thus far the chemical substance and others had been made unpatentable and assuming that an undesirable result is occasioned by the exercise of a chemical product or other patent right after the new law will have become effective, there is no provision of law but Article 93 that could be invoked to provide relief to the general public or the business firm.

And the most earnestly discussed was the interpretation of the language 'where -- particularly necessary for public interest', the condition for conferring a non-exclusive license under Article 93.

In the above-mentioned Draft ~~Enforcement~~ Guideline, two exemplary cases have been contemplated as contributory to the interpretation of the provision and it appears that, in the Diet session, questions were focused on the possibility of running this system positively only based on these two cases. The Government's answer to this question was essentially as follows. Today, when social systems have

become highly complicated and sophisticated, judgements of values are so fluid and fluctuating that it is impossible at the moment to cover all the cases, nor is it appropriate to do so. This is an entirely new field which even the government has had no access and there is no precedent at all, but all told it is the desire of the government to run the system with an interpretation similar to that of public interest under Article 29 of the Constitution.

In any event, it is anticipated that this provision will be actually invoked and applied only very rarely, when one recalls the fact that the recent amendment of law was passed on the assumption that today when a variety of products intended for the same or similar uses are produced and sold, granting patents on chemical substances and others would not have any serious effects upon national life.

As to this provision, just as with the above-mentioned Article 92, it is highly desired that the law will be enforced with care so that the original aspiration of adopting the chemical product patent practice will not be jeopardized. Rather, we hope that no situation will develop in which this provision of law will have to be actually invoked, that is to say this provision will remain to be no more than a safeguard.

Incidentally, in voting for the Bill of Law for Partial Amendment of the Patent and Other Laws, the Commerce and Industry Committees of the Upper and Lower Houses added their ancillary resolution.

For reference, an excerpt from each of these ancillary resolutions which pertains to the arbitration for the establishment of a non-exclusive license will be given hereunder.

The Upper House:

> To ensure a smooth operation of the arbitration practice, (the government) shall clarify the interpretation of 'public interest' under Article 93 of the Patent Law, prepare an enforcement guideline and, in arbitrating a case, set store by the opinion of Industrial Property Council.

The Lower House:

> (The Government) shall promptly study specific procedures and take necessary procedures so that, under product patent practice, there will arise no such deleterious effects as the expansion of market control through the utilization of patent rights, and the impairment of the interests of the nation and of the medium and small businesses due to technical monopolies.
>
> Particularly, an arbitration for the establishment of a non-exclusive license shall by all means be allowed or dismissed within six months of the date of demand.

Conclusion

In the above report, a few problems incidental to the exclusion of chemical substances, etc. from

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the list of unpatentables by the recent amendment of the Japanese Patent Law have been discussed. It is January 1, 1976 that the new law will actually take effect. Prosecution of applications under the new law will be started further one or two years ahead and it will be much later when disputes will arise as to rights and tried in the Patent Office trial procedure or in the courts. The practice will be established and the enforcement standard be set only at such a time and when the outcomes of such developments will finally be available. However, it is pleasing to note that sufficient discussions have so far taken place and are taking place and views actively presented by various groups. We hope that this report will be counted as one of them.

REFERENCE MATERIAL

° Article 69 of the Patent Law

3. The effect of a patent right concerning an invention of a medicine (a thing to be used for diagnosis, medical treatment, surgical treatment or the prevention of diseases of human beings; hereinafter the same in this paragraph) to be manufactured by mixing not less than two kinds of medicines or an invention of a method for producing a medicine through mixing not less than two kinds of medicines shall not extend to an act of filling a physician's or dentist's prescription or to a medicine made by filling a physician's or a dentist's prescription.

° Article 83 of the Patent Law

1. When the working of a patented invention has not been appropriately carried out in the State of Japan continuously for not less than three years, a person who desires to work such patented invention may demand of the patentee or the exclusive licensee a consultation as to the granting of a non-exclusive license. Provided, however, that this shall not apply when four years have not elapsed from the day on which the patent application relating to such patented invention was filed.
2. When the consultation mentioned in the preceding paragraph has not successfully been concluded or it is impossible to hold such consultation, the person who desires to work the patented invention concerned may demand the arbitration of the Director-General of the Patent Office.

° Article 92 of the Patent Law

1. A patentee or an exclusive licensee, when the patented invention concerned falls under the case mentioned in Article 72, may demand of the other person mentioned in the same Article a consultation as to the granting of non-exclusive license for the working of such patented invention or a non-exclusive license with respect to the utility model right or the design right.

2. When the consultation mentioned in the preceding paragraph has not successfully been concluded or it is impossible to hold such consultation, the patentee or the exclusive licensee may demand the arbitration of the Director-General of the Patent Office.
3. The Director-General of the Patent Office shall not, in the case mentioned in the preceding paragraph, when the creating of the non-exclusive license concerned amounts to unreasonably injuring the interests of the other person mentioned in Article 72, make an arbitral decision to the effect that the non-exclusive license concerned is to be established.
4. The provisions of Article 84, Article 85 para. 1 and Article 86 to the preceding Article inclusive shall apply with the necessary modifications to the arbitration mentioned in paragraph 2.
5. - 7. (Omitted)

° Article 93 of the Patent Law
1. When the working of a patented invention is specially necessary for public interest, a person who desires to work such patented invention may demand of the patentee or the exclusive licensee a consultation as to the granting of a non-exclusive license.
2. When the consultation mentioned in the preceding paragraph has not successfully been concluded or it is impossible to hold such consultation, the person who desires to work the patented invention concerned may demand the arbitration of Minister of International Trade and Industry.
3. (Omitted)

° Excerpts from the Japan Patent Association's "Requests relating to the Draft Enforcement Guidline concerning Product Patents" (August 15, 1975)

While the invention of a chemical analogy process is dealt with as being devoid of inventive step, it is hoped that this paragraph will be deleted in its entirety.

Since product patents have now been made allowable, the concept of 'chemical analogy process' which was no more than a concept advanced by a limited school of thought is no longer required and it seems sufficient to make an objective and overall judgement as to the inventive step of each case as a process invention. Moreover, even in the Examination Guideline, the language of chemical analogy process is not employed and it is a dubious course of action to list in the enforcement guideline the things which, it seems generally difficult to judge if they correspond to such process and force such judgement. Therefore, we find no need of such a treatment.

- "Draft Guideline for the Enforcement of the Arbitration (System)" (the reference material attached to the Recommendation submitted by the Industrial Property Council)

1. Procedures
(1) When a written demand for arbitration has been submitted, a ruling shall be entered on the success or failure of the consultation according to "the history of consultation" as stated in the demand for arbitration.
(2) After submission of the demand for arbitration, the demandee shall promptly be served with a duplicate copy of the arbitration demand with the period indicated during which an answer should be filed (40 days for Japanese demandees; 3 months for foreigners).
(3) If necessary, a personal appearance shall be requested of the demandant for arbitration and the demandee to hear the facts in the arbitration procedure and the submission of necessary documents be requested of them to expedite the arbitration procedure.
(4) As a rule within a period of one month following submission of the written answer, a draft of arbitral decision shall be prepared and presented to the demandant and demandee.
(The draft arbitral decision shall show whether a non-exclusive license should be established or not and if it should be established, the

range of the license right; and as to the value to be paid and the method and time of such payment, consultation between the parties may be requested)

(5) The opinions of the demandant and demandee shall be attached to the draft arbitral decision and the opinion of Industrial Property Council shall be solicited.

(6) The arbitral decision shall be entered in writing and transmitted to the demandant and demandee together with the reason for decision.

2. Requirements

(1) Referring to Paragraph 1 of Article 83, as a principal example of "not being worked appropriately", there may be contemplated a case such that the working is no more than working on a small scale and of nominal nature in comparison with the size of demand.

(2) Referring to Paragraph 1 of Article 92, the term 'falls under the case mentioned in Article 72' is construed as meaning the case in which one cannot work his own patented invention unless he works someone else's patented invention, and the relation between a senior product patent and a junior process patent, use patent or selection invention patent is construed as satisfying this requirement.

(3) In rendering an arbitral decision under Article 92, an award should be given the demandant for the establishment of a non-exclusive license in the cases mentioned below in the absence of any other special circumstances.

1. When a junior invention serves a purpose quite distinct from the purpose of a senior invention.
2. When a junior invention has a pronounced technical inventive step over a senior invention.

(4) As principal cases of "when someone else's interest is unduly impaired" as provided in Paragraph 5 of Article 92, the following cases may be contemplated.

1. When a demand for arbitration is filed, as to the right of a superior patented invention, by one who has made an improvement

invention of minor order.

2. When the establishment of a non-exclusive license will seriously injure the demandee's business to such a extent as his business can hardly be continued.

(5) Referring to Paragraph 1 of Article 93 of the law, as salients examples of " when ----- is specially necessary for public interest", there may be contemplated the following cases.

1. When it is particularly necessary in fields directly related with national life, security of goods and estates, construction of public facilities, etc.

2. When monopoly of the patent or patents tends to impair a wholesome development of the relevant industry as a whole and, as a result, inflict a substantial damage on national life.

Adoption of Multiple Claim System in Japan and Point of Issue

JAPANESE GROUP
COMMITTEE NO.1

- - - - - - -

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Adoption of Multiple Claim System in Japan and Point of Issue

(Index)

Adoption of Multiple Claim System in Japan and Points of Issue

3 The rules of practice for 1921 Patent Law concerning the description of the claim stipulated that "only the features indispensable to the constitution of 5 an invention should be described in one paragraph", and 7 this has since then lead to give the claims in Japanese 8 patent applications the natural role of defining the 9 invention in addition to protecting the object of the 14 application. Thus, the one-claim-for-one-application system has been in practice. The revision to the 18 Patent Law made in 1959, however, rendered an exception to this one-claim-for-one-application rule by estab- 25 lishing the Consolidated Application System under which 25 "more than two inventions mutually related to each 26 other may be filed in one application", and opened an 27 opportunity to multiple-claims-for-multiple-inventions 27 system on the premise of one claim for one invention 28 principle.

30 In view of the PCT Rule which defines multiple claims for one invention, Japanese Patent Office concluded that amendment of the Law to avert conflict with the said rule was unavoidable, and requested the

Council for Revision of the Industrial Property Rights to deliberate the proposed amendment. PIPA members in their capacity as the members of Japan Patent Association also sat on the Council and took part in the two year deliberation of the subject and in preparing the recommendation which was submitted in September, 1974. Based on the recommendation, the Patent Office immediately started the legislation and in February, 1975 submitted the draft for the Amended Law to the ordinary session of the Diet then in session. The Amendment was approved by the Diet on May 29th and promulgated on June 25th. Thus, the system of multiple claims for one invention which had been pending for so many years is finally going to come into existence in Japan as of January 1, 1976. It is pointed out, however, that this new system was adopted on the premises that the Law would be amended only to the extent that the conflict with PCT provisions might be averted. Thus, the system may conform to the PCT Rule in form but is considerably different in substance from the systems prevailing in the United States and other countries. The details and the points of issue are now discussed for the benefit of the members of this Association.

2: Unique Features of Multiple Claim System in Japan and Points of Issue

The provisions directly relevant to the multiple claim system in the Amended Law promulgated are those of Articles 36 and 38. (Parts amended are underlined).

Article 36: (Application for Patent)

Paragraphs 1 to 4 remain unchanged.

Paragraph 5: The claim under Paragraph 2, Item 4 shall state only the features indispensable to the constitution of the invention described in the Detailed Description of Invention. However, the concomitant description of the embodiments of the said invention is not barred.

Paragraph 6: The description in the claims in accordance with the provision of the preceding paragraph should be made in accordance with the Ordinance of the Ministry of International Trade and Industry.

Article 38: (One Application for One Invention).

An application for patent shall be made for

each invention. However, the invention having the following relation to the invention described in the claim (hereinafter referred to as "the specified invention") may be applied for patent in the same application as the specific invention.

1: Invention of which substantial part of the features indispensable to its constitution is the whole or the substantial part of the features indispensable to the constitution of the specified invention, and which achieves the identical purpose as the specified invention.

2: In the case when the specified invention is the invention of a thing, the invention of a method of producing the said thing, the invention of a method of using the said thing, the invention of machines, tools, devices, and others for producing the said thing, or the invention of a thing which exclusively utilizes the specific characteristics of the said thing.

3: When the specified invention is the invention of a method, the invention of machines, tools, devices and others directly used in the practice of the said invention of the method.

The Amendment thus removed the limitation of "one claim for one invention" and now approves to claim various embodiments of one invention in the application. At the same time, the amendment further enables filing of a use claim which was not approved to consolidate with a thing or method invention previously, but only when it is filed with the application for the invention of a thing.

The multiple claim system in Japan is further explained in view of its substantial differences from that of the United States.

2-1) Concept of one invention and multiple claim system

One encounters extreme difficulties in choosing the standard for defining the unit for one invention. In the United States and European countries, the definition seems to be made comparatively freely and extensively without giving too much thoughts to the category under which a claim may fall. However, Article 2 of the Patent Law defines inventions classified into those of the thing, of the method and of the method of manufacture of the thing, and it generally practices classifying the invention according to its category and of regarding the plural claims in one category as separate inventions if there was recognized

the inventive step among the claims.

We advised that such a practice should be abolished and the concept of one invention should be extended to the level of the United States and European countries in the revision of the Law, whereas the Japanese Patent Office took the position that such a revision would require a radical change in the judicial administration and practice and cause confusions, and further that the present Japanese Law which adopts the consolidated application system would not conflict with PCT Rules, since PCT Rules define only the scope of one application and leaves the decision of treating the same as one invention or multiple inventions to the discretion of the respective government. Thus, it was concluded that the concept of one invention would not be changed.

The report on this subject at last Kyoto Congress mentioned that the Japanese Patent Office would not change the concept of one invention, but would treat the plural claims in the same category which would fall under the Proviso to Article 38 of the present Law as one invention. The amended Law left the said Proviso, Section 1 of Article 38 intact, and thus cancelled such a treatment, leaving the

concept of one invention wholly unchanged.

2-2) Unity of Invention and Consolidated Application

The Patent Office left the system of consolidated application unamended, but amended Article 38 partially in order to recognize the consolidated application for use inventions provided that they may be consolidated only with the invention of the thing, thus averting the conflict with PCT Rule 13 on the unity of invention.

As discussed in the preceding section, the concept of one invention remained unchanged and thus there is a demand for novelty and inventive step among plural inventions filed in a consolidated application (those inventions being of the same category or of the different categories) so that they may constitute separate inventions.

The Patent Office maintains that the examining manual would be applied in examining the identity of invention as concerns the differences among plural inventions filed in one application. This will not alter the situation that plural inventions which may be allowed to exist in one application in other countries are subject to a limited scope of allowance in Japan.

Although our Association urged the Patent Office to reconsider their handling of pluran inventions in one application so as to eliminate such imbalances, we are rather pessimistic about the possible remedy to this point, particularly in view of the above mentioned scope of the amendment. We might add that the system of patent of addition which has a similar effect to that of Terminal Disclaimer of the United States would not be useful as a remedy to the above situation since the same types of the examining manual will be applied on the examination of differences between the invention of the original application and that of the additional application.

3: Operational Standard Concerning Multiple Claims

The Ordinance of MITI (Enforcement regulations) will stipulate the method of describing claims after the multiple claim system comes into effect as provided by the Patent Law, as amended, Article 36, Section 6. In July, Japanese Patent Office published "Draft Operational Standard on Multiple Claim System" describing the manner of formulating claims and filing the consolidated applications. This cancels our report on "Draft Operational Standard on the Multiple system"

made at the last Kyoto Congress.

We shall briefly introduce the Standard (draft) published recently and hope that this will prove of some assistance to the members of PIPA.

3-1: Operation of Multiple Claim System

(1) Description in the Claim

The afore-mentioned revision of Article 36 of the Patent Law prescribes that the Claim may disclose "embodiments of the invention" in addition to "the features indispensable to the constitution of the invention".

The operational standards explains on the disclosure of the Claim as follows.

"The part of the claims which describes the features indispensable to the constitution of the invention" will be defined as "indispensable components claim" (hereinafter referred to as "Main Claim") and "the part describing the embodiments of the invention" will be defined as "embodiment claim" (hereinafter referred to as "Sub Claim"), the Main Claim being described in an independent form and Sub Claims in a dependant form.

In the Claim, the Main Claim will be described

separately from Sub Claims, each of the claims being separately paragraphed and numbered serially.

a: Description in the Main Claim

It is defined that all the indispensable features of the invention described in "the Detailed Description of Invention" should be disclosed clearly and briefly. When the features indispensable to the constitution of the invention are equivalent to each other and cannot be expressed integrally, such an alternative expression as "or" may be used. Markush claims may also be relied.

b: Description in the Sub Claims

(1) Sub Claims should describe the features themselves indispensable to the constitution of the invention with the technical limitations imposed on them and embodied concretely.

(2) A Sub Claim should describe one embodiment of the invention.

(3) A Sub Claim should be in a form dependant on the Main Claim or in any one of the preceeding Sub Claims, and should be described clearly and briefly.

The concept of Sub Claims constitute of the major points of amendment, and is defined as describing

the features themselves indispensable to the constitution of the invention with the technical limitations imposed on them and embodied concretely in the item (1) above. Thus, they are liable to be subject to the minor concept of the matters described in the Main Claim. We plan to ask the Patent Office for their flexible operation of this subject so as to suit the scope of the provision of the Sub Claims as mentioned in PCT Rule 13.4.

(2) Detailed Description of Invention

The operational standards (draft) states the following in respect of this subject;

(1) The purpose, constitution and effect of the claimed invention should be described in details sufficient enough to those skilled in the art to practice the art easily.

(2) The features described in Sub Claims should be clearly stated also in "Detailed Description of Invention". The significance of limitations in the Sub Claims is not specifically required to be explained in the "Detailed Description of Invention".

Although the significance of limitations is not specifically required to be explained in "Detailed

Description", it may be desirable for the applicant to describe the purpose, constitution and effects of these matters in the specification so as to sufficiently defend the attack on the lack of inventive step, etc.

(3) Official Rejections on the Ground of Violation of Multiple Claim System

The amended Law provides an addition under Article 36, Paragraph 6 to the reasons of rejection under Article 49 of the Patent Law, and also under Proviso to Paragraph 5 of Article 36. Thus, the practice concerning rejections in examination is now changed to the following. However, Paragraph 6 which provides the violation of formal requirements in the claims and Article 38 are both operated only as the grounds for the official rejection and not for the oppositions or the invalidation trials.

(1) Not meeting the requirements of Paragraph 5, Article 36.

(i) When the disclosures in the Main Claim and Sub Claims are beyond technical comprehension, and

(ii) when the disclosures in the Main Claim is not limited to the features indispensable to the

to constitution of the invention disclosed in the Detailed Description of Invention.

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(2) Not meeting the requirements of Paragraph 6, Article 36.

(i) When it is recognized that the Main Claim and

f Sub Claims are described not separately,

(ii) when it is recognized that plural embodiments are described in a Sub Claim,

(iii) when claims are not numbered serially,

(iv) when the Main Claim discloses the features related to more than two inventions,

(v) when the Sub Claim described in a dependant

ch form describes the features indispensable to the constitution of the invention other than that which is described in the Main Claim on which the Sub Claim is made dependant,

(vi) when the Sub Claim mentions the Main Claim other than which it is dependant,

(vii) when the Sub Claim dependant on the Main Claim

ab describes the features corresponding to a pararell concept to the features defined in the said Main

ot Claim with only a part being replaced and

(viii) when the description of claims falls under

any one of the following, ① - ④ , and is recognized as not being clear or brief;

① when there are more than two claims expressed indentically;

② when there are more claims than justifiably so to one invention because of the claims which are only slightly different from each other or substantially the same;

③ when a Sub Claim dependant on more than one other Main Claims (multiple dependent claim) does not refers to such claims in the alternative only.

④ When multiple dependent claims serve as a basis for any other multiple dependent claim.

3-2: On the Operation of Consolidated Application system

As has been explained in the above, the consolidated application under the Proviso, Article 38 of the Patent Law continues to exist, and the Proviso being extended and applied in respect of use inventions. And the Sub Claims under the newly adopted Multiple Claim System are now allowed in respect of each Main Claim consolidated in one application, and each Main Claim may have one or more than two Sub

Claims being depended on.

(1) Two or more than two inventions which may be consolidated in one application.

The inventions mentioned under (a) to (d) may be filed in one consolidated application under the present Patent Law, and those mentioned under (e) to (f) may be filed in the similar application under the Law amended.

a: An invention and other invention(s) which has, as its substantial part the features indispensable to the constitution of the invention, the whole or the substantial part of what are indispensable to the constitution of the first invention, and which achieves the identical purposes.

[Note]: this falls under PCT Rule 13.3, Claims of one and the same category. This also includes the case where a species invention belonging to the genus invention belong to a selective invention.

b: The invention of a thing and the invention of a method of manufacturing the thing.

[Note]: this falls under PCT Rule, 13.2 (i). In addition to machineries, tools, apparatus,

parts, chemical compositions, circuits, the revised Law cites chemical substance, medicines, foods and bevarages as examples of the thing. The examples of the consolidated applications as discussed in this section are illustrated in the appendix, Claims 1 to 3 and 4 and 5 of Example 2 and claims 1 to 3 and 4 to 6 of Example 3.

c: The invention of a thing and the invention of machines, tools, apparatus, etc. for manufacturing the thing.

[Note]: this combination is the same as that of PCT Rule 13.3.

d: The invention of a method and the invention of machineries, tools, apparatus, and other-things directly used in practicing the method.

e: The invention of a thing and the invention for use of the thing.

[Note]: this provision was introduced as a result of the revision to avoid the conflict with PCT Rule 13.2, (i). This is exemplified by the invention of chemical substance A and the invention of insecticidal method using the chemical substance A, or the invention of a

prime motor and the method of controlling the said motor.

f: The invention of a thing and the invention of a thing which exclusively utilizes the specific characteristics of the thing.

[Note]: this also corresponds to PCT Rule, 13-2-(i)., and is exemplified by the appendix, claims 1 to 3 and 8 to 12 of Example 3. The Patent Office originally maintained that this provision would be applied only to the use invention of a novel chemical substance. We have proposed that this may also be applied to "a transistor and an electronic circuit incorporating the same" etc.

The issue of consolidating the claims defining "combination" and the claim defining "sub combination" had been contemplated, but was excluded from the consolidated applications. Therefore, it is impossible to file an application for "a rader system, a rader transmitter and a rader receiver" as in the case of US Patent No. 3154782, nor is it possible to offer a complete relief even if they were filed in separate applications.

(2) Describing Sub Claims in a Consolidated Application

a: Inventions being filed in a consolidated application should identify their respective indispensable features in independent claims.

[Note]: refer to the appendix, Claim 1 of Example 1; Claims 1 and 4 of Example 2, and claims 1, 4 and 7 of Example 3. On description of the claims of the inventions defined by the Proviso to Article 38 of the present Law, citation of the first claim in the second and subsequent claims are allowed, but this will not be allowed in the revised Law.

b: The embodiments of the respective inventions should be described in the Sub Claims dependant on the Main Claims which describe respective inventions.

[Note]: refer to the dependant claims of the examples in the appendix.

c: All the claims should be numbered serial numbers using Arabic figures.

[Note]: this is entirely identical to PCT Rule 6.1(b).

3-3: Multiple Claim System Applied to Inventions of

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Chemical Substances, Medicines, Foods and Bevarages

The amendment to the Law provides patenting of the inventions of the chemical substances, medicines, foods and bevarages. Following comments are made on the description of these inventions in the Main Claim and Sub Claims based on the standard (draft) published by the Patent Office.

(1) Consolidated applications for the invention of chemical substance and description in Sub Claims.

a: Description in Sub Claims

Concerning a Main Claim integrated in a form of a general formula (chemical structure formula) or the major concept, or a Main Claim having the identical chemical features and the similar properties, and expressed in an alternative form as in Markush claims, following is noted:

(i) individual chemical substances incorporated in the general formula or alternative expression, or

(ii) the chemical substance which is covered by the minor concept included in the said major concept may be described in the Sub Claims dependant on the said Main Claim.

b: Consolidated applications

The following inventions should be described in separate Main Claims and they may be filed in a consolidated application.

(i) invention of a chemical substance and an invention of one or more processes for manufacturing the said substance.

(ii) an invention of a chemical substance specified partially by the process for manufacturing the same (product by process claim) and an invention of the process.

(iii) an invention of a chemical substance and an invention of one or more things which exclusively utilizes the specific characteristics of the said chemical substance.

[Note] : the invention of the thing which exclusively utilizes the specific characteristics of a chemical substance is exemplified by the following;

(1) the invention of a composition comprising the said chemical substance and which clearly states the specific use achievable only by utilizing the specific characteristics of the said chemical substance.

(2)

(2) the invention of a composition containing the said chemical substance and which clearly states the specific use and the object of the said invention is achievable only by utilizing the specific characteristics of the said chemical substance.

(iv) the invention of a chemical substance and an invention of a method of utilizing the said chemical substance.

[Note] : the process for manufacturing other things (substances) using the said chemical substance can not be included in one application because of the lack of the unity of invention.

(iii) and (iv) may be filed combined in one application

(2) Invention of Medicine

a: Description in Sub-Claims

The following instances may be described in the Sub Claims dependant on a Main Claim which claims an invention of a medicine:

(i) Medicine of which effective component is same or

of the minor concept and its use as a medicine is same or of a minor concept.

[Example]

Claim 1: Anthelmintics composed of chemical substance A

Claim 2: Anthelmintics of claim 1 which is used for eliminating ascaris.

Calim 3: Anthelmintics of claim 1 which is used for eliminating hookworms.

(ii) Medicine which is a mixture of one effective component or a self-evident component for preparing the composition and having a medicinal use same or of a minor concept.

(iii) Medicine providing a conventional usage.

[Note] : this is exemplified by example 3, claims 7 to 8 vs. claims 9 and 11.

b: Consolidated application

The following instances may be consolidated in one application by describing them in another Main Claims:

(i) invention of a medicine and an invention of a an unobrious usage of said medicine.

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(ii) An invention of a medicine and an invention of a medicinal composition which is a mixture of the effective component of the said medicine and an unobrious component and having an identical medicinal use.

(iii) An invention of a medicine and an invention of a process for preparing the same.

[Note] : An invention of a medicine defined by a specific process for preparing the same and the process are deemed to be identical inventions. Therefore, only one Main Claim may be allowed in this case.

(iv) An invention of a medicine and an invention of an apparatus for the manufacture of the same.

(v) An invention of a method for preparing a medicine by mixing more than two medicines (invention of dispensing) and an invention of apparatus used for the said method.

(3) Invention of Foods and Bevarages

a: Description in Sub Claims

The following instances may be claimed in Sub Claims dependant on one Main Claim in the case of foods and bevarages.

(i) Specific forms of foods or bevarages.

(ii) Specific components of foods and bevarages.

(iii) Specific uses for foods and bevarages.

(iv) A composition concerning foods or bevarages comprising said compound and conventional deluents or vehicles.

b: Consolidated applications

The following instances may be claimed in separate Main Claims and filed in one consolidated application:

(i) An invention of foods or bevarages and an invention of another foods or bevarages utilizing them.

(ii) An invention of foods or bevarages and an invention of manufacturing method for them.

(iii) An invention of foods or bevarages and an invention of manufacturing apparatus for them.

(iv) An invention of preparations concerning foods or bevarages and an invention of the method of manufacture for them.

(v) An invention of preparations for foods or bevarages and invention of its method of use.

(vi) An invention of preparation concerning foods or bevarages comprising a single compound and an

invention of a composition comprising the said compound and non-axiomatic component with specified use.

[Note]: In our report delivered at Kyoto meeting, the case of Section (i) was discussed as being regarded as identical inventions. However, the amended Law consider them as separate inventions for which a consolidated application may be filed.

3-4: On Related Systems

a: Invalidation Trials

Discussions were made on the intermediate report of the Council at last Kyoto Congress. Basically this remains unchanged in the Operational Standard (draft) published recently.

An invalidation trial is to be prosecuted in respect of each invention. Those demanding the invalidation trials should describe the inventions for which the invalidation of a patent is requested in the column of "Summary of Demand". If the reasons for invalidation ceased because of the deletion made by the patentee in respect of a part of the claim by the amendment trial, the patent right would then continue in respect of the invention described in the remaining

claims.

b: Trial for Amendment

As reported by last Kyoto Congress, this also remains substantially unchanged. The following points are noted in the Operational Standard (draft) in respect of multiple claim system.

(1) Deletion of a claim is one form of restriction of the claim and does not constitute a substantial change of the scope of the invention.

(2) Increase in the number of claims by the addition of new claims is not allowed.

(3) When plural Sub Claims depending on one Main Claim are in a pararell relation, and when the Main Claim having the cause for invalidation is deleted in the amendment trial;

1) the technical idea contained in the remaining pararell Sub Claims may be paraphrased in a new claim by alternative phrases, provided that they constituted one invention at the time of filing, and the patent right is deemed to continue residing in that one invention.

2) The technical idea contained in the

remaining pararell Sub Claims may be paraphrased in plural independent Main Claims, provided that they constituted plural inventions at the time of filing, and the patent right is deemed to continue residing in those plural inventions.

In the above cases, the number of inventions would be considered to have increased by the number of increased independent Main Claims and the patent fees in respect of the increased inventions should be paid.

c: Patent of Addition

This system is to be left intact and the use invention is now allowed to be covered by the addition to a patent of a thing, now that Article 38 as amended includes the use invention as the consolidation with a thing.

d: Relation with Opposition and Invalidation Trial

Under the present Patent Law, violation of Article 31 which defines the requirements for the patent of addition and Article 38 which defines the unity of invention may constitute not only the reasons for rejection but also those for the opposition. The former constitutes the reason for invalidation.

The amended Law provides violation of these provisions to be the causes only for rejection and not for the opposition or invalidation (Articles 55 and 123).

On the other hand, violation of Article 36, Paragraph 5 is deemed to constitute the reasons for rejection, for opposition to patent, and of invalidation. Thus, if the Sub Claims carried something which was not an embodiment of the invention, and if they were eventually allowed in the prosecution, there would remain the ground for invalidation by the opposition or by the demand for invalidation. Accordingly, the applicant should take sufficient care in judging whether the disclosure in the Sub Claims constitute the embodiments or the disclosure in the Main Claim.

3-5: Utility Model and Multiple Claim System

As reported in our Kyoto meeting, a multiple claim system is now allowed also in respect of the Utility Model Law. The Law is similar to the Patent Law in its legal system. The amended parts (underlined in the following passage) read as follows.

Article 5:

(Paragraphs 1 to 3 remain unchanged).

4: In the Scope of Utility Model Registration

Claim as mentioned in Section 4 of Paragraph 2, only the features indispensable to the constitution of the invention described in the Detailed Description of the device should be described, however description of the embodiments of the device is not barred.

5: The description in the Scope of Utility Model Registration Claim in accordance with the provision of the preceding paragraph should be made in accordance with the Ordinance of the MITI.

Based on the above, the Operational Standard (draft) explains that the description of claims, etc. should be made similarly to the Patent System. However, under the Utility Model System which does not recognize the consolidation application for a plurality of related inventions, there arises the following problem in the amendment trials after registration. It is not possible to prosecute the amendment trial successfully so as to cause one application to contain several inventions. Therefore it is understood that the Main Claim may be deleted in the amendment trials only when the remaining claims can be incorporated in

one independent Main Claim expressed in the alternative expression using "or" or in the Markush claims.

3-6: APPENDIX

Example 1:

1: Title of Invention

Apparatus for preventing oscillation of centrifugal hydroextractor

2: Scope of Patent Claim

1: In the centrifugal hydroextractor in which a driving motor is attached to the box via springs and a hydroextractor basket is fixed to the rotating axis of the said driving motor, the apparatus to prevent oscillation of hydroextractor basket attached with a balance ring.

2: An apparatus for preventing oscillation of hydroextractor basket as claimed in Claim 1 in which the balance ring is attached to the upper end of the basket.

3: An apparatus for preventing oscillation of hydroextractor basket claimed in Claim 1 in which the balance ring is attached to the lower end of the basket.

4: An apparatus for preventing oscillation of

hydroextractor basket claimed in Claims 2 or 3 in which the balance ring attachment with a ⊐ shaped cross section on the basket and a sectioned balance ring on the periphery are attached to the basket.

5: An apparatus for preventing oscillation of hydroextractor basket claimed in Claim 2 in which the upper end of the basket is bent outwardly in a reversed U shape and the balance ring is inserted therein.

6: An apparatus for preventing oscillation of hydroextractor basket claimed in any one of the Claims 1 to 3 in which the basket has stepwise portions on which is attached a balance ring.

FIG. I

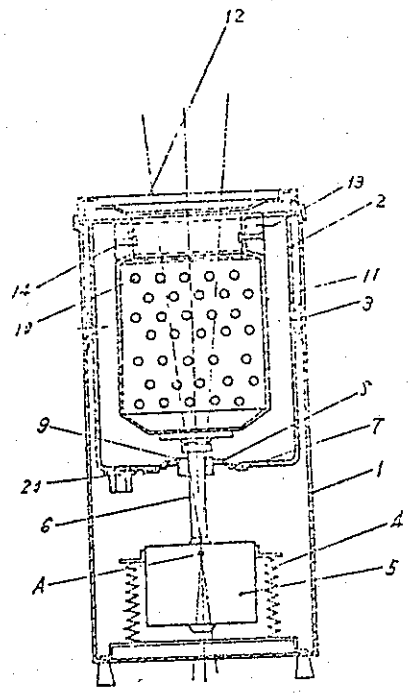


FIG.2

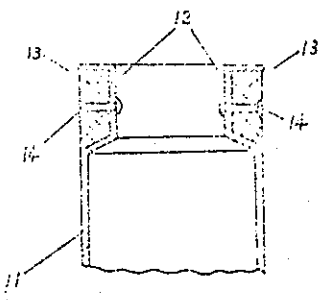


FIG.3

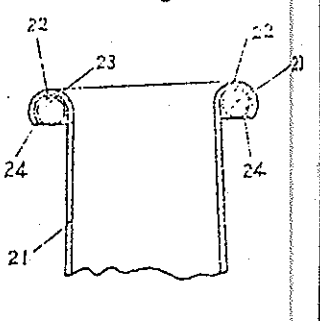
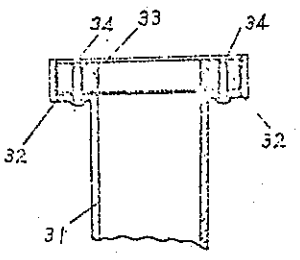


FIG.4



1: outer box

2: water receiving basket

3: screw

4: spring

5: driving motor

6: rotating axis

7: bottom of water receiving basket

8: bellows

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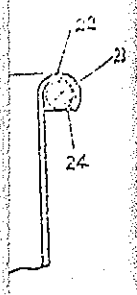


9: bearing

10: hydroextractor basket

11,21,31: hydroextractor basket

12: portion for attaching a balance ring

13,23,33: balance ring

14,34: rivet

22: top portion of reversed U shape

24: end of a balance ring

32: step portion for attaching a balance ring

A: oscilation center of a hydroxtractor basket

Example 2:

1: Title of Invention

Automobile handle and the method of manufacturing the same

2: Scope of Patent Claim

1: An automobile handle of which metal frame is covered with foamed plastics having poreless sheath.

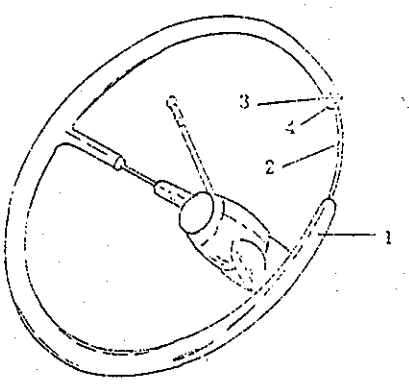
2: An automobile handle claimed in Claim 1 in which the foamed plastics is a foamed polyurethane.

3: An automobile handle claimed in Claim 1 or 2 wherein the poreless sheath is made of polyvinylchloride.

4: A method of manufacturing an automobile handle

in which the metal frame is placed in the mould, the sheath consisting of poreless plastic material is formed inside the mould away from the metal frame and the plastic is foamed between the metal frame and the sheath.

5: A method of manufacturing an automobile handle claimed in Claim 4 wherein the foam plastic material is foamed after centrifugally moulding the outer sheath so that the space between the metal frame and the outer sheath is completely filled.



1: rim

2: metalic frame

3: foamed plastics

4: poreless sheath

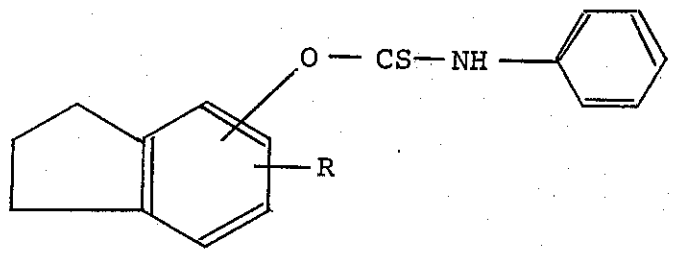
Example 3:

Title of Invention

Indane Derivative, Method of Manufacturing Indane Derivative and Surgical Disinfectant Containing Indane Derivative

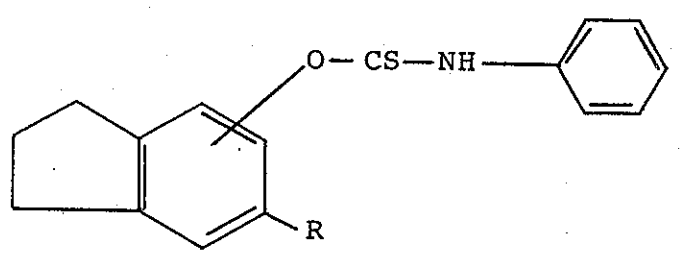
Scope of Patent Claim

1: An indane derivative represented by the general formula:



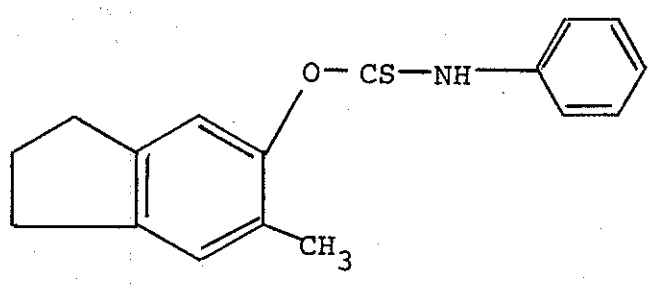
wherein R represents a hydrogen atom or a lower alkyl group.

2: An indane derivative claimed in Claim 1 by the general formula:

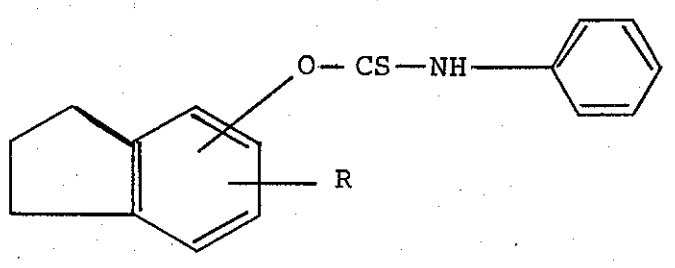


wherein R represents a hydrogen atom or a lower alkyl group.

3: An indane derivative claimed in Claim 1 or 2 which is the compound represented by the formula:

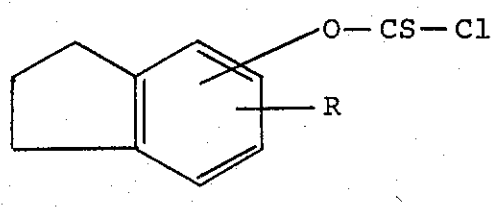


4: A method of manufacturing Indane derivative represented by the general formula:



wherein R represents a hydrogen atom or a lower alkyl group

which comprises reacting aniline and the compound represented by the general formula:



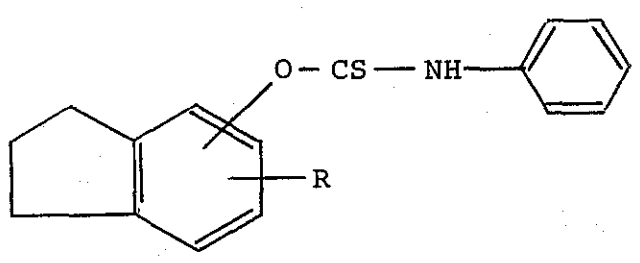
wherein R represents the same meaning as above in an alkaline medium.

5: A method of manufacture claimed in Claim 4 wherein the alkaline medium is an inactive solvent

and alkaline substance.

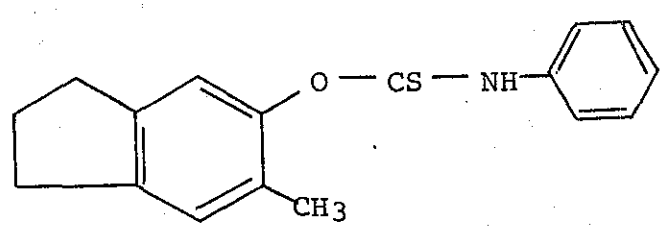
6: A method of manufacture as claimed in Claim 5 wherein the inactive solvent is acetone and the alkaline substance is sodium hydrogen carbonate.

7: A surgical disinfectant containing Indane derivative represented by the general formula:



wherein R represents a hydrogen atom or a lower alkyl group.

8: A surgical disinfectant claimed in Claim 7 wherein the Indane derivative is a compound represented by the formula:



9: A surgical disinfectant claimed in Claim 7 or 8 in the form of an ointment.

10: A surgical disinfectant claimed in Claim 7 or 8

of which base for ointment is polyethylene glycol.

11: A surgical disinfectant claimed in Claim 7 or 9 which is in a form of solution.

12: A surgical disinfectant claimed in Claim 11 containing propyrene glycol as solvent.

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Committee No.1
Japanese Group of PIPA

The modes of examination of trial practices in the Patent Office of Japan

1. General

As will be seen from Reference Material I, the invention described in an application filed with the Patent Office of Japan is examined by an Examiner and, if rejected by him, the applicant demands a trial in which the case is reviewed by Appeal Examiner. In this respect, the system is almost like that of the UnitedStates. However, there are some differences, such as the examination of the opposition filed during the publication period and the review in an invalidation trial instituted after registration of a patent, and so on. By the amendment of the Patent Law in 1970, the early laying-open and examination request practices were introduced, thus creating additional and substantial differences from the American practice. On the other hand, a practice resembling that of the United States has also been incorporated by the introduction of the so-called pre-examination system which is such that the application is turned back to the examination procedure if it is amended at the time of filing a demand for trial against the rejection ruling.

In any event, the patent system of Japan and the enforcement practice therefore may be said to have been oriented toward the establishment of a setup capable of dealing with the present deluge of applications with high efficiency.

In the following, the various modes of examination and trial practices will be briefly explained.

2. Various modes of examination and trial practices

2.1. Oral interviews

As set out in Reference Material I, the applicant is permitted to be interviewed by the Examiner or the Appeal Examiner(s) in the examination or trial procedure. As will be seen from Reference Material II, Examination Guide, an interview is had, as a rule, on request of the Examiner or of the applicant when or after the Examiner has started examining the application. As the procedure to be followed, the Examiner's request is transmitted to the applicant by means of Form-1, and when the applicant requests an interview, he must obtain an appointment. In either case, the contents of conversations on the interview are recorded on Form-2. However, in this interview, no amendment of the specification is allowed and, accordingly, if any amendment is necessary, a formal written amendment must be filed later.

According to a Patent Office survey, the applicants' requests for interviews outnumber Examiners' requests, and the number of requests by foreigners is particularly large probably because they tend to think of the interviews just as they view their domestic counterparts. It was also found that interviews did not necessarily lead to satisfactory results but rather confused the Examiners and prolonged the prosecutions.

2.2. Telephone interviews

Telephone interviews are as a rule invoked by the Examiner and utilized for the purpose of questioning the applicant when it is difficult to obtain an overall or partial view or understanding of the invention.

The Examiner would accept the applicant's request but, as it appears, such requests are not welcomed and chances are that the Examiner files a memorandom of the applicant's explanation only when he deems fit and necassary.

2.3. Demonstrations

Although a demonstration may prove a very effective tool under certain circumstances for explaining the utility and value of an invention to the Examiner, it is quite rare that a demonstration is demanded by the Examiner and the majority of demonstrations are proposed by the applicant. When the applicant expresses to the Examiner his desire to institute a demonstration by means of slides, a motion-picture, a model or the like, the Examiner studies the contents of the application in the first place and, if he finds it necessary, gives a permission. Needless to say, a demonstration is a means for assisting the Examiner in his understanding of the invention per se, the effects thereof, the difference of the invention from the cited art and so on. It is futile to try persuading the Examiner by a demonstration on the matters beyond the disclosure in the specification, etc. The Examiners seem to be especially careful in this respect and, in some cases, an excessive demonstration could leave an unfavourable impression in the Examiner's mind.

2.4. The claim language suggested by the Examiner

In the former practice, it was often experienced that, on the occasion of an oral or telephone interview, the Examiner suggested to the applicant a language of claim appropriate in view of prior art. Recently, such cases are seldom encountered.

2.5 Referral to a supervisor (Chief examiner)

Judgements as to technical matters in the presecution of each case are delegated to the Examiner and, in this respect, there is nothing the applicant has to consult with the Chief Examiner. However, when the application is to be rejected, the Chief Examiner is obliged to check on the legal matters such as the question of whether or not the provision of law invoked by the Examiner is appropriate and, in this respect, it can be said that there is room for, and a merit in, the applicant's consultation with the Chief Examiner. As a matter of fact, however, it is doubtful how much advantageous results such a consultation will lead to.

In addition to the above functions, the Chief Examiner has the responsibility and authority of coordinating the fields (classes) of which Examiners will be in charge and the examination levels, for instance.

3. Conclusion

In the foregoing, each case has been briefly explained. In light of the present situation in Japan, which requires processing of a large number of applications on the part of the Examiners, any approach to the Examiners and Appeal Examiner that will lead to the promotion of examination and assist in the understanding of inventions will be highly welcomed in any instance, and the results will also be pleasing.

However, interviews and demonstrations which are unnecessarily too frequent or too much prolonged would not assist in theprosecutions but rather hinder them and lead to results unfavorable to the applicants, and it is

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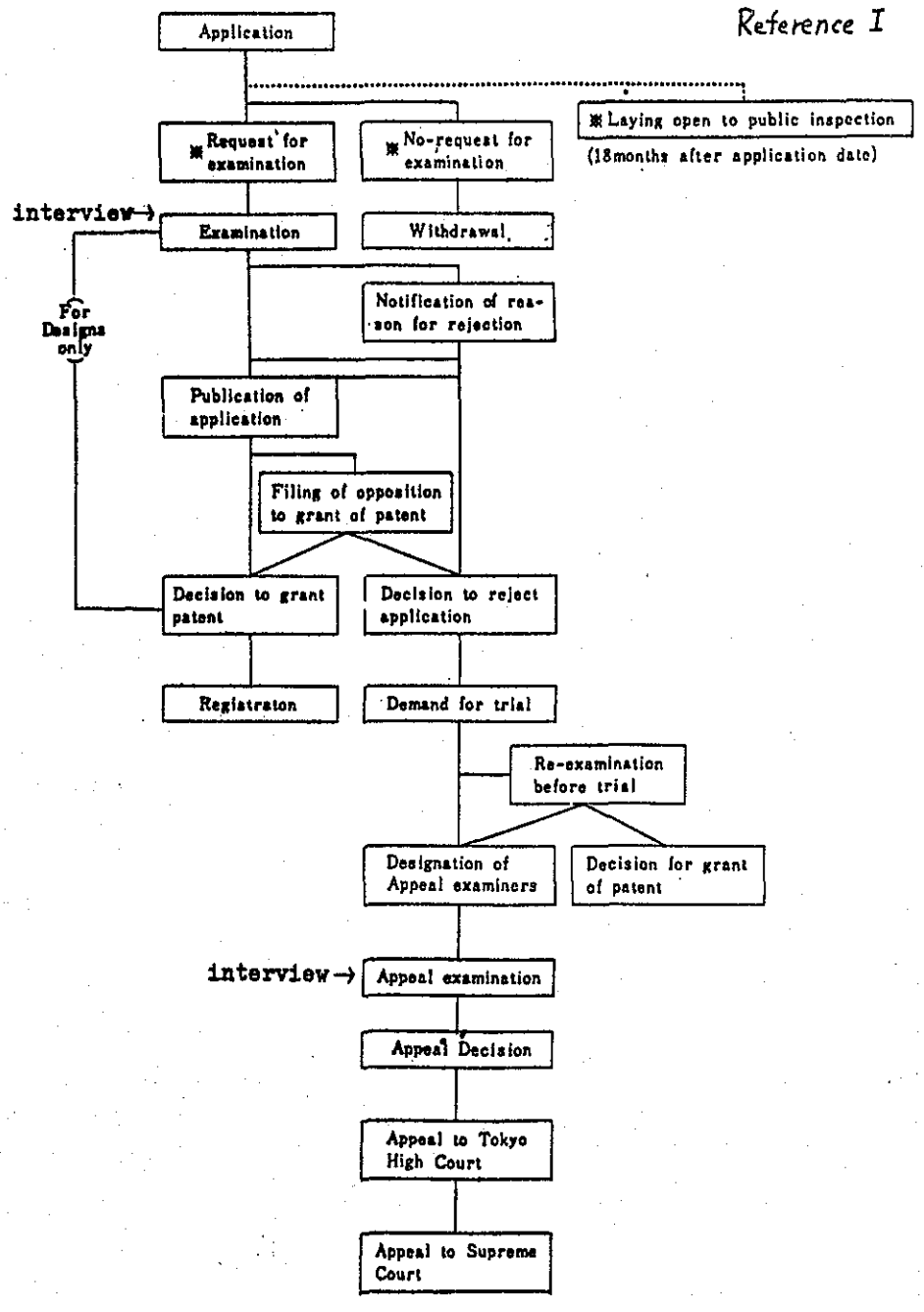
of course necessary to take a careful attitude in this matter.

Table 3 Procedure from application to trial

Reference I



Note : ※These do not apply to designs and trademarks.

20.09A

Interviews by Examiners

1. Purport of Interviews

Although examinations of patent applications should as a rule be made based on written statements, there may be cases where an interview could serve to accelerate the prosecution of the application and therefore interviews are to be had in such cases only.

2. Cases where Interviews are Permissible

(1) Where the examiner demands an interview

a) The examiner can demand the personal appearance of and an oral explanation by the applicant, attorney or agent in such an instance where in examining a patent application the invention can hardly be understood due to complexity of the art concerned, overwhelming volume of the specification, response or other papers, or for other reasons and where it appears certain that an interview with the applicant or attorney would serve to expedite the prosecution.
When the applicant or attorney resides at a great distance, it should be so arranged that the appearance may be made utilizing an opportunity of the applicant or attorney coming up to Tokyo, for instance.

b) In an opposition case, if it appears sure that clarification of the positions and contentions of the concerned parties and/or summarization of

the relevant evidence(s) at an interview with both parties or attorneys could serve to accelerate the examination, the examiner may require both parties or attorneys to appear before him and make verbal explanations.

Such an interview should be had only when both parties can easily make their appearance or have indicated their intention to appear. Appearance of the parties residing at remote places should not be compelled.

(2) Where the applicant or attorney requests an interview.

Where the applicant or attorney has requested an interview, the examiner should inquire about the necessity of the interview, and when it appears certain that the interview could serve to advance the examination by breaking down misunderstandings or by deciding or pointing up specific issues, the examiner should permit the interview.

Accordingly, as a rule, an interview is permissible only after the start of the examination. In other words, not only interviews prior to filing but also interviews that are solely for the purpose of illustrating the contents of an invention disclosed in a patent application prior to the start of the examination should not be permitted.

This rule, however, does not apply to cases where the examination is to be started in the near future and where it appears an interview could serve to expedite the examination.

Interviews that are merely for the purpose of sounding out the examiner as to the patentability of an application are also not permitted, whether the examination has been started or not.
When one of the parties involved in an opposition case has requested an interview for the purpose of illustrating the substance of the case, the examiner should decide whether an interview should be had or not after consulting the chief examiner, for such an interview might be unfair in opposition cases waiting for judgement.

3. Persons that can have an Interview

(1) Where an assistant examiner is in charge of the application, the interview should be had in the presence of an examiner.

(2) Persons that can have an interview are the party (parties) concerned, its (their) attorney(s) or agent(s), and/or those recognizable as duly authorized by the party (parties) concerned or his (their) attorney(s) or agent(s) to have an interview therefor, such as the person who carries a power of attorney or a copy of application papers.

4. Steps to be taken prior to an Interview and Preparation on the part of the Interviewer (Applicant or his Attorney or Examiner).

(1) Prior to an interview, the examiner or the applicant or attorney should notify or make arrangements with the other party, as by letter or telephone call, as to the subject of the interview, date and

hour, number of interviewers, time required and so on.

Notification of an interview from the examiner should be made according to Form 1 annexed hereto.

(2) At the time of accepting a request of an interview, the examiner should demand that the applicant or attorney should be fully prepared to discuss the issues so that the presentation at the interview may be simple and plain and be finished in a time as short as possible.

5. Place and Time of an Interview

(1) An interview should be had at a fixed place during office hours.

For an interview to be had at a place other than the fixed place, permission by a superior officer should be obtained.

6. Cares to be taken at an Interview

(1) Since examinations are to be conducted with regard to formally submitted specification, drawing, amendment and/or argument in writing and/or other documents, verbal explanations or discussions should be made on the basis of these documents.

(2) As a result of such explanation

a) Where any defect in statement is found on any of these documents, the examiner may require amendment thereto.

b) Where no defects are found in the statement on these documents but the explanation given covers those matters that are not described in the relevant document, such as an explanation for

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giving some background knowledge about the constitution or essence of the invention, the examiner may request the submission of a written statement concerning such matters, if necessary. Even when a discussion and/or amendment has been made orally against a notification of reasons for rejection or order for amendment issued beforehand, submission of a written argument or amendment cannot be omitted.

7. Substance of Interviews, How Recorded.

(1) The result of an interview should be entered in a form (Form 2 annexed hereto), which in turn should be put in the file wrapper.
As far as possible, entry of such should be made by the interviewer (applicant, or attorney or agent).

(2) If the interviewer has suspended an immediate response to the examiner's pointing out an obscure passage for the reason that it is necessary to consult the applicant or inventor(s), the examiner should issue without delay a notification of reasons for rejection. When the examiner has the consent of the other party, such reasons for rejection may be abridged (for example, using Form Pat 254, a phrase "as orally pointed out on (date)" is entered in the remarks)
On such occasion, the passages in question should be put on record.

Form 1

_____, 19__

Re: Patent Application No. _____

I wish to have an interview with you in respect to the following items pertaining to the above application, so please personally appear before me on _____, 19__ carrying the seal as used for the above application with yourself.

It is advised that arrangements be made by telephone call for the date and hour when you will appear, the number of persons that are to appear, etc.

Items:

Form 1

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Form 2

Record of Interview

_____, 19__

Re: Patent Application No. _____

Interviewer(s):
Examiner:
Assistant Examiner:
Applicant (Opponent):
Attorney or Agent:
Other Person(s):
Time of Interview:
Substance of Interview:

COMMITTEE #1 - COMMENTS ON S-2255

LADIES AND GENTLEMEN:

IT IS GOOD TO SEE YOU ALL ONCE MORE. I REGRET, HOWEVER, THAT YOU MUST ONCE AGAIN HEAR ABOUT THE PROSPECTIVE NEW U.S. PATENT LAW. IF MY MEMORY SERVES ME CORRECTLY, THE PROGRAMS OF EACH OF THE PAST FIVE ANNUAL MEETINGS OF PIPA HAVE CONTAINED SIMILAR COMMENTS. FOR THIS REASON, I INTEND TO BE BRIEF AND WILL COMMENT ONLY ON A FEW SECTIONS OF THE PROPOSED LAW, TOGETHER WITH ONE SECTION OF THE PRESENT LAW, AS REQUESTED BY THE JAPANESE MEMBERS OF COMMITTEE #1.

FIRST, THE BILL PRESENTLY BEING CONSIDERED BY THE CONGRESS IS S-2255. THIS BILL IS EXPECTED TO BE PASSED BY THE SENATE ANY TIME NOW AND SENT TO THE HOUSE FOR THEIR DELIBERATION. IT IS NOT ANTICIPATED THAT THE HOUSE WILL TAKE UP THE BILL UNTIL NEXT YEAR, AND IT IS BELIEVED THEY WILL INITIATE HEARINGS ON THE SUBJECT OF PATENT LEGISLATION EARLY IN 1976.

NOW TO THE BILL ITSELF. SECTION 112(B)(1) REQUIRES THAT THE PATENT SPECIFICATION CONTAIN A DESCRIPTION OF THAT WHICH THE INVENTOR OR ASSIGNEE KNOWS OR CONTEMPLATES TO BE THE MANNER AND PROCESS OF MAKING AND USING THE INVENTION, INCLUDING THE BEST MODE THEN KNOWN. THIS DIFFERS FROM PRESENT LAW BY REQUIRING IN SOME SITUATIONS THAT THE SPECIFICATION CONTAIN DESCRIPTIONS BEYOND THOSE KNOWN TO THE INVENTOR. THUS, IN THE CASE OF A CORPORATE ASSIGNEE, IT WILL BE NECESSARY TO DETERMINE AND DESCRIBE THAT WHICH THE CORPORATION CONTEMPLATES TO BE THE MANNER AND PROCESS OF MAKING AND USING THE

INVENTION, INCLUDING THE BEST MODE KNOWN TO THE CORPORATION.

SECTION 112(B)(2) STATES THAT THE DISCLOSURE REQUIRED IN THE CASE OF A CORPORATION SHALL BE SUPPLIED BY THE DIRECTOR, OFFICERS EMPLOYEES, AND AGENTS WHOSE RESPONSIBILITIES COULD BE EXPECTED TO RELATE TO THE INVENTION.

THIS SECTION WILL PLACE AN ADDITIONAL BURDEN ON THE ATTORNEY RESPONSIBLE FOR THE PREPARATION OF AN APPLICATION SINCE IT REQUIRES THAT HE CHECK WITH ALL EMPLOYEES WHOSE RESPONSIBILITIES RELATE TO THE SUBJECT MATTER OF THE INVENTION TO DETERMINE THE BEST MODE KNOWN TO THE CORPORATION FOR INCLUSION IN THE SPECIFICATION. NOTE THAT UNDER SECTION 282(B)(3), A PATENT IS INVALID FOR FAILURE TO COMPLY WITH THE REQUIREMENTS OF SECTION 112 UNLESS SUCH FAILURE IS THROUGH INADVERTENCE, ACCIDENT, OR MISTAKE, AND WITHOUT ANY WILLFUL DEFAULT OR INTENT TO DEFRAUD, MISLEAD, OR DECEIVE THE PUBLIC. THE RAMIFICATIONS HERE ARE MANY AND IN VIEW OF THE STRINGENT TIME LIMITATIONS, I WILL NOT ATTEMPT TO GO INTO ANY MORE DETAIL IN THIS PAPER.

NEXT, I WILL DISCUSS SECTION 115. AT PRESENT, THE LAW STATES THAT INVENTORS AND ATTORNEYS HAVE A DUTY TO ACT WITH CANDOR AND GOOD FAITH AND ARE TO DISCLOSE TO THE PATENT OFFICE ALL INFORMATION KNOWN TO THEM WHICH IS NECESSARY TO PREVENT THE PATENT OFFICE FROM BEING MISLED IN ITS ENDEAVOR TO EXAMINE AND PROSECUTE THE APPLICATION. SECTION 115(A) OF S-2255 GOES BEYOND THIS AND PLACES A SIMILAR REQUIREMENT ON THE ASSIGNEE, TOGETHER WITH A FURTHER REQUIREMENT

THAT EACH OF THE INVENTOR, ATTORNEY, AND ASSIGNEE WILL HAVE THE DUTY TO MAKE REASONABLE INQUIRY AS TO ALL INFORMATION IN THEIR RESPECTIVE POSSESSION OR CONTROL FOR IDENTIFYING THAT WHICH MUST BE BROUGHT TO THE ATTENTION OF THE OFFICE. THUS, WHEN A PATENT APPLICATION IS TO BE FILED ON BEHALF OF A CORPORATION, FOR EXAMPLE, IT WILL BE NECESSARY TO ENSURE THAT ALL INFORMATION IN THE CORPORATE RECORDS WHICH IS PERTINENT TO THE PATENTABILITY OF THE INVENTION IS BROUGHT TO THE ATTENTION OF THE OFFICE.

FINALLY, SECTION 115(B) PROVIDES A NEW REQUIREMENT BY MANDATING THAT SHORTLY BEFORE ISSUE, EACH OF THE INVENTOR, ATTORNEY, AND ASSIGNEE MAKE ANOTHER INQUIRY INTO INFORMATION IN HIS CONTROL AND FILE A STATEMENT TO THE EFFECT THAT HE AND THE OTHERS HAVE COMPLIED WITH 115(A). AGAIN, NOTE THAT 282(B)(3) RENDERS A PATENT INVALID FOR FAILURE TO COMPLY WITH THE REQUIREMENTS OF SECTION 115, UNLESS SUCH FAILURE WAS ACCIDENTAL.

I WILL NOW TURN TO OPPOSITIONS. GENERALLY SPEAKING, THESE ARE NOTHING NEW TO OUR JAPANESE FRIENDS. SECTION 135 PROVIDES FOR POST ISSUANCE OPPOSITIONS WHEREIN A PROSPECTIVE OPPOSER MAY, WITHIN 12 MONTHS OF ISSUANCE OF A PATENT, ADVISE THE OFFICE IN WRITING OF MATTERS HAVING A BEARING ON THE VALIDITY OF THE PATENT. THE PATENTEE WILL BE GIVEN 60 DAYS TO RESPOND AND AT THAT TIME, THE OFFICE WILL DECIDE WHETHER OR NOT TO INITIATE AN OPPOSITION PROCEEDING. IF IT IS DECIDED TO INSTITUTE THE OPPOSITION, BOTH PARTIES ARE PERMITTED TO PRESENT ORAL ARGUMENT, TAKE DEPOSITIONS AND DISCOVERY, PRESENT ORAL

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TESTIMONY, AND CROSS-EXAMINE WITNESSES. THIS SECTION DOES NOT LIMIT THE GROUNDS THAT CAN BE USED IN ARGUING VALIDITY AND IT WOULD APPEAR THAT AN OPPOSER WILL BE ABLE TO ARGUE PUBLIC USE OR SALE OR PRIOR INVENTION AS WELL AS PRIOR ART. ALSO, THERE IS NOTHING TO PREVENT AN OPPOSER FROM DELVING INTO THE FULFILLMENT OF SECTIONS 112 AND 115 REQUIREMENTS ONCE A BASIS IS ESTABLISHED FOR THE OPPOSITION.

THIS NOW BRINGS US TO SECTIONS 23 AND 24 OF S-2255, DEALING WITH DISCOVERY. IN THE PAST, DISCOVERY HAS BEEN AVAILABLE ONLY TO PARTIES IN PATENT LITIGATION AND INTERFERENCE PROCEEDINGS. THESE SECTIONS ARE BROADER AND WILL MAKE DISCOVERY AVAILABLE TO ANY PARTY, INCLUDING THE SOLICITOR, TO A PROCEEDING BEFORE THE BOARD OF EXAMINERS-IN-CHIEF. THUS, AS NOTED ABOVE, DISCOVERY WILL BE AVAILABLE TO PARTIES IN AN OPPOSITION PROCEEDING. IT WILL ALSO BE AVAILABLE TO THE SOLICITOR AS A REPRESENTATIVE OF THE PATENT OFFICE BOTH IN ARGUING AGAINST THE APPEALS OF PATENT APPLICANTS AND IN CARRYING OUT THE PROVISIONS OF THE LAW RELATING TO FRAUD AND INEQUITABLE CONDUCT.

FINALLY, WITH REGARD TO DISCOVERY, SUBPOENAS AND ORDERS MAY ISSUE AGAINST NON-PARTIES, BUT ONLY IF THEY ARE WITHIN THE JURISDICTION OF THE UNITED STATES.

WHILE THERE ARE A NUMBER OF ADDITIONAL CHANGES IN THE LAW INCORPORATED IN S-2255 WHICH WILL REQUIRE DETAILED STUDY -- FOR EXAMPLE, SECTIONS 102, 116, 122, 123, 132, 141, 155, 191, AND 271 -- TIME WILL NOT PERMIT ME TO COMMENT AND I WILL NOW TURN TO THE

QUESTION PRESENTED BY MR. HASEGAWA, CHAIRMAN OF THE JAPANESE SECTION OF COMMITTEE #1, RELATING TO SECTION 104 OF THE PRESENT LAW.

THIS QUESTION CONCERNS THE DISADVANTAGES FACED BY FOREIGN INVENTORS IN U.S. INTERFERENCE PRACTICE AS A RESULT OF SECTION 104. AGAIN, I WILL NOT DISCUSS THIS SUBJECT IN DEPTH AND IF YOU ARE INTERESTED IN A MORE DETAILED AND SCHOLARLY APPROACH, I REFER YOU TO AN ARTICLE BY P. J. FEDERICO APPEARING IN VOL. 2, NO. 1/1971 OF INTERNATIONAL REVIEW OF INDUSTRIAL PROPERTY AND COPYRIGHT LAW.

MY COMMENTS WILL BE TWOFOLD. FIRST, I WILL ATTEMPT TO PRESENT A RATIONALE FOR THE SYSTEM AS IT IS AND THEN I WILL NOTE THE PRACTICAL EFFECTS OF THE SYSTEM AS FAR AS FOREIGNERS ARE CONCERNED. ON THE FIRST POINT, LET ME NOTE THAT THE BASIC PROBLEM IS ONE OF A DIFFERENCE IN THE UNDERLYING PHILOSOPHY. MOST COUNTRIES OF THE WORLD HAVE ADOPTED A FIRST-TO-FILE SYSTEM -- THAT IS, THE FIRST ONE TO FILE AN APPLICATION IN THE COUNTRY IN QUESTION GETS THE PATENT. THE UNITED STATES, ON THE OTHER HAND, CHOSE TO ADOPT A DIFFERENT PHILOSOPHY AND AWARDS THE PATENT TO THE FIRST ONE TO INVENT IN THE U.S. (NOTE THAT WHERE AN INVENTION IS MADE OUTSIDE THE U.S., IT IS DEEMED TO HAVE BEEN MADE IN THE U.S. AT THE TIME A U.S. APPLICATION IS APPLIED FOR). IN BOTH CASES, INSOFAR AS APPLICANTS FROM COUNTRIES BELONGING TO THE PARIS CONVENTION ARE CONCERNED, THE APPLICANT CAN GO BACK TO HIS CONVENTION DATE IN DETERMINING WHETHER OR NOT HE IS ENTITLED TO THE PATENT. THUS, IN JAPAN, FOR EXAMPLE, A FOREIGN APPLICANT DOES NOT GET A PATENT BECAUSE HE WAS THE FIRST TO FILE ANYWHERE IN

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THE WORLD. HE GETS THE PATENT ONLY IF HE IS THE FIRST TO FILE IN JAPAN. TO BE SURE, THIS IS MODIFIED BY TREATY TO THE EXTENT THAT HE CAN OBTAIN THE BENEFIT OF AN EARLIER CONVENTION DATE, BUT NOT OTHERWISE. IF THE FOREIGN APPLICANT FIRST FILED IN A CONVENTION COUNTRY MORE THAN ONE YEAR PRIOR TO FILING IN JAPAN, OR IF HE FIRST-FILED IN A NON-CONVENTION COUNTRY, HE DOES NOT GET THE BENEFIT OF HIS EARLIER DATE. IN A SIMILAR MANNER, THE U.S. AWARDS THE PATENT TO THE FIRST TO INVENT IN THE U.S., WHETHER A FOREIGNER OR A NATIONAL, BUT RECOGNIZES INVENTIONS MADE OUTSIDE THE U.S. ONLY TO THE EXTENT CALLED FOR BY THE TREATY. JUST AS JAPAN RECOGNIZES ONLY ACTUAL FILING DATES IN JAPAN AS MODIFIED BY TREATY, THE U.S. RECOGNIZES ONLY ACTUAL INVENTION DATES IN THE U.S. AND AGAIN WITH THE SAME MODIFICATION BY TREATY.

I SUBMIT, THEREFORE, THAT TO CHANGE THE LAW SO AS TO PERMIT FOREIGN APPLICANTS TO OBTAIN THE BENEFIT OF EARLIER DATES OF INVENTION MADE ABROAD WOULD BE AKIN TO LETTING FOREIGN APPLICANTS IN JAPAN CLAIM THE BENEFIT OF FILING DATES OBTAINED MORE THAN ONE YEAR EARLIER. SAID ANOTHER WAY -- WERE THE U.S. TO ALLOW THE JAPANESE APPLICANTS TO GO BACK TO THEIR INVENTION DATE, WOULD JAPAN ALLOW U.S. APPLICANTS TO DO THE SAME? I THINK NOT.

WHILE I AM SURE THAT MANY IN THE AUDIENCE WILL ARGUE WITH MY LOGIC, AND THERE ARE GOOD ARGUMENTS AVAILABLE, I BELIEVE THE PROBLEM CANNOT BE RESOLVED DUE TO THE DIFFERENT PHILOSOPHIES INVOLVED.

THERE ARE A NUMBER OF PEOPLE IN THE U.S. WHO FEEL WE SHOULD GO TO A FIRST-TO-FILE SYSTEM AND PERHAPS WE WILL SOME DAY. IN THE MEANTIME, I SEE NO EQUITABLE SOLUTION TO THE PROBLEM.

NOW TO THE SECOND POINT REGARDING THE PRACTICAL EFFECTS OF THE PRESENT SYSTEM. MR. FEDERICO POINTS OUT IN THE ARTICLE REFERRED TO EARLIER THAT ONLY 1% OF ALL APPLICATIONS BECOME INVOLVED IN INTERFERENCES, AND THAT THE FIRST TO FILE LOSES ONLY ONE OUT OF FIVE OF THESE. THUS, IF THE INTERFERENCE SYSTEM CREATES PROBLEMS, IT DOES SO WITH REGARD TO ONLY ONE-TENTH OF ONE PERCENT OF ALL APPLICATIONS FILED. THIS WILL SIZE THE PROBLEM.

WITH RESPECT TO INTERFERENCES INVOLVING APPLICANTS WHO MADE THE INVENTION IN THE UNITED STATES AND APPLICANTS WHO MADE THEIR INVENTIONS OUTSIDE THE UNITED STATES, IT WOULD APPEAR THAT THE LATTER SHOULD BE AT SOME DISADVANTAGE AND THAT IF THIS IS SO, THIS DISADVANTAGE WOULD BE REFLECTED IN THE OUTCOME OF INTERFERENCES. HOWEVER, A STUDY MADE OF ALL THE INTERFERENCES INSTITUTED OVER A PERIOD OF THREE YEARS WHICH INVOLVED FOREIGN AND DOMESTIC INVENTIONS DID NOT SHOW ANY MATERIAL DIFFERENCE, THE PARTY WHO MADE THE INVENTION IN A FOREIGN COUNTRY WINNING THE INTERFERENCE ABOUT AS OFTEN AS THE PARTY MAKING THE INVENTION IN THE UNITED STATES. THERE ARE SEVERAL REASONS IN EXPLANATION OF THIS RESULT; ONE IS THAT THE HABITS OF FILING APPLICATIONS IN THE UNITED STATES AND IN OTHER COUNTRIES ARE QUITE DIFFERENT. IN VIEW OF THE EXISTENCE OF THE ONE-YEAR PERIOD

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OF PERMISSIBLE PUBLICATION AND PUBLIC USE BEFORE FILING, AND ALSO IN VIEW OF THE EXISTENCE OF THE INTERFERENCE PRACTICE, INVENTORS IN THE UNITED STATES ARE NOT COMPELLED TO FILE THEIR APPLICATIONS AS SOON AS POSSIBLE, WHEREAS IN OTHER COUNTRIES THE FACT THAT THE FIRST PERSON TO FILE WILL GET THE VALID PATENT, AND ALSO THE FACT THAT PUBLICATIONS BEFORE FILING WILL DEFEAT THE RIGHT TO A PATENT, TEND TO INDUCE RAPID FILING OF APPLICATIONS. ALSO, THE DIFFICULTIES OF PROOF IN PREDATING THE FILING DATE IN INTERFERENCE CASES IS A FACTOR. IN VIEW OF THESE FACTS, ONE CAN CONCLUDE THAT THE PRACTICAL IMPACT OF OUR PRESENT PRACTICE ON THE FOREIGN APPLICANT SHOULD BE OF LITTLE CONCERN.

THANK YOU.

JOHN B. CLARK
JBC/EG

NONOBVIOUSNESS

Oliver W. Hayes*

The test of nonobviousness, as a standard of patentability, first appeared in the U.S. Patent Statutes in 1952 when Congress extensively revised Section 35 of the U. S. Code, Section 103 requiring:

> A patent may not be obtained though the invention is not identically disclosed or described as set forth in Section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

This statutory standard was the result of an attempt by the drafters of the 1952 Act to reincorporate into the judicial standards of patentabilty, a concept first expressed[1] about 100 years earlier. It was an effort to reestablish an objective test of patentability to replace the growing tendency to search for the elusive "invention"[2] which had reached its awful climax in A & P[3].

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*Chief Patent Counsel, Norton Company, Worcester, Ma.

1 Hotchkiss et al v. Greenwood et al 11 How 248 (1850)

2 Patent Law Perspectives 1969-1970 Annual Review A.1 [1] Note 6.

3 The Great Atlantic and Pacific Tea Company v. Supermarket Equipment Corporation 87 USPQ 303 (1950)

The intent[4] of 103 was to overrule A & P (a clearly proper prerogative of Congress) and to substitute a test which could be applied in a step by step fashion to the facts surrounding the making of the invention to ascertain if it met the criteria necessary for the grant of a patent.

After the passage of the 1952 Act the courts often ignored[5] (with a few notable exceptions)[6] the provisions of Section 103 and continued to search for the illusory "invention" necessary to sustain the patent.

In 1965 the U. S. Supreme Court finally addressed itself to the problem of interpreting the 1952 Act, in the course of deciding the validity of four different patents[7]. Among this group of cases was Graham v. John Deere which contained the most detailed discussion of Section 103 wherein Justice Clark stated[8]:

> Under 103 the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against

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4 Rich, "The Vague Concept of 'Invention' as replaced by Section 103 of the 1952 Patent Act" JPOS Vol XLVI P855.

5 Hall et al. v. Wright et al.112 USPQ 210 (1957)
We have not attempted to collect all decisions on a particular point made during this paper; only one or two representative cases.

6 Lyon v. Bausch & Lomb Optical Co. 106 USPQ 1 (1955), Reiner et al dba Kaynar Company, et al. v. The I. Leon Co., Inc. 128 USPQ 25 (1960) and In re Sporck 133 USPQ 360 (1962)

7 Graham et al. v. John Deere Company of Kansas City et al 148 USPQ 459 (1966), United States v. Adams et al 148 USPQ 479(1966)

8 148 USPQ 467

this background, the obviousness or nonobviousness of the suject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc. might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy.

While it was unfortunate that the Graham court characterized as "secondary" considerations, such objective tests as commercial success, long felt need etc. at least the court recognized that these objective tests could be of help in determining the ultimate question of validity.

As a result of Graham the lower courts had to struggle with Section 103[9] although some[10] continued to decide first that the invention was obvious and then to state that the secondary considerations could not save the patent. While many courts[11] were applying the correct objective standards where all the background of the development of the art and the impact

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9 Columbia Broadcasting System v. Sylvania Electric Products,Inc. 162 USPQ 577 (1969)

10 Kaiser Industries Corporation et al. v. McLouth Steel Corporation 158 USPQ 565 (1968)

11 Palmer et al v. United States 156 USPQ 689 (1968)

of the invention should be considered in determining whether it had in fact been obvious, a number of the other courts[12] continued to hark back to the supposedly buried A & P language. These recalcitrant circuits were given considerable support by the reincarnation (in 1969) by the Supreme Court in Black Rock[13] of the A & P "constitutional standard of invention." While Justice Douglas, writing for the majority in Black Rock, denied that the court was overruling Graham the language used in the opinion apparently reimposed an additional, mystical "synergistic" standard of patentability over and above the nonobviousness test clearly specified by Congress[14].

After Black Rock the different circuits had different views on rationalizing the essentially inconsistent propositions of law apparently emanating from the Supreme Court[15]. Some circuits[16] clearly understood the rationale of 103 and applied

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12 Santa Anita Mfg. Corp. v. Lugash et al. 152 USPQ 44 (1966)

13 Anderson's-Black Rock,Inc. v. Pavement Salvage Co.,Inc. 163 USPQ 673 (1969)

14 While Black Rock provides special criteria for "combinations" of old elements it ignores the fact that, in the ultimate analysis, everything is made out of old elements;whether it be looked at as a combination of gears and pinions, individual atoms or sub-atomic particles. The proper test should be obviousness of the whole combination.

15 In In re Fielder and Underwood 176 USPQ 300 (1973) the CCPA has managed to rationalize Graham with Black Rock, on the facts of Black Rock, and has held that evidence of the "secondary" considerations" must always be considered.

16 Contour Saws, Inc. v. The L. S. Starrett Company 165 USPQ 555 (1970)

a considered, objective analysis to the whole background of the invention to determine the obviousness in question. Other circuits[17] consistently put the cart before the horse. In 1971, the Supreme Court[18] had a perfect opportunity to reexamine and restate the proper criteria for determining obviousness when it agreed to review decisions from two circuits, one of which had held a patent valid as being nonobvious and the other of which had held the same patent invalid on the grounds that the invention was obvious. Instead of addressing itself, in detail, to the obviousness question[19], however, the Court decided that once a patent has been held invalid in one circuit another circuit should not reconsider the validity of the same patent unless the first circuit so failed to apply the proper law or to understand the fundamental technology involved that the patentee had not had his day in court.

The courts are beginning to recognize that obviousness must be measured not as to the <u>difference</u> over the prior art but as to the subject matter as a <u>whole.</u> Thus, the difference

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17 Proler Steel Corporation, Inc. v. Luria Brothers & Co., Inc.,et al. 163 USPQ 321 (1969)

18 Blonder-Tongue Laboratories, Inc.,v. University of Illinois Foundation et al. 169 USPQ 513 (1971)

19 It did cite Graham and ignored Black Rock

between the prior art and the invention may be very small; it may even involve the mere substitution of one element for another. However, if the invention resulting from the substitution was not obvious to one of ordinary skill in the art the invention is still patentable[20]. Similarly the invention may lie in the recognition of the source of a particular problem even though, once the problem has been defined, the solution is obvious[21]. Here again the test of patentability is not the obviousness of the solution but the realization that there is a problem whose existence had escaped those skilled in the art. Similarly the simplicity of the invention should not be evidence of obviousness but rather evidence of unobviousness[22]; although the Second Circuit has recently held that an "unsubstantial" difference over the prior art must be obvious[23] or is not substantial enough to be termed "invention"![24]

The courts are now quite uniform in saying that the time the invention was made is the time frame to be used in judging obviousness and hindsight cannot be substituted for the historical objectivity required by Section 103; even though

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20 This was the situation in United States v. Adams et al(note 7)where the invention resided in the substitution of magnesium for zinc, both well known electrode materials.

21 In re Sponnoble 160 USPQ 237 (1969)

22 Norman et al. v. Lawrence 128 USPQ 28 (1960)

23 Julie Research Laboratories,Inc. v. Guildline Instruments,Inc. et a 183 USPQ 1 (1974)

24 Vanity Fair Mills Inc. v. Olga Co.184 USPQ 643 (1975)

many courts, in actuality, ignore their specific words in finding an invention obvious. In this connection, however, if the invention became obvious after the original invention date but more than one year before the filing of the patent application the patent is barred [25]

The courts do not appear to have as much trouble as one might suspect with the problem of identifying the person of ordinary skill in the art. Perhaps our Judges instinctively equate this ordinarily skilled man with the mythical "reasonable" man who largely populates the Anglo-Saxon common law world and accordingly they don't inquire further into his real identity. However, the Court of Claims has held[26] that a "finite quantitative definition of this ordinarily skilled person is difficult at best . . . the sophistication of the technology involved, and the educational background of those actively working in the field are among the factors which will ofttimes aid in developing a picture of what is the level of skill in the ordinary person in an art." Other than repeating the impossible legal fiction[27] that the ordinarily skilled man is assumed to possess detailed knowledge of all there is to know in his field, the courts don't seem to spend much time on characterizing the intellectual or academic level of "ordinary skill". However one court[28]

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25 In re Foster 145 USPQ 166 (1965)

26 Jacobson Brothers,Inc., et al. v. United States 184 USPQ 181 (1974)

27 Esso Research & Engineering Company v. Kahn & Company,Inc. et al 183 USPQ 582 (1974)

28 Union Carbide Corporation v. Filtrol Corporation 170 USPQ 482 (1971)

held, with amazing precision, that in the catalyst art in 1958 it was a bachelor's degree in chemistry or chemical engineering with from 1.5 to 3.5 years experience. Another court[29] has reached the startling conclusion that a draftsman, rather than a semiconductor designer, represented the level of ordinary skill in the art of making a field effect transistor. Still another court[30] has a similar low opinion of the person of average skill in the art, holding that the "level of skill of the average mechanic should not be equated with that of inventors of cited prior art, whose skill must be considered greater than that of average mechanic." Probably the better approach is that used by one court[31] which said that "In judging ordinary level of skill in the art, it is level of skill of those who normally attack the problems of the art that counts; persons who do most of the problem solving in involved art are graduate engineers; as such they are chargeable with general knowledge concerning principles of engineering, outside the narrow field involved, and with skills, ingenuity, and competence of average professional engineer."

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29 Hughes Aircraft Company v.General Instrument Corporation 182 USPQ 11 (1974) cf Zoomar, Inc. v. Paillard Products,Inc.113 USPQ 469 (1957)

30 Antici v. The KBH Corporation(DC Miss) 168 USPQ 745 (1971)

31 Mueller Brass Co. v. Reading Industries (DC EPa) 176 USPQ 361 (1972)

The applicable art should be the art to which the inventor's skills are most directly related; thus relevant art for fastening a honeycomb to a support was properly held to be the general fastening art, not the beekeeping art[32]. Similarly the art applicable to an improved aquarium filter is the general art of fluid dynamics and is not limited to aquariums[33] but perhaps the 9th Circuit was a little far out in looking to the star tracking art in deciding the obviousness of an invention in the bottling art[34] . It would appear that the better view[35] holds that the "Pertinent prior art is that to which one can reasonably be expected to look for solutions to problems which the patented device attempts to solve."

The obviousness of chemical compounds and processes raises some special questions which cannot be fully explored within the context of this paper. The CCPA and several circuits have decided that all the properties of a chemical compound are critical to the consideration of whether or not the compound is

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32 In re Grout 153 USPQ 742 (1967)

33 Metaframe Corporation v. Biozonics Corporation 176 USPQ 237 (1972)

34 Geo.J.Meyer Manufacturing Co. v. San Marino Electronic Coporation 165 USPQ 23 (1970)

35 Fischer & Porter Company v. Haskett et al (DC EPa) 176 USPQ 478(197

obvious over a known closely related compound[36]. The mere fact that the compound is structurally obvious should not be determinative of the question of patentability[37]. However, there is a growing trend in some circuits to hold that, where it is obvious to try to make a new compound, which may be expected to have useful properties, the resultant invention is not patentable[38]. Other circuits have held that the proper test for patentability of a process is not whether it would be "obvious to try" a particular solution but rather whether the process as a whole would be obvious[39]. While the CCPA has not gone so far as to say that every method of using a novel material is itself entitled to separate patent protection the practical results of some of its recent decisions seem to have gone to this illogical extreme, the court apparently holding that it cannot be obvious, as a matter of law, to try an unknown material[40].

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36 Eli Lilly and Company, Inc.,et al. v. Generix Drug Sales,Inc., et al 174 USPQ 65 (1972)

37 In re Stemniski 170 USPQ 343 (1971)

38 The General Tire & Rubber Company v. Jefferson Chemical Company,Inc. 182 USPQ 70 (1974)

39 Trio Process Corporation v. L.Goldstein's Sons,Inc. 174 USPQ 129 (1972)

40 In re Mancy,Florent,and Preud'Homme 182 USPQ 303 (1974) and In re Kuehl 177 USPQ 250 (1973)

The fact that several separate inventors may have made the invention at the same time is not conclusive on the question of obviousness[41], particularly if the others are highly skilled inventors[42], although it may be evidence of what was obvious to one of normal skill in the art[43].

The courts are in hopeless conflict as to whether obviousness should be considered a question of fact or law[44], although the better view would appear to be that the "facts" of commercial success, long felt need, immediate copying, sudden displacement of existing practices or devices, failure of others, etc. are to be considered in reaching the ultimate legal conclusion of nonobviousness.

From the above discussion it seems safe to conclude, as the Supreme Court has done[45], that "Nonobviousness itself is not always difficult to perceive and decide." I might add,

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41 Stamicarbon,N.V. v. Escambia Chemical Corporation 166 USPQ 362 (CCA5-1970)

42 Baldwin-Lima-Hamilton Corporation et al.v.Tatnall Measuring Systems Company et al. 120 USPQ 34 (1958)

43 The International Glass Company,Inc.v.United States 161 USPQ 116 (1969)

44 Compare Moore v. Shultz dba Walt Shultz Equipment Company et al 180 USPQ 548 (1974) with White v. Mar-Bel,Inc.,et al. 180 USPQ 795 (1973)

45 Blonder-Tongue note 18 infra.

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however, that even the Supreme Court would have less difficulty if it would only heed the advice[46] of the late Judge Learned Hand:

> "To judge on our own that this or that new assemblage of old factors was, or was not, "obvious" is to substitute our ignorance for the acquaintance with the subject of those who were familiar with it. There are indeed some signposts: e.g. how long did the need exist; how many tried to find the way; how long did the surrounding and accessory arts disclose the means; how immediately was the invention recognized as an answer by those who used the new variant."

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46 Reiner v. Leon, note 6 supra

October 15-17 , 1975
Japanese Group, Committee 1
Vice-Chairman
Masafumi Tsukamoto
(Mitsubishi Heavy Industries, Ltd.)

JAPANESE TRADEMARK LAW REVISIONS

1. PREFACE:

The revisions to the Japanese Trademark Law were promulgated on June 25th of this year while the major part of the revisions will not go into force until January 1st of next year, that portion of the revisions calling for an increase in fees was put into effect on June 25th of this year.

The purpose of these revisions is to shorten the current delay in the trademark examination procedure, which is typically portrayed as a wait of three to four years between filing and registration. This delay has been due to the enormous volume of trademark applications which have flooded the Japanese Patent Office over the last decade, reaching a back log of about half a million applications.

The revisions to the Japanese Trademark Law and regulations involve four major points which I have summarized as follows: (1) The Applicant must state the line of business in which he is engaged and its relevancy to the goods designated in. (2) Cancellation of trademark registrations for non-use is made easier. (3) One must demonstrate use for the renewal of a trademark registration and (4) Fees have been increased.

The main features of the current revisions relate to the introduction of provisions which strengthen the use requirement.

In this respect one can say that the Japanese Trademark Law has come closer to its United States counterpart than it used to be.

Regulations and examination standards complying with the current revisions to the Japanese trademark law are said to be in the final stages of study at the Japanese Patent Office, and are expected to be published by the time the major part of the revisions goes into effect.

I would like to take this opportunity to explain to you how the Japanese Trademark Law will change in view of the soon to be implemented revisions I have referred to and to offer some advice on action you will have to take under the revisions, on the basis of the latest information available concerning the current revision.

2. APPLICANT SHALL STATE THE LINE OF BUSINESS: (Effective as of January 1st, 1976)

When applying for a trademark registration, an applicant is required to state the line of business he engages in and to explain its relevancy to the goods designated in the trademark application.

If he is not actually engaged in any relevant line of business, then he is required to state his prospective business plans and to explain the line of business he is planning to enter and give his present preparations therefore with regard to the designated goods.

The question may arise as to how minutely an applicant must state his line of business? The regulations say "As detailed as has been broken down in the book entitled The Japan Standard Industries Classification published by the Government.

If the line of business stated is regarded by the Patent Office Examiner as not being associated with the designated goods to the extent that the examiner thinks it probable that the applicant will use the mark, the application will be refused registration.

Accordingly, a bank or an airline company, for example, will no longer be able to register any trademark no matter what the designated goods are, and also the so-called "trademark brokers" and speculators will find it very difficult to have trademarks registered for speculative purposes, as they have been permitted to do in the past.

Since this is an entirely new restriction, this revision has come as a surprise to Japanese applicants, although it perhaps comes as no surprise to American applicants who have grown used to the philosophy of the use principle from the U.S. Patent and Trademark Office requirements, I would imagine.

CANCELLATION OF TRADEMARK REGISTRATION FOR NON-USE IS STRENGTHENED:
(Effective as of January 1st 1976)

When a trial hearing is demanded for the cancellation of a trademark registration for non-use for more than three consecutive years prior to the lodging of the request for cancellation, and the non-use without due cause, the burden of proof of use will now be carried by the trademark owner.

The trademark owner can overcome this challenge if the mark is used by a licensee of his, either an exclusive or non-exclusive licensee, or if any registered trademark which is associated with the mark under attack is used either by the owner himself or a licensee of his, again either an exclusive or non-exclusive licensee with respect to the designated goods.

If the non-use is attributed to due cause, for example, an earthquake, flood, that is, events analogous to an act of God under U.S. contract law, this sanction does not apply.

The "old" or present provision of the Japanese Trademark Law providing for cancellation of a trademark registration places the burden of proof of non-use on the challenger, and has made this provision virtually unworkable because of the difficulty for the challenger to demanstrate non-use on the part of the owner. In fact, there have been no trademark registration cancelled in the past that I know of except for very special cases under the current non-use provision.

The new revision which does not become effective until January 1st 1976 in shifting the burden of proof from the challenger to the owner should enable the challenger to cancel unused trademark registrations in a much easier fashion, in my opinion.

It thus follows that you do not have to give up the use of a certain mark you desire to use simply because it has already been registered by some one else. On the contrary you can seek a trial hearing calling for cancellation of the mark, if it has not been in use for more than three years without due cause, and if you are successful you can thereafter register the mark in your own name.

Accordingly, this revision should pave the way for any one to make use of unused trademark registrations of third parties.

On the other hand, this revision will also necessitate an owner to always be prepared to prove the fact of use, either by himself or by his licensee, in order to withstand a possible cancellation request on the ground of non-use without due cause.

In this regard, I foresee a few potential danger points, if I may put it that way, to which I would like to direct your attention:

First, in order for a trademark owner to win a cancellation proceeding on the ground that the mark has been used by his exclusive licensee, the exclusive license must have been registered, as under Japanese Law the validity of an exclusive license is conditioned on the registration of the exclusive license at the Patent Office. On the other hand, a non-exclusive license does not have to be registered. However, from a practical point of view, it would be advisable, in my opinion, to have a non-exclusive license registered, which should make proof of the non-exclusive license easier to establish.

Another pitfall will be that it usually takes about six months to get a filing for a cancellation hearing registered. If a challenger should make it known, for one reason or another, to the owner that he has filed a petition for cancellation prior to the registration of filing for a cancellation hearing, it may prompt the owner to start using the mark before the registration of the filing for cancellation. This will lead to a denial of the cancellation request.

4. DEMONSTRATION OF USE IS REQUIRED IN AN APPLICATION FOR RENEWAL:
(Effective from June 25th, 1978)

When applying for the renewal of a trademark registration, it is incumbent on an applicant to simultaneously file documents in the Patent Office which demonstrate use within three years of this filing, either by way of specimens, photos, leaflets, catalogues, advertising materials or the like. If this is not done, the application for renewal will be refused.

The use is not restricted to use by the owner himself; on the contrary use by a licensee, either exclusive or non-exclusive, is sufficient if proven.

The owner can also get his registration renewed if any trademark associated therewith is used with respect to the designated goods, again either by himself or by an exclusive or non-exclusive licensee, even if the registered trademark he wishes to renew is not in use.

As with the foregoing article, if the non-use of the mark is attributed to due cause, the sanctions of this section of the revision do not apply.

I would also like to call your attention to a few pitfalls which you might encounter under this article.

Firstly, the documents demonstrating use must be filed simultaneously with the filing of the application for renewal. In other words, you are not allowed to supplement your application for renewal with later filed documents. I would deem this requirement very important and recommand to you the utmost care in preparing the initial supporting documents for a request for renewal.

This rather harsh requirement is somewhat lessened by the fact that the concept of use of a mark in Japan is wider than in the United States, for example, using a mark for advertising purposes is a type of use in Japan, whereas, it is my understanding, it is not in the United States.

Lastly, but by no means least, it does not follow that the use of any registered trademark associated in some tenuous fashion with an unused registered trademark will help the unused registered mark survive a cancellation challenge or get renewed.

Perhaps a specific example will help to clarify this rather general concept.

Assume that you as an owner seek renewal of a certain unused mark "M" for certain goods g, and further suppose you have a registered mark Ma, which is associated with the mark "M", and is in actual use either by yourself or by a licensee of yours. In order for the mark "M" to be renewed on the basis of the associated mark Ma, the associated mark Ma must be in use on the same goods g at least as one of those of the unused mark "M". The use of the associated mark Ma on goods other than the goods of the mark "M" will be of no assistance to obtain renewal of the mark "M".

The same logic applies when an unused trademark is challenged for cancellation.

This is an entirely new restriction and has come as quite a shock to Japanese trademark owners, although it is my understanding it would not come as any surprise to their American counterparts.

It has been estimated that in combination with the revision of the Trademark Law which provides for cancellation due to non-use this revision will result in voiding unused marks which total about 70% of the present 700,000 registrations. This revision goes into effect a little over 2 1/2 years from now, that is, from June 25th, 1978.

One problem which will be encountered is, however, that registrations for well-known marks with respect to unused goods will also come to automatically expire as a result of the enforcement of these two revisions, I will be referring to this point later.

5. HIKE IN FEES:
(Effective as of June 25th, 1975)

A threefold hike in application fees (from ¥2,000 to ¥6,000 for ordinary applications and from ¥4,000 to ¥12,000 for associated trademark applications) and a doubling of registration fees (from ¥12,000 to ¥24,000 for ordinary registrations and from ¥22,500 to ¥45,000 for renewal registration) have been in effect since June 25th, 1975, when the current revisions were promulgated.

6. ADMINISTRATIVE IMPROVEMENTS AND AMELIORATIONS:

Apart from the foregoing four major revisions to the trademark laws and regulations, a certain liberalization in the criteria of "similarity" in trademark examination, including similarity of goods in the category of classification of the goods, is now under way in the Patent Office

In my opinion, it will not be long before the concept of similarity of trademarks in Japan, which many have viewed as narrower than in the United States and various European countries, will be widened so as to become closer to this concept in the United States.

Further, approaches for strengthened protection for well known marks beyond their similarity of designated goods are also being studied in the Patent Office, as a considerable number of well known trademark registrations covering unused designated goods will shortly be exposed to cancellation under the strengthened revisions regarding cancellation I have discussed above or are going to lapse due to the difficulty in renewal due to non-use.

This is an important step on the part of the Patent Office, in my opinion, as I believe cancellation or expiration of well known marks, even for unused goods, should be avoided. Well-known marks, in my opinion, should be protected over a wide range of product lines, not only from registration by third parties but also from use by third parties, not only in identical form but also in similar forms, keeping them free from dilution and preventing third parties from getting a "free ride" on the fame of the mark.

7. CONCLUSIONS:

The Japanese Trademark Law is going to ~~under~~ undergo the most drastic changes that it has ever undergone, incorporating use requirements similar to those of other countries in that; (1) applications will be refused unless the use of the mark is probable in view of the applicant's line of business as stated; (2) unused registrations will be rather easily cancellable; and (3) unused registrations will be refused for renewal. All of the above should contribute greatly to overcoming delays in trademark examination before the Japanese Patent Office.

As I see it, however, one problem which must be solved concerns the protection of well-known marks with regard to unused goods that could be cancelled or lapsed, as I have earlier stated.

This subject is being discussed in the separate paper presentation entitled "Protection for well-known marks in Japan". by Mr. G. Tazaki.

PITFALLS FACED BY FOREIGN NATIONALS IN PROCURING AND MAINTAINING U.S. TRADEMARK REGISTRATIONS AND PROTECTING WELL KNOWN TRADEMARKS

BY

MAXWELL BRESLAU

OCTOBER 16, 1975

INTERNATIONAL CONFERENCE OF THE PACIFIC INDUSTRIAL PROPERTY ASSOCIATION

CAMBRIDGE, MASSACHUSETTS

WE ARE INDEED SETTING OUT ON A VERY AMBITIOUS TRADEMARK JOURNEY THIS AFTERNOON. IN THE SHORT TIME WHICH HAS BEEN ALLOTTED WE SHALL BE TALKING ABOUT THE FILING OF TRADEMARK APPLICATIONS BY FOREIGN NATIONALS, POST-REGISTRATION PITFALLS AND LASTLY WHETHER THERE ARE ANY COURSES OF ACTION OPEN TO PREVENT THE REGISTRATION OF WELL-KNOWN TRADEMARKS BY THIRD PARTIES IN THE U.S. AT BEST, BECAUSE OF THE LIMITED TIME AVAILABLE, WE SHALL ONLY BE ABLE TO HIGHLIGHT PROBLEM AREAS AND POSSIBLE SOLUTIONS.

TURNING FIRST TO TRADEMARK FILINGS IN THE U.S. BY FOREIGN NATIONALS, OUR STARTING POINT MUST BE SECTION 44 OF THE U.S. TRADEMARK ACT OF 1946 AS AMENDED. IN ESSENCE, IT PROVIDES THAT ANY PERSON WHOSE COUNTRY OF ORIGIN IS A PARTY TO ANY CONVENTION OR TREATY RELATING TO TRADEMARKS, TRADE OR COMMERCIAL NAMES, OR THE REPRESSION OF UNFAIR COMPETITION, TO WHICH THE U.S. IS ALSO A PARTY, SHALL BE ENTITLED TO OBTAIN A U.S. REGISTRATION EITHER ON THE BASIS OF A PRIOR FOREIGN REGISTRATION OR ON THE BASIS OF A PENDING FOREIGN APPLICATION. HOWEVER, THE PRINCIPLES USED IN DETERMINING WHETHER A FOREIGN NATIONAL'S MARK IS ELIGIBLE FOR REGISTRATION ON THE PRINCIPAL OR SUPPLEMENTAL REGISTER ARE THE SAME FOR FOREIGN APPLICATIONS, WHETHER FILED ON THE BASIS OF A FOREIGN APPLICATION OR REGISTRATION, AS THEY ARE FOR APPLICATIONS BASED ON USE IN COMMERCE IN THE U.S. THE MERE FACT THAT A FOREIGN NATIONAL HAS A REGISTRATION IN HIS OWN COUNTRY DOES NOT ASSURE REGISTRATION IN THE U.S.

THE MAJOR DIFFICULTY WHICH HAS ARISEN OVER THE YEARS RESULTS FROM THE REQUIREMENT IN THE U.S. THAT A MARK MUST BE USED IN COMMERCE BEFORE IT CAN BE REGISTERED. TRADEMARK RULE OF PRACTICE 2.39 PROVIDES THAT THE ALLEGATION THAT THE MARK IS "IN USE IN COMMERCE" AND STATEMENTS OF THE DATES OF APPLICANT'S "FIRST USE" MAY BE

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OMITTED IN THE CASE OF APPLICATIONS BASED ON FOREIGN REGISTRATIONS OR FOREIGN APPLICATIONS, AND IT IS AMBIGUOUS AS TO WHETHER USE MUST BE ALLEGED. BUT, I WOULD POINT OUT IT DOES NOT SPECIFICALLY EXCLUDE THE RULE 2.33 REQUIREMENT THAT THE APPLICANT MUST STATE THAT IT HAS ADOPTED AND IS USING THE MARK. OVER THE YEARS THERE HAVE BEEN VARYING INTERPRETATIONS AS TO WHETHER UNDER SECTION 44 THERE MUST BE AN ALLEGATION IN AN APPLICATION THAT THE MARK INVOLVED IS "IN USE" AND WHETHER SPECIMENS, WHICH ARE NORMALLY REQUIRED IN CONNECTION WITH A U.S. APPLICATION BASED ON USE IN INTERSTATE OR FOREIGN COMMERCE, ARE REQUIRED TO BE FILED. PLEASE NOTE I SAID "IN USE" AND NOT "IN USE IN COMMERCE". IN OTHER WORDS, "IN USE" SOMEWHERE AND NOT NECESSARILY THE U.S. OR THE COUNTRY OF ORIGIN.

IN ITS EARLIEST INTERPRETATION OF SECTION 44 THE PATENT OFFICE TOOK THE POSITION THAT IN APPLICATIONS FILED UNDER THIS SECTION THERE HAD TO BE AN ALLEGATION THAT THE MARK WAS "IN USE" BUT NOT "IN USE IN COMMERCE" AND SPECIMENS ILLUSTRATING THE USE HAD TO BE SUBMITTED [1]. HOWEVER, THIS HOLDING WAS REVERSED BY THE COMMISSIONER OF PATENTS IN 1955 IN WHAT IS REFERRED TO AS THE "MERRY COW" CASE [2]. THAT CASE HELD THAT A PARTY SEEKING A REGISTRATION BASED ON A FOREIGN "HOME" REGISTRATION DID NOT NEED TO HAVE ACTUALLY USED THE MARK, DID NOT HAVE TO ALLEGE THE MARK IS IN USE AND DID NOT HAVE TO SUBMIT SPECIMENS SHOWING THE MARK AS USED IN ORDER TO OBTAIN A U.S. REGISTRATION. THEREAFTER, IN OCTOBER 1962 RULE 2.39 ISSUED AND THE EARLIER PRACTICE OF REQUIRING AN ALLEGATION OF USE AND SPECIMENS WAS REINSTATED[3].

THE MATTER REMAINED DORMANT UNTIL 1973 WHEN THE TRADEMARK TRIAL AND APPEAL BOARD HANDED DOWN ITS DECISION IN WHAT HAS COME TO BE KNOWN AS THE "LEMON TREE" CASE [4]. THE BOARD HELD THAT ALLEGATIONS OF "USE" AND SPECIMENS SHOULD NO LONGER BE REQUIRED

IN CONNECTION WITH APPLICATIONS UNDER SECTION 44. THAT CASE WAS APPEALED TO THE DISTRICT COURT OF THE DISTRICT OF COLUMBIA. JUDGE HART CONCLUDED THAT THE BOARD'S DECISION WAS IN ERROR AND HE WENT ON TO NOTE THAT THE TRADEMARK ACT WAS DESIGNED TO PROTECT TRADEMARKS USED IN COMMERCE AND THAT THE USE OF A TRADEMARK OUTSIDE THE U.S. DOES NOT ESTABLISH OR CREATE RIGHTS WHICH CAN BE ASSERTED IN AN INTERPARTES PROCEEDING [5] AND VACATED THE DECISION OF THE TRADEMARK TRIAL AND APPEAL BOARD.

THERE WAS, HOWEVER, ANOTHER ISSUE WHICH WAS RAISED IN THE "LEMON TREE" CASE, NAMELY, WHETHER AN APPLICANT WHO, AT THE TIME OF FILING, HAD NOT USED THE MARK ANYWHERE CAN RELY ON THE SIX MONTHS CONVENTION PRIORITY UNDER SECTION 44(D) AND PREVAIL OVER A PARTY WHO USED THE MARK IN THE U.S. DURING THE SIX MONTHS CONVENTION PRIORITY PERIOD. THE COURT CONCLUDED THAT THE FIRST PARTY TO USE IN THE U.S. SHOULD PREVAIL NOTWITHSTANDING THE FACT THAT THE FOREIGN APPLICANT HAD MADE USE OF THE MARK SOMEWHERE, IN THIS CASE CANADA, PRIOR TO FILING IN THE U.S. THIS HOLDING WOULD SEEM TO BE A VIOLATION OF ARTICLE 4(B) OF THE CONVENTION WHICH IN EFFECT PROVIDES THAT FILING IN A MEMBER COUNTRY DURING THE SIX MONTHS PRIORITY PERIOD SHALL NOT BE INVALIDATED THROUGH FILING OR USE OF A TRADEMARK BY ANOTHER PARTY IN THAT MEMBER COUNTRY DURING THE SIX MONTHS PRIORITY PERIOD. THE SOLICITOR OF THE PATENT OFFICE MOVED TO INTERVENE AND HAVE THE DECISION RECONSIDERED. THE MOTION WAS DENIED BY THE COURT AND THE CASE IS NOW ON APPEAL TO THE DISTRICT COURT OF APPEALS OF THE DISTRICT OF COLUMBIA.

THERE WOULD APPEAR TO BE SEVERAL OTHER CASES WORTHY OF MENTION WHICH HAVE BEEN DECIDED SINCE "LEMON TREE" FIRST CAME UP. IN CONSOLIDATED CIGAR CORPORATION V. THE JAPAN MONOPOLY CORP. (181 USPQ 784) DECIDED BY THE TRADEMARK TRIAL AND APPEAL

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BOARD IN 1974, A JAPANESE APPLICANT FILED AN APPLICATION ON THE BASIS OF AN EXISTING JAPANESE REGISTRATION. IT RECITED USE OF THE MARK IN JAPAN AND SUBMITTED SPECIMENS. ITS APPLICATION WAS OPPOSED ON THE BASIS THAT NO CLAIM OF USE IN THE U.S. HAD BEEN MADE WHEREAS OPPOSER HAD USED THE MARK IN THE U.S. THE TRADEMARK TRIAL AND APPEAL BOARD REFUSED TO SUSPEND THE PROCEEDINGS PENDING A DECISION IN THE "LEMON TREE" CASE. THE BOARD HELD THE APPLICANT WAS ENTITLED TO RELY ON THE FILING DATE OF ITS U.S. APPLICATION AS ITS DATE OF FIRST USE AND SINCE THAT DATE WAS EARLIER THAN OPPOSER'S FIRST USE DATE OPPOSER COULD NOT BE DAMAGED BY THE REGISTRATION TO APPLICANT AND DISMISSED THE OPPOSITION.

IN A LATER INFRINGEMENT CASE IN NORTH CAROLINA THE DISTRICT COURT DISAGREED WITH JUDGE HART IN THE "LEMON TREE" CASE ON THE CONVENTION PRIORITY ISSUE AND HELD THAT A FOREIGN APPLICANT WAS ENTITLED TO PREVAIL OVER A DEFENDANT WHO ALLEGED FIRST USE IN THE U.S. DURING THE SIX MONTH PRIORITY PERIOD[6].

WHERE DO WE STAND INSOFAR AS THE FILING OF U.S. TRADEMARK APPLICATIONS BY FOREIGN NATIONALS ARE CONCERNED? IN CASES WHERE APPLICATIONS ARE FILED WITHOUT ALLEGING "USE" AND SUBMITTING SPECIMENS, THE TRADEMARK OFFICE IS NOW RETURNING SUCH APPLICATIONS.

WHAT SHOULD A FOREIGN NATIONAL DO ABOUT FILING IN THE U.S.? CLEARLY, HE HAS NO PROBLEM INSOFAR AS OBTAINING A U.S. REGISTRATION IS CONCERNED IF HE IS USING THE MARK SOMEWHERE AND CAN SUBMIT SPECIMENS. IN THE EVENT HE HAS NOT USED THE MARK ANYWHERE BUT HAS EVERY INTENTION OF DOING SO, HE MUST WAIT UNTIL HE HAS USED THE MARK.

LET US ASSUME THAT A U.S. REGISTRATION HAS ISSUED, WHETHER IT BE TO A FOREIGN NATIONAL OR TO A PARTY DOMICILED IN THE U.S. - AND IN THIS REGARD THE FOREIGN PARTY SHOULD BEAR IN MIND THAT ONCE A U.S. REGISTRATION ISSUES IT IS INDEPENDENT OF THE FOREIGN REGISTRATION ON WHICH IT IS BASED - WHAT FUTURE STEPS WILL BE REQUIRED TO MAINTAIN THAT REGISTRATION AND WHAT PITFALLS LIE AHEAD?

IN THE U.S., IN ORDER TO MAINTAIN AN EXISTING REGISTRATION, AN AFFIDAVIT - KNOWN AS A SECTION 8 AFFIDAVIT - MUST BE FILED WITHIN THE SIXTH YEAR FOLLOWING THE DATE OF REGISTRATION SHOWING THAT THE "MARK IS STILL IN USE OR SHOWING THAT ITS NON-USE IS DUE TO SPECIAL CIRCUMSTANCES WHICH EXCUSE SUCH NON-USE AND IS NOT DUE TO ANY INTENTION TO ABANDON THE MARK". YOU WILL NOTE THE STATUTE SAYS "IN USE" AND NOT "IN INTERSTATE USE". THE TRADEMARK OFFICE HAS TAKEN THE POSITION THAT THE USE ON WHICH THE AFFIDAVIT IS BASED IS NOT REQUIRED TO BE USE "IN COMMERCE", BUT THAT IT MAY BE ANY TYPE OF ACTUAL USE AS DISTINGUISHED, FOR EXAMPLE, FROM USE MERELY FOR THE PURPOSE OF ADVERTISING [7]. SECTION 8 REQUIRES A "SHOWING" THAT THE MARK IS STILL IN USE. "SHOWING" MEANS "PROOF" - EVIDENCE OF THE CONTINUED USE OF THE MARK. THE MOST CONVENIENT AND ACCEPTABLE METHOD APPEARS TO BE TO SUBMIT A SPECIMEN SHOWING HOW THE MARK IS CURRENTLY USED. THE SECTION 8 AFFIDAVIT DOES NOT REQUIRE THE GOODS TO BE NAMED IN THE AFFIDAVIT SO CONTINUING USE ON ANY ITEM SET OUT IN THE SPECIFICATION OF GOODS IS A SUFFICIENT BASIS ON WHICH TO FILE THE AFFIDAVIT. FURTHER, THE MARK AS USED MUST BE ESSENTIALLY THE SAME AS THE MARK WHICH APPEARS IN THE REGISTRATION.

WHAT THEN ARE SOME PITFALLS IN FILING SECTION 8 AFFIDAVITS, ASSUMING NO SHOWING OF EXCUSABLE NON-USE CAN BE MADE? WHILE IT APPEARS THE PATENT OFFICE WILL ACCEPT

AN AFFIDAVIT STATING A MARK "IS STILL IN USE" OR "STILL IN USE IN A NAMED COUNTRY OTHER THAN THE U.S." I SUBMIT THE FILING OF SUCH AN AFFIDAVIT BASED ON USE OUTSIDE THE U.S. COULD ONE DAY BE HELD TO BE UNACCEPTABLE. IT HAS BEEN HELD UNDER OUR LAW THAT A FOREIGN REGISTRANT MUST, WITHIN A REASONABLE PERIOD OF TIME AFTER THE ISSUANCE OF A U.S. REGISTRATION, USE THE MARK IN THE UNITED STATES OR IN OTHER COMMERCE WHICH MAY BE LAWFULLY REGULATED BY CONGRESS AND THAT FAILURE TO MAKE SUCH USE FOR A TWO YEAR PERIOD CONSTITUTES PRIMA FACIE EVIDENCE OF ABANDONMENT OF THE RIGHTS ACQUIRED BY THE REGISTRATION AND MAKES THE REGISTRATION SUBJECT TO CANCELLATION 8. IN THIS PARTICULAR CASE A SECTION 8 AFFIDAVIT OF USE HAD BEEN FILED ON THE BASIS THAT THE MARK WAS STILL IN USE IN GREAT BRITAIN AND HAD BEEN ACCEPTED BY THE PATENT OFFICE.

THEREFORE, IT WOULD APPEAR THAT IF A FOREIGN NATIONAL WISHES TO MAINTAIN ITS REGISTRATION IT SHOULD USE ITS MARK IN INTERSTATE COMMERCE OR IN FOREIGN COMMERCE WITH THE UNITED STATES WITHIN TWO YEARS OF THE ISSUANCE OF A REGISTRATION.

WHAT ABOUT THE "GOODS" ASPECT OF THE SECTION 8 AFFIDAVIT? SECTION 8 DOES NOT REQUIRE THAT GOODS OR SERVICES BE NAMED. HOWEVER, IF THE GOODS ARE IDENTIFIED IN THE AFFIDAVIT, AT LEAST ONE OF THE NAMED GOODS SHOULD BE AN ITEM WHICH IS SET OUT IN THE REGISTRATION. IT IS MY UNDERSTANDING THE PATENT OFFICE WILL NOT REGARD AS UNACCEPTABLE A SPECIMEN WHICH IS SUBMITTED TO SHOW USE OF THE MARK EVEN THOUGH IT IS IN RESPECT OF AN ITEM NOT COVERED BY THE SPECIFICATION OF GOODS. HOWEVER, IF THE REGISTRANT IS AWARE THAT THE MARK IS NOT IN USE ON ANY OF THE GOODS SET OUT IN THE SPECIFICATION AND KNOWINGLY SUBMITS AN AFFIDAVIT THAT THE MARK IS IN USE ALONG WITH A SPECIMEN SHOWING USE OF AN ITEM OTHER THAN ONE COVERED BY THE REGISTRATION, THEN I BELIEVE THAT THERE IS A GRAVE RISK THAT SOMEONE WHO IS BEING DAMAGED

BY THE MAINTENANCE OF THAT REGISTRATION COULD ATTACK IT NOT ONLY ON THE BASIS OF NON-USE BUT ON THE BASIS OF FRAUD.

THERE IS ANOTHER ELEMENT TO BE CONSIDERED. WHETHER THE MARK IS STILL IN USE IN THE FORM SHOWN IN THE REGISTRATION. IF THE MARK HAS BEEN ALTERED AND IF THE ALTERATION IS A MATERIAL ONE THE AFFIDAVIT WILL NOT BE ACCEPTED. FROM A STANDPOINT OF TIME ALLOTTED WE CANNOT GO INTO THE QUESTION OF WHAT CONSTITUTES A MATERIAL ALTERATION. HOWEVER, THE DANGER I WOULD LIKE TO POINT UP IS ONE WHERE THE REGISTRANT, BEING OF THE OPINION THE CHANGE IS NOT A MATERIAL ONE, DECIDES NOT TO RISK HAVING THE AFFIDAVIT TURNED DOWN AND SUBMITS A SPECIMEN WHICH SHOWS THE MARK IN USE AS IT WAS AT THE TIME OF REGISTRATION AND NOT AS IT IS AT THE TIME THE AFFIDAVIT IS FILED. THIS COULD CONSTITUTE FRAUD ON THE TRADEMARK OFFICE AND THE REGISTRATION COULD FALL IF IT IS ATTACKED ON THIS BASIS. WHILE FRAUD MAY NOT BE A VALID BASIS FOR ATTACKING A REGISTRATION IF THE MARK IS STILL IN USE SOMEWHERE IN ITS ORIGINAL FORM, IF IT IS IN USE IN A MATERIALLY ALTERED FORM IN THE UNITED STATES THE REGISTRATION MAY STILL BE ATTACKED FOR NON-USE OF THE MARK AS REGISTERED AND THE REGISTRANT MAY HAVE TO RELY ON COMMON LAW RIGHTS WHICH HAVE BEEN ESTABLISHED IN THE MATERIALLY ALTERED MARK. THESE COULD BE OF LITTLE VALUE TO PRESERVE RIGHTS AGAINST A PRIOR USER OF A MARK WHICH IS CONFUSINGLY SIMILAR TO THE ALTERED MARK BUT NOT TO THE MARK AS ORIGINALLY REGISTERED.

IT IS IMPORTANT FOR EVERY REGISTRANT TO CAREFULLY CONSIDER CHANGES IN ITS MARK TO DETERMINE WHETHER THEY CAN BE VIEWED AS NON MATERIAL ALTERATIONS OR WHETHER THE MARK SHOULD BE TREATED AS A NEW ONE WHICH SHOULD BE SEARCHED AND MADE THE SUBJECT OF A NEW APPLICATION. WHEN IN DOUBT A PETITION CAN BE FILED UNDER SECTION 7(D) TO AMEND THE MARK AS SOON AS THE NEW FORM IS IN USE AND

WITHOUT WAITING TO DO SO AT THE TIME OF FILING A SECTION 8 AFFIDAVIT OR A RENEWAL APPLICATION WHEN INSURMOUNTABLE OBSTANCES CAN BE ENCOUNTERED.

UNDER SECTION 15 OF THE TRADEMARK ACT, A REGISTRATION ON THE PRINCIPAL REGISTER CAN BECOME INCONTESTIBLE IF AN AFFIDAVIT IS FILED ANY TIME WHEN THE REGISTRANT CAN CLAIM FIVE CONSECUTIVE YEARS CONTINUOUS USE OF THE MARK SUBSEQUENT TO THE DATE OF REGISTRATION. THIS MEANS THE EARLIEST DATE THE AFFIDAVIT CAN BE FILED COINCIDES WITH THE EARLIEST DATE THE SECTION 8 AFFIDAVIT CAN BE FILED AND OFTEN THEY ARE FILED AS A COMBINED AFFIDAVIT DURING THE SIXTH YEAR OF REGISTRATION.

THE STATEMENTS REQUIRED IN THE SECTION 15 AFFIDAVIT, HOWEVER, DIFFER FROM THOSE REQUIRED IN A SECTION 8 AFFIDAVIT. HOW?

FIRST, THE AFFIDAVIT MUST IDENTIFY THE SPECIFIC ITEMS AS SET OUT IN THE REGISTRATION ON WHICH THE MARK HAS BEEN CONTINUOUSLY USED FOR AT LEAST A FIVE YEAR PERIOD.

SECOND, THE USE ON WHICH THE AFFIDAVIT IS BASED MUST BE USE IN COMMERCE - IN OTHER WORDS IN COMMERCE REGULATED BY THE U.S.

THIRD, THERE MUST BE A STATEMENT THAT THERE HAS BEEN NO FINAL DECISION ADVERSE TO THE REGISTRANT'S CLAIM OF OWNERSHIP OF THE MARK FOR THE GOODS OR SERVICES, OR TO THE REGISTRANT'S RIGHT TO REGISTER SAME OR TO KEEP SAME ON THE REGISTER.

FOURTH, THERE MUST ALSO BE A STATEMENT THAT THERE IS NO PROCEEDING INVOLVING SAID RIGHTS PENDING IN THE PATENT OFFICE OR IN A COURT NOT FINALLY DISPOSED OF.

IT WILL, THEREFORE, BE APPARENT THAT IF A COMBINED SECTION 8 AND 15 AFFIDAVIT IS FILED, DIFFICULTIES COULD ARISE BECAUSE THE ALLEGATIONS WHICH WILL SUPPORT THE SECTION 8 AFFIDAVIT ARE NOT ADEQUATE TO OBTAIN INCONTESTIBILITY. LET'S ASSUME THERE HAS BEEN FIVE YEARS CONTINUOUS USE OF A MARK ON GOODS NAMED IN THE REGISTRATION AND IN COMMERCE IN OR WITH THE U.S., ARE THERE ANY OTHER PITFALLS TO BE CONSIDERED? I THINK THERE ARE AT LEAST TWO WORTHY OF MENTION:

ONE IS ALTERATION OF THE MARK FROM THE FORM IN WHICH REGISTERED. THE AFFIDAVIT REQUIRES A RECITATION THAT THE MARK SHOWN IN THE REGISTRATION HAS BEEN "IN CONTINUOUS USE" FOR FIVE YEARS. IF DURING THAT PERIOD THE MARK HAS BEEN THE SUBJECT OF A MATERIAL ALTERATION - AND PLEASE NOTE I SAID MATERIAL ALTERATION - IN OTHER WORDS ONE WHICH COULD NOT BE MADE BY AN AMENDMENT UNDER 7(D), THEN THE AFFIDAVIT WOULD BE IMPROPER. IT SHOULD BE ABLE TO BE ATTACKED AND THE REGISTRANT COULD BE FORECLOSED FROM CLAIMING THE BENEFITS OF INCONTESTIBILITY.

THERE IS ALSO ANOTHER PITFALL CONCERNING USE OF THE MARK IN COMMERCE WHICH IS EQUALLY OF CONCERN IN FILING APPLICATIONS FOR RENEWAL OF A REGISTRATION WHICH WILL BE DISCUSSED SUBSEQUENTLY. YOU WILL RECALL I POINTED OUT THAT THE SECTION 15 AFFIDAVIT MUST CONTAIN A STATEMENT THAT THE MARK HAS BEEN USED IN COMMERCE REGULATED BY THE U.S. RULE 2.69 OF THE RULES OF PRACTICE PROVIDES THAT WHEN THE SALE OR TRANSPORTATION OF ANY PRODUCT FOR WHICH REGISTRATION OF A TRADEMARK IS SOUGHT IS REGULATED BY AN ACT OF CONGRESS, THE PATENT AND TRADEMARK OFFICE MAY,

BEFORE ALLOWANCE, MAKE APPROPRIATE INQUIRY AS TO COMPLIANCE WITH SUCH ACT FOR THE SOLE PURPOSE OF DETERMINING LAWFULNESS OF THE COMMERCE RECITED IN THE APPLICATION. IN THE FIRST DECISION DEALING WITH THE SUBJECT OF THIS RULE THE BASIS OF THE RULE WAS EXPLAINED AND THE COMMISSIONER OF PATENTS STATED THAT,

> "EXPRESSED IN ITS MOST CONCISE FORM, THE CONCLUSION REACHED HEREIN IS THAT USE OF A MARK IN CONNECTION WITH UNLAWFUL SHIPMENTS IN INTERSTATE COMMERCE IS NOT USE OF A MARK IN COMMERCE WHICH THE PATENT OFFICE MAY RECOGNIZE" [9].

IN A SUBSEQUENT CASE THE TTAB STATED,

> "...IF SPECIMEN LABELS SUBMITTED WITH AN APPLICATION SHOW ON THEIR FACE THAT AN APPLICANT HAS NOT COMPLIED WITH THE LABELING PROVISIONS OF A REGULATORY STATUTE GOVERNING SHIPMENT IN COMMERCE OF GOODS BEARING SUCH LABELS, A QUESTION MAY BE RAISED UNDER RULE 2.69 TO ASCERTAIN WHETHER THE APPLICANT HAD COMPLIED WITH THE APPLICABLE STATUTE .... IF A SATISFACTORY RESPONSE IS NOT FORTHCOMING REGISTRATION MAY BE REFUSED BECAUSE... SHIPMENTS OF GOODS UNDER NON CONFORMING LABELS ARE 'UNLAWFUL SHIPMENTS' " [10].

INQUIRY IS MADE WHERE APPLICATIONS ARE FILED IN REGARD TO THE FOLLOWING:

"THE FEDERAL INSECTICIDE, FUNGICIDE AND RODENTICIDE ACT"
"THE MEAT INSPECTING ACT"

"Poultry Products Inspection Act"
"The Federal Alcohol Administration Act"
"The Federal Seed Act"
"The Federal Food, Drug and Cosmetic Act"
"26 USC 7805 relating to cigars and cigarettes
(TMP 901.01 - 901.06)

While the inquiry is normally made when applications are filed I would submit that any time a statement is required that a mark is in use "in commerce", if the labelling or formulation does not comply with the Regulatory Acts I have mentioned, there is not a lawful use in commerce and any Affidavit or other paper which is filed to maintain a registration may be viewed as fraudulent. What does this mean insofar as a foreign national is concerned? It is extremely important that when any Affidavit or other paper is filed alleging use in commerce that the registrant be certain all Regulatory Acts are being complied with. Failure to comply may be the result of lack of knowledge of the Regulatory Act, or a modification of it, or, perhaps, due to a change in formulation or packaging of the product over the years so it no longer meets the requirements of a particular Act. Certainly it is essential that the label submitted show current use of the mark and an old one, or one in use outside the U.S., should not be used solely because it complies with the Act and the new one does not. In the case of an Affidavit no inquiry may be forthcoming from the Patent Office but the specimen is of record in the file and may afford an opponent in an inter partes proceeding a basis on which to attach the registration.

The next maintenance action I would like to touch upon is renewal of the regis-

TRATION. A REGISTRATION REMAINS IN FORCE FOR TWENTY YEARS PROVIDED THE SECTION 8 AFFIDAVIT IS FILED IN THE SIXTH YEAR. THE RENEWAL APPLICATION CAN BE FILED NOT EARLIER THAN SIX MONTHS PRIOR TO THE EXPIRATION DATE AND WITHIN THREE MONTHS THEREAFTER AS A LATE RENEWAL. THE RENEWAL AFFIDAVIT MUST SET FORTH THE GOODS OR SERVICES RECITED IN THE REGISTRATION ON OR IN CON NECTION WITH WHICH THE MARK IS STILL IN USE IN COMMERCE REGULATED BY THE U.S. A SPECIMEN OR FACSIMILE SHOWING CURRENT USE OF THE MARK MUST BE SUBMITTED. LASTLY, AN APPLICATION FOR RENEWAL MUST BE FILED BY THE RECORD OWNER OF THE MARK.

HERE AGAIN ANY FALSE STATEMENTS WHICH MAY BE MADE IN THE AFFIDAVIT MAY CONSTITUTE FRAUD. IN THIS REGARD, A REGISTRATION OF STAG FOR CIGARETTE TOBACCO WAS CANCELLED FOR FRAUD WHICH INVOLVED A FALSE STATEMENT OF USE. AT THE TIME THE MARK WAS RENEWED IT WAS ONLY IN USE ON CIGARS. HOWEVER, THE REGISTRANT FILED AN AFFIDAVIT STATING THE MARK WAS IN USE ON CIGARETTE TOBACCO [11].

I THINK IN THE DISCUSSION OF THE SECTION 8 AND 15 AFFIDAVITS I HAVE ALREADY COVERED THE "USE IN COMMERCE" AND "USE ON THE GOODS" ASPECT SO NO FURTHER CLARIFICATION IS NECESSARY. THE COMMENTS I MADE ABOUT COMPLIANCE WITH CERTAIN U.S. REGULATORY ACTS ARE APPLICABLE WHENEVER AN AFFIDAVIT IS REQUIRED STATING THAT THE MAR . IS IN USE IN COMMERCE REGULATED BY THE U.S.

THE NEW POINT WHICH THE RENEWAL APPLICATION HAS BROUGHT UP IS THE NEED FOR THE ACTION TO BE TAKEN BY THE RECORD OWNER. OFTEN DURING THE LIFE OF A REGISTRATION IT IS ASSIGNED OR THERE IS A MERGER OR A CHANGE OF NAME OF THE REGISTERED OWNER. IF THIS OCCURS IT IS ESSENTIAL THAT THE ASSIGNMENT, MERGER OR CHANGE OF NAME BE RECORDED PRIOR TO THE FILING OF THE RENEWAL APPLICATION. I WOULD ADD

HERE THAT IT IS ALSO IMPORTANT FOR ANY CHANGE OF ADDRESS TO BE RECORDED OVER THE YEARS SO ALL COMMUNICATIONS FROM THE PATENT OFFICE WILL REACH THE OWNER OF THE REGISTRATION PROMPTLY. IF AN ASSIGNMENT IS NOT RECORDED, OR IF A CHANGE OF ADDRESS IS NOT RECORDED, IT COULD RESULT IN A REGISTRATION BEING CANCELLED BY DEFAULT ON THE PART OF THE REGISTRANT.

OFTENTIMES A REGISTRATION IS LICENSED AND THE RENEWAL APPLICATION IS FILED IN THE LICENSEE'S NAME. THIS IS IMPROPER. IT IS THE RECORD OWNER WHO SHOULD FILE THE RENEWAL APPLICATION, THOUGH IT MAY BE NECESSARY FOR HIM TO OFFER AN EXPLANATION OF THE LICENSING ARRANGEMENT IN THE RENEWAL APPLICATION. IN THE U.S., LICENSING IS PERMITTED BUT IT IS NOT NECESSARY TO RECORD THE LICENSE. HOWEVER, THERE SHOULD BE A FORMAL LICENSE BETWEEN THE PARTIES WHICH IS BEING RELIED ON UNLESS THE LICENSEE IS A SUBSIDIARY WHICH IS CONTROLLED BY THE LICENSOR. UNFORTUNATELY, TIME DOES NOT PERMIT US TO GET INTO LICENSING OF TRADEMARKS, WHICH WOULD BE A SUBJECT IN ITSELF.

WHEN I CORRESPONDED WITH MR. TSUKAMOTO, VICE-CHAIRMAN OF COMMITTEE 1 - TRADEMARKS, HE ADVISED ME THERE WOULD BE AN INTEREST IN DISCUSSING HOW WELL-KNOWN TRADEMARKS CAN BE PROTECTED AGAINST REGISTRATION BY THIRD PARTIES IN THE U.S. HERE AGAIN, TIME DOES NOT PERMIT US TO DISCUSS THIS MATTER IN GREAT DETAIL. I HAVE POINTED OUT ALREADY THAT IN THE U.S. RIGHTS ARISE THROUGH USE OF MARKS. WHILE A FOREIGN NATIONAL CAN OBTAIN A U.S. REGISTRATION BASED ON A FOREIGN REGISTRATION AND USE, SUCH A U.S. REGISTRATION BECOMES INDEPENDENT OF THE FOREIGN REGISTRATION UPON ISSUANCE WHICH MEANS IT IS VULNERABLE TO ATTACK IF IT IS NOT USED IN THE U.S. WITHIN A REASONABLE TIME. THIS MEANS THAT UNLESS A WELL-KNOWN MARK IS USED IN THE U.S. IT IS EXTREMELY VULNERABLE TO APPROPRIATION BY ANOTHER

FOR THE SAME OR SIMILAR GOODS. THERE IS NO SUCH THING AS A DEFENSIVE REGISTRATION IN THE U.S.

IT IS TRUE THAT IN SEVERAL CASES INVOLVING RESTAURANTS THE FOREIGN OWNERS OF THE MARKS WERE SUCCESSFUL IN PREVENTING PARTIES FROM USING THEM IN THE U.S. THE MARKS INVOLVED WERE "MAXIM'S" [12] AND "PRUNIER" [13]. THE FORMER IS THE NAME OF A WELL-KNOWN RESTAURANT IN PARIS AND THE LATTER ONE IN PARIS AND LONDON. THE NEW YORK COURT IN THE "MAXIM'S" CASE APPEARED TO RECOGNIZE THE REPUTATION OF THESE RESTAURANTS IN THE U.S. AND THAT THEY HAD ESTABLISHED PRIORITY IN THESE SERVICE MARKS THROUGH ADVERTISING IN THE U.S. HOWEVER, THESE ARE EXCEPTIONS AND ADVERTISING ALONE IS ORDINARILY NOT ENOUGH TO ESTABLISH RIGHTS IN A TRADEMARK IN THE U.S.

WHAT THEN CAN A FOREIGN NATIONAL DO TO PROTECT ITS WELL-KNOWN MARK IN THE U.S. IT CAN REGISTER THE MARK AND PUT IT INTO USE IN THE U.S. IF THE MARK IS SUFFICIENTLY WELL KNOWN IT WOULD SEEM THAT THERE OUGHT TO BE WAYS TO PUT IT INTO USE, EVEN IF AT A LOW LEVEL BUT IN A BONA FIDE WAY. IN THE CASE OF A CONSUMER PRODUCT, PERHAPS, BY MAKING IT AVAILABLE THROUGH A NUMBER OF STORES THROUGHOUT THE U.S. OR THROUGH A MAIL ORDER HOUSE. AN ALTERNATIVE WOULD BE TO REGISTER THE MARK AND LICENSE A U.S. COMPANY TO USE IT. IF THE MARK CANNOT BE PUT INTO USE IN THE U.S. IT WOULD APPEAR THERE IS NO WAY OF PROTECTING IT AGAINST APPROPRIATION BY ANOTHER PARTY.

I HAVE BEEN TALKING ABOUT WELL-KNOWN MARKS WHICH ARE NOT IN USE AT ALL IN THE U.S. WHAT ABOUT THE MARK WHICH IS IN USE AND HAS BEEN REGISTERED IN THE U.S. FOR PARTICULAR GOODS? CAN IT BE PROTECTED AGAINST APPROPRIATION BY ANOTHER FOR

DIFFERENT GOODS? IN SUCH A SITUATION THE OWNER OF THE WELL-KNOWN MARK MAY BE IN A POSITION TO BRING AN INFRINGEMENT ACTION IN THE COURTS. WHETHER HE WILL PREVAIL WOULD DEPEND ON WHETHER THE MARK IS INHERENTLY A STRONG ONE OR A WEAK ONE, HOW WELL KNOWN IT IS, AND CONSIDERING THESE FACTORS WHETHER PERSONS SEEING THE MARK IN USE ON THE GOODS WOULD BE LIKELY TO ASSUME THEY ORIGINATE WITH THE OWNER OF THE WELL-KNOWN MARK. CERTAINLY, STRONG WELL-KNOWN MARKS WILL BE GIVEN A BROADER AMBIT OF PROTECTION THAN A WEAK MARK EVEN THOUGH THE LATTER MAY BE WELL KNOWN IN RESPECT OF PARTICULAR GOODS.

HOWEVER, EVEN IF THE GOODS ON WHICH THE MARK IS USED ARE TOTALLY UNRELATED TO THE GOODS ON WHICH A THIRD PARTY HAS USED THE MARK AND EVEN IF THE MARK IS NOT AS STRONG AS ONE MIGHT WISH - NOT THE "KODAK" IN ITS FIELD, THERE IS STILL HOPE. IN THE U.S. THE STATES ALSO HAVE ENACTED TRADEMARK LAWS AND SOME OF THEM HAVE INCLUDED ANTI-DILUTION PROVISIONS. THE PARTICULAR PROVISION IN MASSACHUSETTS READS AS FOLLOWS:

> LIKELIHOOD OF INJURY TO BUSINESS REPUTATION OR OF DILUTION OF THE DISTINCTIVE QUALITY OF A MARK REGISTERED UNDER THIS CHAPTER, OR A MARK VALID AT COMMON LAW, SHALL BE A GROUND FOR INJUNCTIVE RELIEF NOTWITHSTANDING THE ABSENCE OF COMPETITION BETWEEN THE PARTIES OR THE ABSENCE OF CONFUSION AS TO THE SOURCE OF GOODS AND SERVICES.

NOTE THAT RELIEF IS AVAILABLE NOTWITHSTANDING THE ABSENCE OF COMPETITION BETWEEN THE PARTIES OR ABSENCE OF CONFUSION AS TO THE SOURCE OF GOODS AND SERVICES. THE PURPOSE OF THESE DILUTION STATUTES IS TO PREVENT THE WHITTLING AWAY AND EROSION

OF THE VALUE OF A DISTINCTIVE TRADEMARK AS A RESULT OF ITS USE AND REGISTRATION BY OTHERS ON CLEARLY NON COMPETING GOODS. IN THE TIFFANY CASE THE MASS. FEDERAL COURT SAID,

> "THE RISK OF DETRACTION MAY BE A RISK OF AN EROSION OF THE PUBLIC'S IDENTIFICATION OF THIS VERY STRONG MARK WITH THE PLAINTIFF ALONE, THUS DIMINISHING ITS DISTINCTIVENESS, UNIQUENESS, EFFECTIVENESS AND PRESTIGIOUS CONNOTATIONS." [14]

THE QUESTION OF THE EXTENT TO WHICH U.S. COURTS ARE LIKELY TO GRANT RELIEF UNDER THE DILUTION DOCTRINE WOULD ENTAIL AN EXTENDED DISCUSSION. FOR OUR PURPOSES I THINK IT SUFFICES TO SAY THAT SOME JUDGES ARE RELUCTANT TO GRANT RELIEF UNDER THE DOCTRINE. HOWEVER, THE STATUTES OF THOSE STATES WHICH HAVE ANTI-DILUTION PROVISIONS ARE CLEAR AND AFFORD THE OWNERS OF A WELL-KNOWN MARK AN ADDITIONAL BASIS ON WHICH TO SEEK RELIEF AGAINST ONE WHO APPROPRIATES THE SAME MARK FOR USE ON NON COMPETING GOODS. IT WOULD BE WISE, HOWEVER, TO CONSIDER THE EXTENT AND MANNER IN WHICH THE ANTI-DILUTION PROVISIONS HAVE BEEN ENFORCED IN A PARTICULAR STATE BEFORE INSTITUTING ANY ACTION IN THAT STATE. LASTLY, IT IS IMPORTANT TO BEAR IN MIND THAT THE DILUTION THEORY IS NOT RECOGNIZED UNDER THE U.S. TRADEMARKS ACT. LIKELIHOOD OF CONFUSION IS THE ONLY TEST APPLIED UNDER THE U.S. TRADEMARKS ACT.

WHAT I HAVE ENDEAVORED TO COVER HERE TODAY COULD CLEARLY BE THE SUBJECT OF A NUMBER OF DISCUSSIONS. THE TIME ALLOTTED HAS ONLY PERMITTED ME TO HIGHLIGHT PROBLEM AREAS. HOPEFULLY, I HAVE SUCCEEDED IN GIVING YOU AN OVERVIEW SO THAT

SHOULD A PROBLEM ARISE YOU CAN MOVE IN THE -HT DIRECTION, ASK THE RIGHT QUESTIONS AND ACHIEVE YOUR GOAL OF REGISTER:.G, MAINTAINING AND PRESERVING EXCLUSIVE RIGHTS TO TRADEMARKS IN THE U.S.

RIGHT

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CITATIONS

1. Ex parte British Insulated Callender's Cables Limited, 83 USPQ 319 (Comr. Pats. 1949)

2. Ex parte Societe Fromageries Bel, 105 USPQ 392 (Comr. Pats. 1955)

3. In re Certain Incomplete Trademark Applications 137 USPQ 69 (Comr. Pats. 1963)

4. John Le Croy & Son, Inc. v. Langis Foods Limited, 177 USPQ 717 (TTAB 1973)

5. John Le Croy & Sons, Inc. v. Langis Foods Limited, 182 USPQ 132 (DC DC 1974)

6. American Petrofina, Inc. and American Petrofina Company of Texas v. Joe L. Brown and Brown Oil Company of Rocky Mount, Inc., Civil Action Number 1329 (ED NC 1974)

7. TMEP 1603.6

8. Sinclair v. Deb Chemical Proprietaries, Ltd., 137 USPQ 161 (TTAB 1963)

9. Coahoma Chemical Co., Inc., v. Smith, 113 USPQ 413 (Comr. Pats. 1957)

10. In re Stellar International, Inc., 159 USPQ 48 (TTAB 1968)

11. Conwood Corp. v. Loew's Theatres, 173 USPQ 829 (TTAB 1972)

12. Vaudauble v. Montmartre, Inc. 193 NYS2d 332 (1959)

13. Maison Prunier v. Prunier's Restaurant & Cafe 288 NYS 529 (1936)

14. Tiffany & Co. v. Boston Club Inc. 231 F. Supp 836 (1964)

Committee Presentations
(Committee 2)

Japanese Group, Committee, #2
Chairman: HISATAKA ONO
Reporter: MASAO TOMITA

REGULATIONS AND GOVERNMENT GUIDELINES FOR INTERNATIONAL LICENSING IN SOUTH-EAST ASIA

Our group made a study of regulations and government guidelines for international licensing in South-east Asian countries. Now I would like to give you a brief outline of our study.

1. Introduction

As the corporations in advanced nations promoted their brisk activities internationally, especia-ly in developing countries, during the past several years, these countries, serving as main arena for internationalization, came up with various restrictions on the abuse of economic strength of large corporations.

A resolution "The role of patents in the transfer of technology to developing countries"

was jointly proposed by Brazil and Columbia at the 16th UNGA in 1961, which gave an impetus to the recognition on the part of advanced nations that they should change drastically their attitude toward development assistance.

Problems on the technology transfer to developing countries are currently being discussed at UNCTAD and WIPO with a view to establishing Code of Conduct and Model Law respectively.
In South-east Asian countries - main arena for international activities of Japan, there is an increasing tendency toward nationalism, and the governments intervene more frequently, especially in restricting foreign capital.

Although there are some differences in legal system as patent system and anti-monopoly law or government restrictions on the induction of foreign capital and technology, I would like to explain regulations and government guidelines for international licensing in several countries of South-east Asia particularly in India and the Philippines where the patent system is established and the government policies are relatively definite.

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II. Regulations and Government Guidelines for International Licensing in India

India has a well-established patent system in South-east Asia and its government guidelines are also definite. But the country has recently strengthened its regulations to protect the domestic industry, and there is growing tendency toward strict restrictions on the induction of foreign capital and technology.

A. The Related Clauses for Licensing Agreements, provided in the Patents Act of India (No. 39 of 1970)

(a) Invalid Clauses in Licensing Agreements

It is not lawful to insert in any contract for patent license, a condition, the effect of which may be;

1. to require the purchaser, lesses or licensee to acquire from the vendor, lessor, licensor, or his nominees, or to prohibit him from acquiring, or to restrict in any manner or to any extent his right to acquire from any

person, to prohibit the purchaser, lessee or licensee from using, or to restrict in any manner or to any extent, his right to use any process other than the patented process.

(b) Compulsory license, revocation or expropriation

(i) Compulsory license or revocation where the invention is not worked.

At any time after the expiration of three years from the date of the sealing of a patent the Controller may, upon application,grant a compulsory license upon such terms as he may deem fit;

1. if, by default by the patentee to manufacture in India to an adequate extent and supply on reasonable terms the patented article:

- an existing trade or industry or the development thereof or the establishment of any new

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trade or industry in India is prejudiced; or

- the demand for the patented article is not being met to an adequate extent or on reasonable terms from manufacture in India; or
- a market for the export of the patented article manufactured in India is not being supplied or developed; or
- the establishement or development of commercial activities in India is prejudiced;

2. if the patented invention is not being worked in India on a commercial scale to an adequate extent or is not being so worked to the fullest extent that is reasonably practicable

3. if the working of the patented invention in India on a commercial scale is being prevented or

hinderd by the importation from abroad or the patented article. (Act, Sec. 84 and 90 (a), (c), and (e))

4. On the same grounds, and after the expiration of the same period, the Central Government may make an application to the Controller for an endorsement of the patent with the words "Licenses of right," with the effect that any person interested is entitled to a license upon terms decided, in the absence of agreement, by the Controller. (Act, Sec. 86 and 88)

Every patentee and every licensee is required to

furnish in intervals of not less than six months a statement on the extent to which the patented invention has been worked on a commercial scale in India (Act, Sec. 146). Two years after the grant of a compulsory license of a "licenses of right" endorsement the patent may be revoked on the same grounds (Act, Sec. 89).

(ii) Compulsory license, revocation or expropriation for reasons other than non-working of the invention

The same sanctions are referred to grant a license on reasonable terms;

1. if by refusal of a patentee to grant a license on reasonable terms:

   - an existing trade or industry or the development thereof or the establishment of any new trade or industry in India is prejudiced; or
   - the demand for the patented article is not being met to an adequate extent or on reasonable conditions from manufacture in India; or
   - a market for the export of the patented article manufactured in India is not being supplied or developed; or
   - the establishment or development of commercial activities in India is prejudiced;

2. if by reason of conditions imported by the patentee upon the grant of licenses or upon the purchase, hire or use of the patented article or process, the manufacture, use or sale of materials not protected by the patent or the establishment or development of any trade or industry in India is prejudiced;

3. if the demand for the patented article in India is being met to a substantial extent by importation from abroad by the patentee or person claiming under him.

4. if the patented invention is not available to the public at a reasonable price. (Act, Sec. 84, 86, 88, 89, and 90(a) and (b) and (d)

As regards food, drugs and chemicals, every patent is deemed to be endorsed with the words "Licenses of right" after three years from the date of sealing of the patent (Act, Sec. 87.)

B.

The Government may, if it considers it necessary in the public interest, acquire all the rights under a patent by publishing a notification to that effect in the Office Gazette, and compensation is given to the patentee and other persons having an interest in the patent (Act, Sec. 102).

Where the Central Government is of the opinion that a patent or the mode in which it is exercized is mischievous to the State or generally prejudicial to the public, it may, after

giving the patentee an opportunity to be heard, make a declaration to that effect in the Official Gazette and thereupon the patent shall be deemed to be revoked (Act, Sec. 66).

B. Guidelines by government and government office for international licensing in India

In India the Foreign Investment Board is the only government office responsible for the induction of foreign capital and technology.

The government of India classifies industries into those where foreign technical collaboration may be permitted and those where no foreign collboration is considered necessary. The government issued guidelines for the expenditious disposal of all applications for foreign technical collaborations as outlined in the following.

(a) Royalty has been grouped into two ranges, a low range up to 3% and the other up to 5%. All royalties are subject to Indian taxes.

(b) There should generally be no provision for payment of a stipulated minimum amount of royalty related to turnover.

(c) Royalty payments should normally be restricted to a period of 5 years from the date of commencement of production provided production is not delayed beyond 2 years of signing of agreement.

(d) Where an indigenous 'know-how' capable of commercial exploitation is available, importation of know-how is not normally permissible.

(d) The importance of avoiding repetitive import of know-how for the same or similar product or process should be kept in view. Also, to the extent practicable,fresh entrants should be asked to obtain the know-how imported by those already in the field.

III

(f) Suitable provision should be made for the training of Indians in the field of production and management.

(g) The question of use of foreign brand names/ trade marks should be examined from the view-

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points (i) whether any additional payment is envisaged for the use of such foreign brand names; and (ii) whether the use of such names would adversely affect the small-scale sector or the indigenous industry. In such cases the use of foreign brand names should not be allowed for products manufactured under foreign collaboration and meant for the Indian market.

In India payment of royalties to overseas concerns is restricted by the Foreign Exchange Regulation Act. Pursuant to this Act, the approval of the central government and the Reserve Bank of India is necessary for the payment of royalties to overseas concerns.

III Regulations and government guidelines for international licensing in the Philippines

A. Provisions for licensing agreement in the Republic Act of the Philippines

(a) Compulsory Licensing

Although the Republic Act is framed

after the American Patents Act, it differs only in that the Director of the Patent Office is given the compulsory licensing right (Act 34 -36).

B.

When there exist any reasons relevant to compulsory license and any interested person claims it,the Director of Patents shall publish the claims in the Official Gazette, decide whether to grant patents or not and attach necessary conditions. However, there have been no cases where compulsory licenses are granted.

(b) Revocation of Patents

The Republic Act of the Philippines provides that the Director of Patents shall have the right of revocation.(Act, 28 - 32)

If the patent right comes under the reasons provided in the Article 28 of the Republic Act,any person may apply to the Director of Patents for the revocation of the patent right or any scope of its claim.

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B. Guidelines by government and government office for international licensing in the Philippines

In concluding technical assistance agreement with foreign countries in the Philipppines, it is necessary to apply to the Securities and Exchange Commission and obtain the approval of the Department of Trade under the coordination of the Board of Investment and the Central Bank.

The payment of royalties requires the approval of the Central Bank and is subject to the withholding tax of 35%. The Central Bank notice No. 393 was issued in December 7, 1973, making the following royalties the subject of restriction.

"Those agreements made between residents and non-residents on the use of trademarks, copyrights and patents, and on the use or transfer of technology or on the rendering of services whose payment is made by royalties or lease fees linked to production, use or the price of the commodity sold."

Those agreements which come under the

above restriction shall be submitted to the Central Bank for its approval and registration. The Central Bank confers with the Board of Investment.

For approval and registration, the following requirements shall be met.

(a) The term of agreement shall be within 5 years and there shall be no provision for automatic renewal.

(b) There shall be no restrictive clause on the prohibition on the export of products covered by agreement or the one which promises the licensor to be exclusive agency in exporting.

(c) Royalties or lease fees shall not exceed the following amount

i) In case of agreements on rendering technical services like know-how, 5% of the wholesale price of the commodity.

ii) In case of agreements on market services like the permission to use trademarks and tradenames, 2% of the

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wholesale price of the commodity. However, if special merits are recognized, the Finance Commission may alleviate the above restrictions upon consultation with the Foreign Reserve Commission.

Parenthetically, the above-mentioned royalities do not limit the maximum amount of royalties in license agreements, but set a limit to the amount of remittance to foreign concerns. That is, royalty rate may be fixed by the parties concerned, but the remittance of royalities shall be made pursuant to this notice.

In the Philippines the Fair Trade Board is established inside the Department of Trade for the supervision of unfair trade practices. Such practices as restriction of scale amount, misrepresentation, price control and export restrictions are regarded as unfair trade.

IV. 'Regulations and Government Guidelines for International Licensing in Other South-east Asian Countries

i) Thailand

There is no ceiling on royalties concerning the introduction of technology, but agreements made between the parties concerned shall be submitted to the Board of Investment.

There is no general guidelines against unfair trade or Anti-Monopoly Law.

The government of Thailand regards the following practices as unfair trade.

(1) To switch a part of the payment for machinery over to the price for technical assistance.

(2) Requirement to purchase raw materials from the licensor.

(3) To fix the price for raw materials.

(4) Unreasonable price.

ii) Malaysia

It is necessary to get the approval of the Minister of Commerce and Industry and Bank

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Negara to conclude the agreement for foreign technical assistance.

Licensing royalties are kept within the maximum 2% under the guidance of the government.

V. Conclusion

So far I have briefed on the regulations and government guidelines for international licensing in South-east Asian countries.

There have been few regulations against monopoly of the market by some big enterprises or restrictions on transactions in the developing countries, which is mainly because of the fact that these countries had very few Zaibatsu (big financial combines) of big enterprises and also because they may have recognized that the activities of big enterprises should be rather promoted to be able to catch up with the advanced nations.
Recently, however, we can see the growing nationalism and protectionism for domestic consumers in these developping countries. They are adapting a clearer attitude against the industrial ruling by huge foreign capitals of the advanced countries and establishing restrictive laws one after another.

For example, the Anti-Trust Law on the model of Japanese Anti-Monopoly Law was submitted to the Congress of Thailand.

However, for the countries importing technology, it will be little effect to regulate unilaterally the licensing agreement of international enterprises and it will be difficult for them to remove the restrictions on competition even if they make the extraterritorial application of the Anti-Trust Law and other national laws. Under these circumstances, strong regulations, for instance, should be established by some intergovernmental agencies.

Discussions about these matters, as I mentioned before, are going on among the people of WIPO or UNCTAD, the result of which is expected to be fruitful.

I think it necessary to continue our study attentively on how these South-east Asian countries -- developing countries in need of technical assistance -- intend to induce foreign capital and technology in view of their economic development plan, and on what will be the revision of patent system and the trend in regulations in each country.

LICENSOR'S WARRANTY UNDER JAPANESE LAW

October 16, 1975
Japanese Group Committe #2
Chairman: Hisataka ONO
Reporter: Kazuo TAKAYANAGI

Introduction:

Ladies and Gentlemen: It is a great pleasure for me to speak on licensor's warranty under patent and know-how licensing agreements. With respect to the nature and scope of licensor's warranty, it seems to me that the law is not entirely clear in most of the countries of the world. In Japan the law is not clear and many problems are still up in the air.

The Japanese courts have never had an opportunity to rule on licensor's warranty problems. This is partly attributable to the fact that the parties to a domestic licensing agreement are inclined to settle any dispute by negotiation without recourse to law suit or arbitration proceeding and that the parties to an international licensing agreement usually agree to settle any dispute by arbitration.

Before I left Tokyo for Boston to attend this conference, I had an opportunity to discuss licensor's warranty with the members of the working group of the

Committee #2 on Patent Licensing Law and Practice of the Japanese group. The working group has attempted to identify what kind of warranty obligations the licensor should usually bear and to clarify their nature and scope under the Japanese Civil Code. My speech is essentially based on the discussions with my colleagues of the working group.

1. Applicability of the Japanese Civil Code:

Warranty obligations of the licensor can be classified into two kinds: warranty implied by law, and warranty expressly agreed to by the licensor. In an international licensing agreement, the nature and scope of warranty primarily depend on the governing law selected by the parties. Warranty, either express or implied, may differ according to whether the subject matter of license is a patented invention or unpatented know-how.

I would like to first discuss the warranty problems with respect to a patented invention in fairly detail, and then discuss similar problems in know-how licensing.

The Civil Code of Japan was enacted in 1896, modelling after the German Civil Code and with much influence of the French Civil Code. In Chapter II "Contract" of Book III "Obligations", the Civil Code provides thirteen (13) kinds of typical contracts including contracts of

sale. Although the Civil Code does not provide for contracts of licensing of intellectual property, general principles of provisions contained in the Code are applicable with necessary modifications. With respect to the licensor's warranty, we must examine to what extent rules concerning the seller's warranty are applicable by analogy to licensing agreements. The Civil Code provides two types of warranties: one is the warranty of title under Articles 560 to 567, and the other, the warranty for latent defects under Article 570.

II. Warranty of Title:

Warranty of title is breached in any of the following situations:

(1) where the thing sold is actually owned by a third person (Art. 560);

(2) where a part of the thing sold is actually owned by a third person (Art. 563);

(3) where a part of the thing sold is lost or the thing sold is short in quantity (Art.565);

(4) where the thing sold is subject to usufructuary right of a third person (Art. 566); and

(5) where the thing sold is subject to a lien or mortgage (Art. 567).

For a breach of warranty by the seller, the buyer may terminate the contract, demand reduction of purchase price or recover damages.

In a patent licensing agreement, a breach of warranty of title may occur in the following situations:

(1) where the licensed patent is subject to a non-exclusive right of a prior user to work the patented invention;

(2) where the licensed patent is subject to restriction by the existence of a dominant basic patent of a third person; and

(3) where the licensed patent is declared invalid by the Patent Office.

Article 79 of the Patent Law provides that a person who, in good faith, began working of a patented invention before the patentee filed an application may continue to work the patented invention on a non-exclusive basis. In case of an exclusive license being granted to a third person, the exclusivity of the license is subject to limitation imposed by the existence of the prior user's right. This is similar to a situation where the thing sold is subject to usfructuary right of a third person. Where such prior user exists with respect to the licensed patent, the exclusive licensee of such patent would be able to demand reduction of royalty, or terminate the license agreement if the purpose of license is unattainable. In this case, the exclusive licensee must demand, under the Civil Code, royalty reduction or termination of the agreement within one (1) year after discovery of the existence of the prior user's right. All these

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remedies are for the exclusive licensee and, in case of a non-exclusive licensee, he is not entitled to such remedy, since his license is not affected in any way.

Under Article 72 of the Patent Law, a patentee is prevented from exploiting his patent if it cannot be worked without utilizing a more dominant basic patent of a third person. This is similar to a situation where a part of the thing sold belongs to a third person. The licensor is then required to obtain a license of such basic patent in order to enable his licensee to work the licensed patent. If the licensor fails to do so, the licensee may terminate the license agreement or seek damages from his licensor. If the licensee pays royalty to the owner of the basic patent, he may demand reduction of royalty to the extent of such expenses.

It is more difficult to determine the licensor's liability when the licensed patent has been invalidated by the Patent Office under Article 123 of the Patent Law. There are two different approaches suggested by Japanese commentators to solve this problem, which will lead to the same conclusion.

The first approach is derived from the principle for the assumption of risk under the Civil Code. In the absence of bad faith or laches in the invalidation proceeding on the part of the Licensor, the licensor is not responsible for the outcome of the invalidation proceeding. Hence, it may be said that the licensee should assume the risk

of the transaction, as in a case where Article 536 of the Civil Code is applicable. Article 536 provides that, in case where the performance of an obligation becomes impossible due to a cause not imputable to either party, the obligee is not entitled to remedy for the failure of performance by the obligor of such obligation. Under this principle, the licensor does not warrant or is not liable for the consequence of the invalidation proceeding, and the licensee is simply relieved of royalty obligation.

The other approach is that the licensor's liability should be discussed in terms of warranty. It is contended under this approach that since the lack of patentablity in a patented invention is very difficult to ascertain, the licensee should forsee that the licensed patent may possibly be invalidated, and therefor, it is the licensee who should assume the risk of invalidation unless it is known to the licensor. Under this theory, upon invalidation of the licensed patent, the licensee is relieved of royalty payment, but is not entitled to damages.

Under either one of these theories, there still remains a question as to whether the licensee is entitled to recover royalty previously paid. Although invalidation of a patent has a retroactive effect under Article 125 of the Patent Law, there is conflicting views among commentators on this question. The view

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which holds that the licensee is not entitled to recover his past royalty payments finds its justification in the fact that the licensee has enjoyed the exclusive right until the licensed patent is invalidated and the licensor has performed its obligation until such time. The application of the theory to deny recovery of the past royalty payments might, however, be attacked as against the prevailing patent policy.

III. Warranty for Latent Defects:

Article 570 of the Civil Code provides for the seller's warranty for latent defects in the thing sold. The buyer is entitled to seek damages for a breach of such warranty. In case where the purpose of the sale is defeated by a latent defect, the buyer may terminate the contract of sale.

I would like to discuss to what extent this principle is applicable to patent licensing agreements.

A latent defect exists where the patented invention lacks a quality which enables the licensee to work the patented invention in a manner contemplated in the license agreement, for example, where the licensee, with presently available technical means, fails to obtain the contemplated technological merits. This may be called the lack of technological workability. It is

clear that the licensor is not responsible for the technological workability on an industrial scale or at a commercial level. It is because a patent application can be filed only if the inventor has ascertained the technological merits of his invention at an experimental stage.

The extent of technological workability contemplated by the parties must be ascertained according to the context of the license agreement, with due consideration of the patent specification, the licensed products as defined in the agreement and the purpose of the license. In case where the licensor himself or his licensee has been engaged in the manufacture of the patented products or of products under the patented process, the licensor will be expected to guarantee the industrial workability of the licensed patent.

In case the licensor has shown a sample of the licensed products to the licensee before entering into a license agreement, the licensor should perhaps be held responsible for enabling the licensee to manufacture the products of the same quality and performance.

The next question is as to what kind of remedies are available for the licensee in case the licensed patent lacks technological workability as discussed above. Under the principle of the Civil Code, the

licensee may demand the licensor to cure the latent defect within a reasonable period of time, or the licensee may remove the defect by himself and then recover from the licensor the expenses incurred by the licensee. If the purpose of the license is not attained due to the lack of technological workability, the licensee may terminate the contract and recover damages from the licensor. While such defect continues to exist, the licensee may avoid royalty payment including the payment of minimum royalty. In case where the licensor does not cure the defect completely, the licensee may be entitled to a proportionate reduction of royalty.

IV. Contractual Limitation of Warranty:

So far, I have discussed various warranty problems that may be encountered by the parties in the absence of express provisions in the license agreement. The warranty obligations will give a licensor not a little burden since the seller's warranty is considered under the Civil Code as absolute liability.

However, the Civil Code provisions that are applicable by analogy to licensing agreements are not mandatory provisions, and, hence, the licensor may limit or entirely disclaim warranty obligation where he is in a stronger bargaining position. On the other hand, the licensee may impose upon the licensor whatever warranty

obligation that may be considered appropriate by the licensee. The parties may provide remedies for breach of warranty, express or implied, by the licensor.

In this connection, I would like to call your attention to Article 572 of the Civil Code. Article 572 provides that the seller, even where warranty is expressly disclaimed in the contract, cannot avoid liability with respect to a fact known to him but was not disclosed to the buyer, or to a right established by himself for the benefit of, or assigned by himself to, a third party.

Article 572 is applicable to a situation where a defect in title or the thing was known to the licensor but was not disclosed to the licensee before they entered into a license agreement. It is also applicable where the licensed patent was pledged for the benefit of or assigned to a third party.

Much have been discussed by various commentators in Japan about the licensor's warranty in these situations, but, in practice, the parties usually rely on contractual arrangements. For example, a standard form for licensing Government-owned patents provides in Article 5 that no past royalty shall not be reimbursed in the event of invalidation of the licensed patent. A specimen form of domestic licensing agreement published by Japan Patent Association incorporates the same provision. A model contract form used by a government

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subsidized public corporation, provides for a complete disclaimer by the Corporation in case where the licensed technology infringes upon the right of a third party when it is worked by the licensee.

V. Licensor's Warranty under a Know-How Licensing Agreement:

The distinction between warranty of title and warranty for latent defects is also applicable to a know-how licensing agreement.

Warranty of title is breached where licensee's use of the licensed know-how infringes upon a patent owned by a third party. In such a situation, the licensor is subject to a liability similar to the liability of the licensor of a patent in case where the licensee is prevented from exploiting the licensed patent without utilizing a more dominant basic patent of other person.

Warranty for latent defects may be breached where the licensed know-how lacks technological workability or secret character.

A know-how licensor, to a greater degree than a patent licensor, can be expected to be more familiar with the potential usefulness of the subject matter of license, since he has usually developed, used and evaluated the know-how over a period of time. Furthermore, while the patented invention has been known to the public, know-how is kept secret, and the know-how licensor may be reluctant to allow his prospective

licensee to inspect the subject matter of license before the license agreement is signed.

It is maintained by most commentators in Japan that a know-how licensee would more be justified in relying on his licensor, thereby having more reason than a comparable patent licensee, to seek his licensor warranty obligation. Hence, the know-how licensor should be held to warranty obligation to a reasonable extent, even in the absence of express provision in the license agreement. And such reasonable extent may cover the industrial realization of the licensed know-how.

Conclusion:

In the theoretical analysis of licensor's warranty under the Civil Code of Japan, commentators frequently resort to a comparable discussion in German literature, since the Japanese Civil Code and Patent Law are considerably reflected by das Deutsche Bürgerliche Gesetzbuch und das Patent Gesetz.

It is a well-established theory both in Japan and Germany that the law grants the patentee not only a right to exclude others from making, using or selling the invention, but also a right to exploit the invention covered by the patent. In case where a license agreement is entered into, it may reasonably

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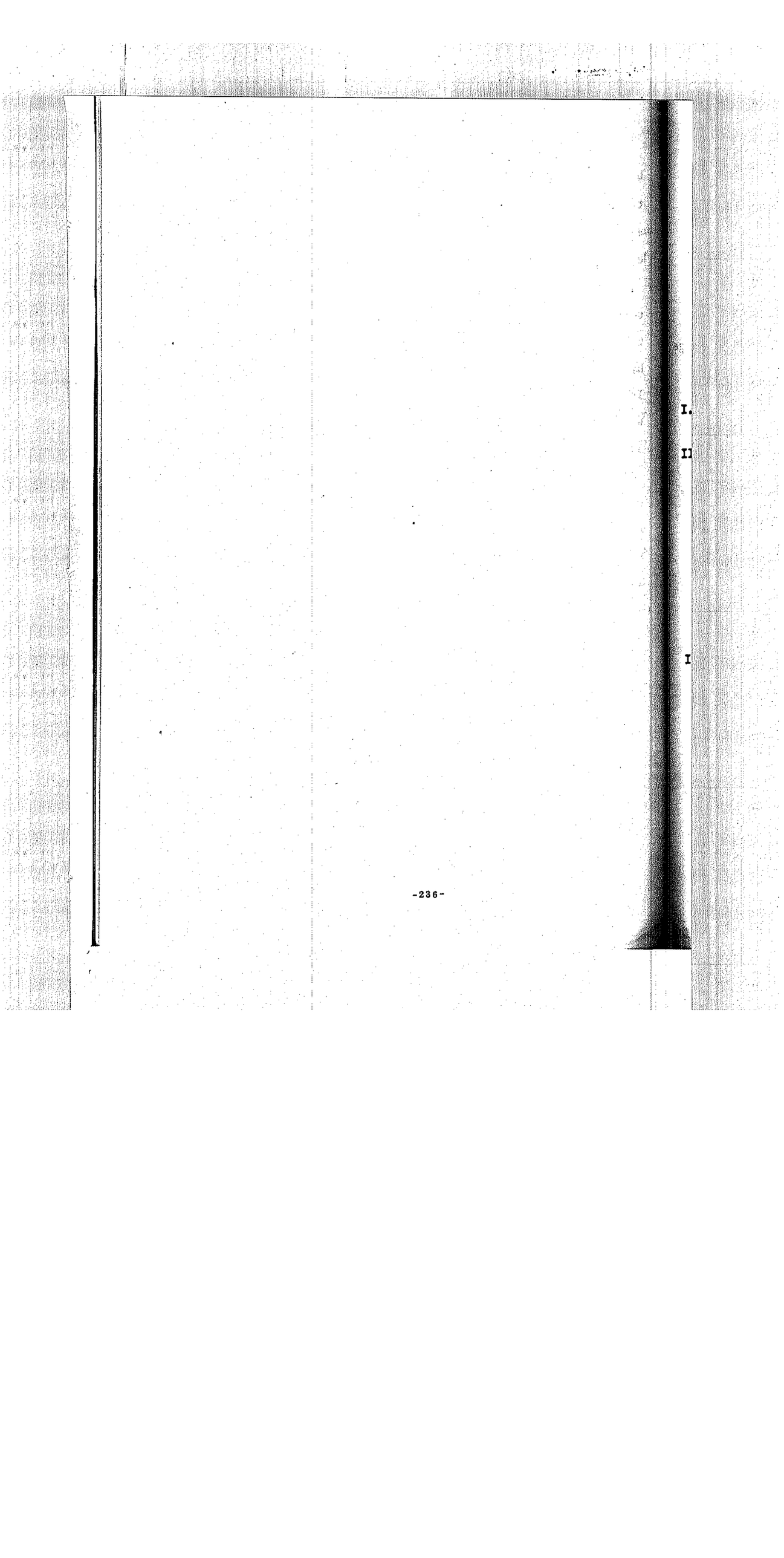
be inferred that the licensee is entitled not only to the right to act without fear of suit for patent infringement, but also, and more important, to the right to exploit the patented invention.

However, since the end of World War II numbers of technology have been transferred from the United States to Japan, and accordingly, we are very much influenced by the American practice of handling licensing problems. It should be noted how far the theory on licensor's warranty in the United States will give influence on Japanese judges, arbitrators, lawyers and commentators.

In conclusion, I share the view with the Japanese working group that, in each licensing agreement, we should have a clear contractual provision that can minimize the risk involved under an ambiguous warranty law. Thank you for your kind attention.



October , 1975
Committee No. 2
Japanese Group of PIPA
Chairman: Hisataka ONO
Reporter: Kensuke NORICHIKA

Licensing Policy of Japanese enterprises

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Licensing policy of Japanese enterprises

I. Preface

Recently, in Japan, the importance of licensing of technical and intangible assets such as patents and knowhow has become recognized along with the increase of activity in technology exchange in the domestic and international fields. This is shown by the fact that Japanese receipts of technology exports have increased from $2.3 million in 1960 to $59 million in 1970; that is, about a 25 fold increase in 10 years. The ratio of technology export receipts to technology import payments increased to 14%.

However, the income-outgo ratio of technically-advanced nations is an exceptional 950% for The United States, 98% for The United Kingdom and 39% for West Germany.

Therefore, Japanese Technology export business has just gotten underway.

The remarkable development of Japanese industries after World War II was mainly due to Technology imports from the USA. But, recently improved techniques related to these imported Technologies

or unique techniques based on original research and development have appeared locally, the latter, however, only in limited areas. Though Japanese enterprises have long been accustomed to technology imports, they generally do not have enough experience in the export business. Therefore, they do not fully understand that licensing plays an important role in the management of all enterprises.

Realizing the importance of licensing, The Licensing Committee's Policy Subcommittee, a group of specialists in the Japan Patent Association, sent a questionnaire to member of the Association in 1974 to sound out the actual situation of technology licensing during the past 5 years.

Results of this survey were recently released, and some of them will be introduced below.

II. Present licensing situation of Japanese enterprises

1. Results of licensing during the past 5 years

The companies which offered domestic licenses amount to about 80% (about 200) of all the companies (about 250) which answered the questionnaires, and the number of licenses per company is about 14. The companies which gave foreign licenses also amount to about 78% (about 190) which is almost the same figure as that of domestic licenses. However, the number of licenses per company in this area is about 3.5 or only 1/4 that of the domestic field.

Analyzing these results by types of licenses, it is found that the domestic field mainly consists of patent licenses. On the contrary, in the international field, package licenses which are a combination of patents and knowhow ranks first. Other types of licenses such as knowhow only, licenses related to joint ventures and licenses for plant exportation, are equally represented. (Fig. 1)

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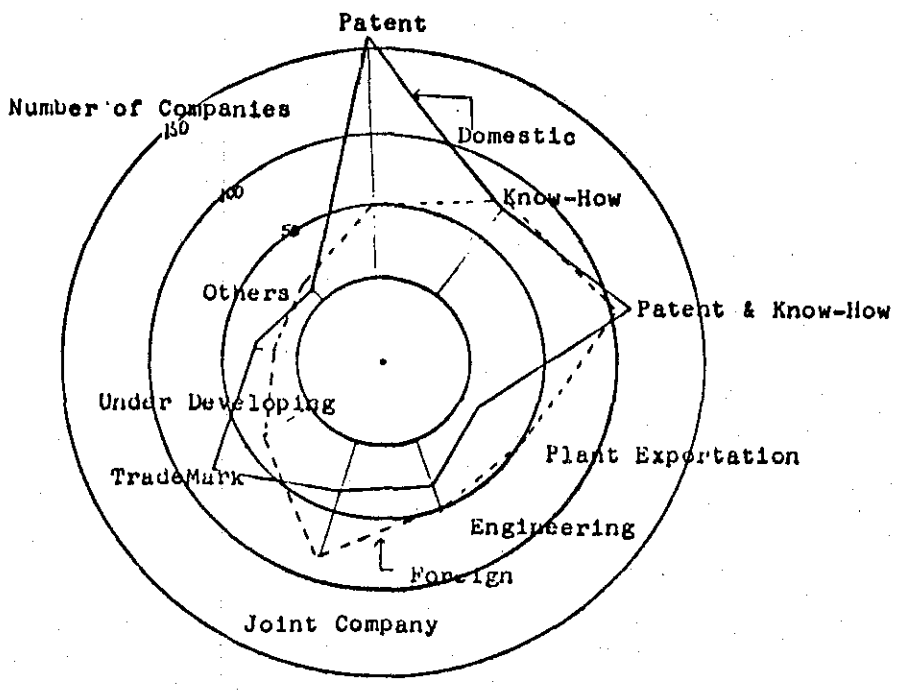
Fig. 1

Results of Licensing, Number of Companies



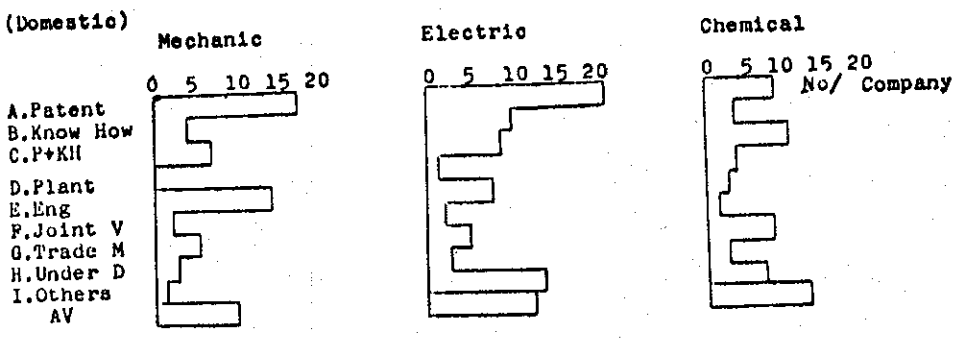
In the domestic field the infringement immunity type licensing, which is restricted to patents only, is preponderant, because the technical level of Japanese companies is above the standard. On the contrary, in the case of foreign licenses, it is understood from actual results that types of licensing has become complex due to its relation to export

investment, product exportation and the technical level of the other party (licensee).

If we analyze licenses by type of industry, we find that there are many domestic licensing results restricted to patents only in the mechanical and electrical industries. On the other hand, in the chemical industry, the package license of patents and knowhow outnumbers the patents only type. Here various kinds of licensing have been conducted compared with other industries. This is due to unique characteristics of the chemical industry; that is, its licensing subject techniques are mainly production processes and knowhow has much weight in this area. (Fig. 2) Most foreign licenses are in Southeast Asia with North America, Europe and Central and South America following in that order. Almost no licensing results are reported in the Communistbloc, Africa, The Middle and Near East and Australia.

Fig. 2

Results of the Licensing, per a Company



2. Licensing Policy

(1) Licensing policy when a license inquiry is received. More than 80% of the companies answered that when they receive a license inquiry, they make their decision on a case-by-case basis.

This seems to show that their decision makings on a case-by-case basis and thus determining the merits and demerits of each license are themselves their basic policies.

Among the answering companies, about 15% have a positive policy not only in regard to patent licensing but also to knowhow licensing. Above all, in electric industry, some companies have completely open patent licensing policy which has been in effect for many years.

It is interesting to note that about 35% of the companies which have long licensing experience have adopted this policy.

On the other hand, only one company always rejects domestic licensing on both patents and knowhow.

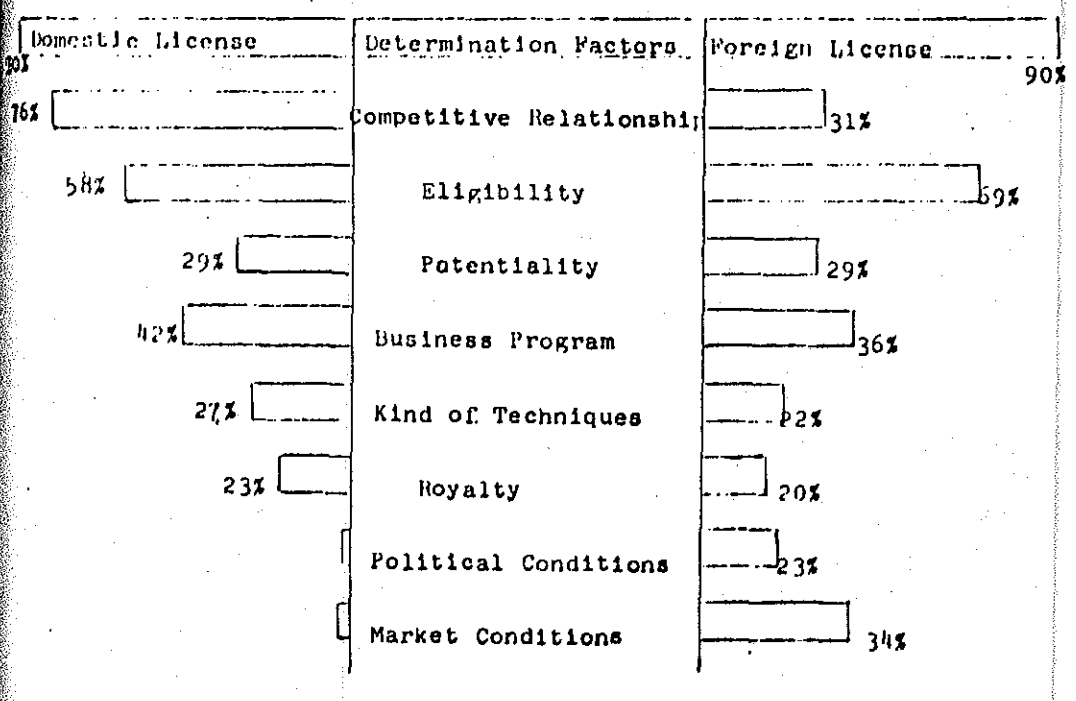
(2) Determining factors of licensing when judged on a case-by-case basis.

Factors considered by companies in determining the application of licenses on a case-by-case basis are surveyed.

Figure 3 shows the results of a survey in which each company selected the first three factors from the listed ones. (Fig. 3)

Fig. 3

Determination Factors



Although it is not shown in the Figure, it should be noted that, in domestic licensing of the electric industry, the percentage of "the eligibility of the other party (licensee)" and "the expectations for royalties" are relatively low and that the percentage of "the business program" and "the kind of subject techniques" are high, in comparison with mechanical or chemical industries.

In the foreign license, the "eligibility of the other party" is deemed to be the most important factor by many industries and "the competitive relation" ranks fourth.

Moreover, "the market condition of the other party's country" and "the political or economic condition of the other party's country", which are not applicable in domestic licensing, are factors which can not be ignored.

Again, it is worthy of special consideration that the electric industry does not care much about "the eligibility mainly estimated by the technical level of the other party" and the chemical industry is not so concerned about "the competitive relation" in foreign

licensing.

Furthermore, when looked at companies which have long licensing experience, the weight of "foreign operation or products export plan" is relatively high, but there is no or little difference in other factors.

(3) The policy for selling techniques which can be licensed,

The policy for selling techniques are :

A) Develop selling activities through active public relations (PR).

B) Conduct public relations if there is a chance.

C) Wait for an offer from the party that is seeking a licensor.

In domestic licensing, the same ratio applies to companies that are adopting a combination of (A) and (B) where public relations are actively or passively carried out and the companies that are adopting (C), in which the public relations are not considered. There are many firms which adopt a positive selling

policy in the electric industry at the exclusion of other fields. This reflects the tendency towards recent active domestic licensing in electric industry.

In foreign licensing the companies that are adopting positive or negative public relations, a combination of (A) and (B), amount to 60%. This shows that companies would rather license abroad actively.

Also, the companies that give licenses on both patents and knowhow, as mentioned in item (1) above, tend to have the active licensing policy.

From the above analysis, the following can be concluded.

Although about 80% of the companies have had licensing results in the past 5 years, about 50% of the same companies are not active in selling patents or knowhow.

This seems to show that if they have technical assets such as excellent patents or knowhow, they can obtain a license agreement to some extent without positive selling activities.

However, the companies of all industries, that

gave a large number of licenses, tend to engage in positive selling activities, and it seems to us that they recognized that an active PR policy is necessary to achieve more licensing results.

3. Licensing organization

The subject matter of licensing can be classified as follows ;

(a) Decision of licensing policies

(b) Planning of licensing conditions

(c) Drafting of the agreement

(d) Negotiations for the license agreement

(e) Execution and management of the license agreement

It is very interesting to note how each company organization takes charge of these organically-related businesses.

The form of departmental participation in licensing differs according to the kind of business, the traditions of the company and the kind of license. But generally, a trend can be found where the number of departments

which participate in foreign licensing is greater than that of domestic licensing and the number of the departments which participate in licensing in the chemical industry is greater than that of the electrical industry.

The reasons seem to be that foreign licensing is more complicated than domestic licensing and the licensing business in chemical industry is more complex than that in the electric industry and also more closely related to management.

After analyzing how the Patent Department participates in the licensing business, it was found that in about half of the total companies this department participates in practical licensing such as agreement drafting. Also it was discovered that about 20% of the total number of companies said that the Patent Department does not participate at all in the licensing business. This trend can be seen in the chemical industry and we presume the reason for this is that it reflects the history of the development of the licensing business and the form of the license in chemical industry. (Fig. 4)

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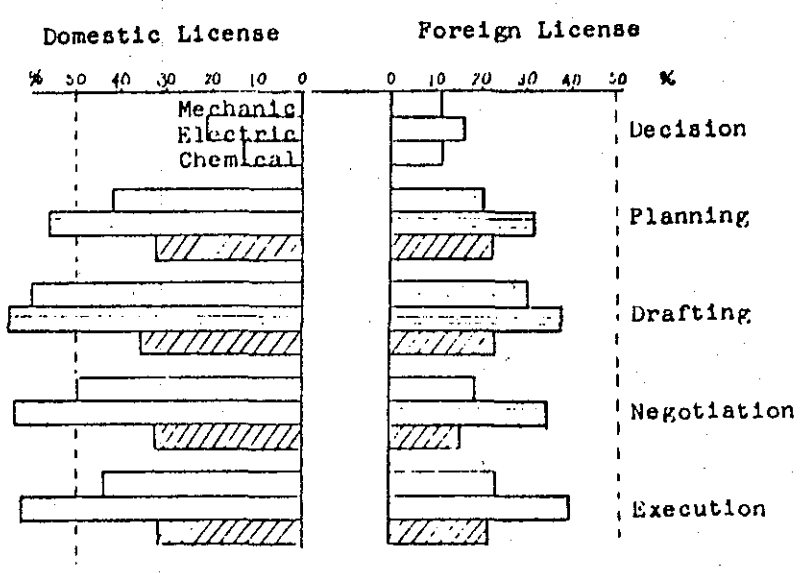
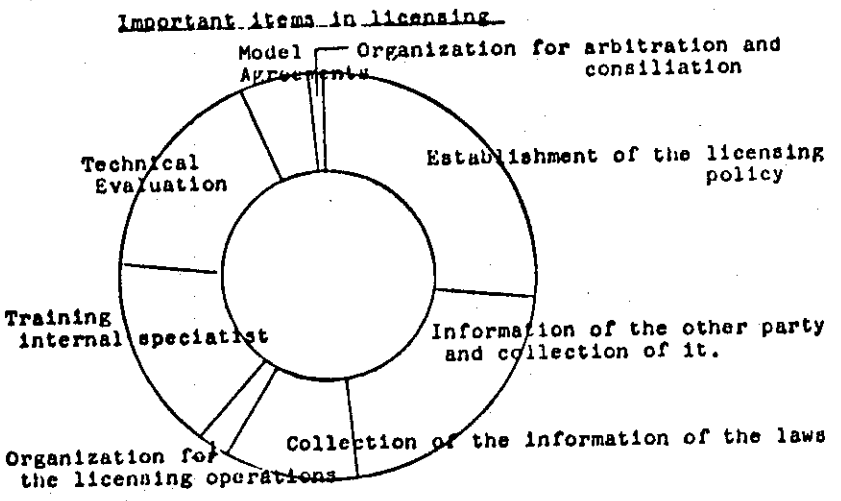
Fig. 4



4. The important items in licensing

The first three items which are considered to be most important in effective licensing are arranged and classified as shown in Fig. 5.

Fig. 5



Noting the above, we find the establishment of the licensing policy which relates directly to company management is thought to be the most important item in licensing.

The following items are of secondary importance:

"The collection of the informations concerning the nature and ability of the other party and the market."

"Establishment of the way of technology evaluation and determination of the license fee (royalty)"

"Training of able specialists for licensing" and

"Collection of information concerning the laws

of licensing and administrative guidance".
This trend is common in all industries, and it is understood that all of them want to establish an internal organization and execution of business which meet the above trend.

5. Future of foreign licensing activities
About 70% of the companies forecast that the foreign licensing activities will increase in the future.
None of them predicted a decrease.
This can be understood as an indication of eagerness on the part of each company to stress the importance of licensing in their total business activity.

III. Summary

As understood from the above analysis, there are still great quantitative and qualitative differences between Japanese corporate licensing and American.

Therefore, it would be very much appreciated if your expert advice based on the experiences in your highly progressed licensing activities.

Finally, we believe that this survey is the latest and most detailed information on the actual licensing situation in Japanese enterprises.

We would like to express our deep indebtedness to Mr. Saotome, the Chairman of the Licensing Committee, and Mr. Yamazoe, the Chairman of the Policy Subcommittee, for their Kind cooperation and ready consent in introducing the valuable results of this survey.

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"Regulations and Interventions by Governments
On Licensing in Latin American Countries"

PIPA Sixth International Conference
Cambridge, Massachusetts - October 16, 1975

By John E. Dull

All of us are aware that for many years there have existed vastly disparate economic and social conditions between the industrialized nations and the so-called developing nations, which includes all of Latin America. Many experts who are concerned with problems in this area are convinced that to remedy this situation there must be maximum free trade coupled with rapid and widespread adoption of new technology. They also are convinced that this situation can be remedied in our lifetimes -- transfer of technology is the key. These concerns have directly led to the Latin American regulations and government interventions in licensing.

There are several prevailing philosophies amongst Latin American government officials that underlie these regulations and interventions. In the first place, this is not a simple matter of their wanting to obtain new technology from us. They feel that the industrialized nations have a moral obligation to supply new technology because of past injustices, real or imagined. I emphasize new technology. There is a prevailing feeling that we transfer only obsolete technology, or technology that can be obtained locally.

The fact that most new technology is owned by private companies, who frequently have developed the technology at great expense, is of no consequence. They feel that we have already profited by merely selling new products in our home countries, and, therefore, we should not expect to profit again when transferring the technology.

There is a definite trend to no longer accept our traditional industrial property rights -- particularly patents and our concept of rights inherent in confidential technical information. For example, they do not recognize any reasonable basis for permitting a transferor of technology to place any restrictions on the use of the transferred technology beyond a very limited time period. There is no sympathy at all for permitting foreigners to enforce patents to merely protect an import business. In fact, there is a growing feeling that traditional industrial property rights have been used almost exclusively by foreign companies and have been the means by which foreign companies have suppressed local competition.

Finally, it is felt that Latin American business men are at a disadvantage in negotiations with business men from industrial nations. It commonly is assumed that the foreigner gets the better deal in any negotiation, and, therefore, one function of the government should be to restructure agreements after they are negotiated to obtain what they consider a better balance of terms. This is the primary reason that almost invariably when an agreement is submitted to a registry for approval, the registry insists on lower payments and shorter time periods, in spite of the fact that both parties may have considered the agreement to be entirely fair and reasonable.

Turning now to specific matters, agreement registration regulations were first introduced in Latin America in the Andean Pact countries (Bolivia, Columbia, Chile, Ecuador, Peru and Venezuela). This occurred in December, 1970, with the well-known Decision 24, which provided that, before an agreement transferring technology or patent rights from a foreign to a local enterprise can become effective, it must be registered with the local national authorities. The national authorities were required to not register any agreements containing certain prohibited provisions. Argentina, Brazil and Mexico followed

this lead and soon adopted their own agreement registration laws.

Instead of attempting to summarize the practices of all of these countries, I propose to concentrate on two. In the experience of my company, Argentina and Mexico seem to be at opposite extremes insofar as our efforts to work within their regulations have shown.

We have found Argentina to be the most difficult Latin American country in which to attempt licensing activities. In my judgment, Argentina has the most restrictive of the Latin American registration laws. An English translation is available here if you are interested in the details. I would like to make a few comments on some of the more significant points of this law.

There are many different provisions setting forth grounds for refusing to approve an agreement. Some of these refer to specific prohibited practices, and it is not difficult to determine whether they are applicable to a particular agreement. However, there are some rather vague provisions under which refusal is really a matter of administrative discretion. Consider, for example, Article 5(a) which requires refusal of an agreement when:

> "The technology to be acquired is contrary to the objectives of national policies or plans concerning technology or development, or has adverse effects on consumption patterns or the redistribution of income or is considered not to promote technical or social progress."

In addition to prohibited clauses that will lead to refusal, an agreement will be refused if it does not set forth several positive guarantees. For example, it must be guaranteed that the technology "is complete and sufficient to ensure the desired objectives will be obtained." Also, the licensor must guarantee that the licensee will receive a "regular and continuous flow of technology", with the licensor being obliged to report and supply to the licensee improvements made during the term of the agreement. /Article 5(c)7.

One provision of this law that I find unduly restrictive is Article 7 which stipulates that the local licensee shall not be prevented from disposing of the technology after the term of the agreement. This means that confidentiality obligations cannot extend beyond the term of the agreement (which normally will be a very short term, as I will explain shortly), and that after the term the licensee will be free to sell the technology to others, including the licensors' competitors.

Two crucial provisions of any agreement transferring technology are the amount of money or other consideration to be paid, and the number of years during which certain obligations, such as royalty payments and confidentiality are to be maintained. Under the law, these are discretionary matters resting with the Registry officials. For example, as to specific agreements, Article 5(d) provides that agreements shall be refused when:

> "An analysis of the explicit and implicit costs indicates that the price or consideration agreed upon exceeds the benefits to be drawn from the technology to be acquired".

Also, as a general policy matter, Article 10 permits the National Executive to establish maximum payments and terms for their duration.

It is my understanding that the practice of the Registry is to not allow more than a 2% royalty for 3 years for patent license agreements and agreements transferring what it regards as "simple know-how". Agreements transferring "complex know-how" have been accepted with up to only a 3% royalty for 5 year terms.

In our experience, not only is the Argentine law very restrictive but the Registry seems to be mired down in bureaucratic detail. Procedures can be exceedingly time-consuming. For example, we have two agreements that have been pending with the Registry for about 5 years, and we have others still pending after up to 3 years. Attempts at

personal contacts with Registry officials have not been effective.

In addition, the Registry officials seem to be considering these agreements in a piecemeal manner. They will object to different parts of an agreement at different times. When we think we have satisfied all their demands, they find other items to raise.

From our dealings with the Registry, we have the impression that the officials are in fact restricting and delaying trade rather than promoting it. A fundamental rule of negotiations is that both parties must be satisfied with the arrangements or else there will be no agreement. To be quite candid, we will not transfer valuable technology unless we receive fair remuneration for it, and unless its confidential nature is protected for a reasonable length of time.

In contrast to Argentina, we find the Mexican law and officials much more reasonable to work with.

The Mexican law sets forth a list of grounds for refusing to register agreements. However, in contrast to Argentina, these grounds tend to be much more specific and reasonable. I will not go through this law in detail, since I also have extra copies of the law here for your study if you wish.

In general, it may be said that agreements will not be registered (Article 7):

(1) Where the exact same technology being transferred is freely available in Mexico;

(2) Where the price or consideration is not in relation to the technology acquired; or

(3) Where various provisions are present, that we would properly recognize as constituting tie-ins, or as unreasonably restricting a licensee's own legitimate research and marketing efforts.

A potentially difficult provision is a prohibition against "excessive duration" terms, coupled with a requirement that under no circumstances shall the term exceed 10 years obligatory on the licensee. (Article 7-XIII). Two difficulties are likely to arise:

The first is with regard to compensation, where having regard to both the prohibitions against excessive costs and excessive terms, the Registry tends to think that for most agreements a royalty rate of 1 or 2% for 5 years is adequate. Moreover, even where the Registry is satisfied that the technology is truly significant it may allow only 3% for 10 years.

The second difficulty concerns the protection of confidential technical information. There is no doubt that the Mexicans feel that any transfer of technology inherently carries with it unrestricted use and freedom of disposal of the technology after expiration of the agreement

While these restrictive payments and terms may be satisfactory for some agreements, they clearly are not satisfactory in the case of important complicated technology that is the result of millions of dollars worth of research and development. But here the reasonableness and flexibility of both the law and the Registry officials becomes apparent. The Mexicans are fully aware of the realties of bargaining for new technology, and the fact that they must be willing to pay fair prices if they are going to be successful in persuading us to do business with them.

Accordingly, if the Registry is persuaded that the agreement in question involves important new technology that would truly benefit the Mexican economy they are willing to negotiate some sort of mutually satisfactory compromise. For example, we recently were able to obtain a 4% royalty for 10 years, together with a provision that the technology shall be kept confidential for a period of 10 years beyond the term of the

agreement, for a total of 20 years. Needless to say, this agreement involved important technology that the Mexicans really wanted.

I should mention, however, that we had originally negotiated a 5% royalty which both we and our licensee considered to be a fair price. We and our licensee together made a very elaborate presentation to the Registry officials showing the importance of this venture to the Mexican economy. The Registry deliberated on this for 6 months after our presentation and finally rejected the 5% level, and offered 4% which we reluctantly accepted. As I mentioned earlier, Latin Americans feel their businessmen are at a disadvantage when negotiating with businessmen from more industrialized countries, and Mexican officials suffer from this syndrome.

In any event, the flexibility to negotiate is built into the law, since Article 8 provides that agreements not meeting all of the specified requirements may be approved when the technology is of "particular interest to the country". However, even here there are a few specific prohibitions for which no exceptions can be made.

The key to success in Mexico is personal discussion with the Registry officials. They are openly available for consultation, and, indeed, encourage potential licensors to meet with them to work out troublesome points. They are intelligent, knowledgeable people who are genuinely interested in attracting new technology to Mexico. However, by no means do I intend to imply that they are easily persuaded or that we always are happy with the results of negotiating with them. They are very tough negotiators, but they do listen and try to seek mutually satisfactory accommodations.

Finally, I would like to take up the matter of payments, that is, the problem of getting money out of these countries.

When an agreement is registered, there may be a binding obligation, approved by the Registry, for the licensee to pay money to the licensor. However, in some countries this does not mean that the

licensor automatically can receive the money. The matter of foreign payments may be regulated by another arm of the government, normally the Central Bank. Here again Argentina and Mexico are at extremes.

At the present time, Argentina has exhausted its foreign currencies reserves, and it is not permitting any foreign payments at all until at least the end of this year. We, of course, have no way of predicting how this problem will be resolved, but the last time this same situation arose, the Government eventually authorized issuance of government bonds, in the foreign currency involved, payable in 5 years. So far, Argentina has honored these bonds. Therefore, we eventually receive our money, but, of course, in devalued dollars.

In direct contrast, there is virtually free movement of money from Mexico, and we have experienced no difficulties in receiving payments from Mexican licensees.

The restrictions on foreign payments vary from country to country within Latin America. For example, in Brazil the Central Bank will authorize payments for any agreement that is registered. However, the authorities refuse to register any agreement requiring payments by a local subsidiary to a foreign parent company where the parent company owns more than 50% of the subsidiary. However, the Registry has accepted agreements requiring subsidiaries that are less than 50% foreign owned to make payments to their foreign parent companies, but, in our experience, obtaining acceptance is a very time-consuming procedure. Supposedly, there should be no difficulty in getting acceptance of payment provisions where the relationship between the parties is not that of parent and subsidiary, but the Brazilian Registry is quite slow in considering even these agreements.

Most, if not all, Latin American countries impose taxes chargeable against the foreign licensor on foreign payments under agreements. In every case this tax is deducted from the payment before transmittal to the foreign licensor, and in no case may the licensor

require the licensee to make up the difference. I do not know what is the situation in Japan, but in the United States, as a general rule, we are permitted to write off these taxes paid to foreign governments against taxes owed to our government, and, therefore, we in effect obtain full payment from our Latin American licensees.

In conclusion, I would like to suggest that when involved in Latin American licensing matters, you should bear in mind the fact that substantial changes may be required by the Registry after negotiation and execution of an agreement by the parties, Therefore, it is essential to include in the agreement a clause providing that it will become effective only after approval is secured. Also, it is advisable to wait until the agreement is officially approved before starting any substantial performance, such as transmitting technical information, beginning detailed design work, starting construction, placing orders for equipment, and so forth. Starting performance under an agreement in expectation that its basic terms will be approved can place the licensor in a very difficult position if the Registry subsequently insists on changes that the licensor can not profitably accept.

I do not know of any formula for guaranteed success in working your way through the various Latin American regulations. The best I can suggest is that at least in major licensing activity, it is highly advisable to obtain competent local counsel, and make full use of any opportunity to personally meet with Registry officials to present justification for the agreement terms you seek.

SIXTH INTERNATIONAL CONGRESS OF PIPA

MOVEMENT OF THE LAW IN THE UNITED STATES TOWARD COMPULSORY LICENSING

If you are in a cold room with a group of patent attorneys or licensing executives suffering from the energy crisis, just mention "compulsory licensing" and the atmosphere will become much warmer. Very few patent attorneys in the United States favor unlimited compulsory licensing.

In view of this opposition to unlimited compulsory licensing by the Patent Bar and by American industry, why is there a movement of the law in the United States toward compulsory licensing? I believe that the increasing "anti-business" disposition of the Congress and the failure of the federal courts to resist "price competition" arguments against enforcing the "exclusive" nature of the patent grant has caused many patent practitioners to favor a limited form of compulsory licensing in order to save the U. S. patent system.

Compulsory licensing may be defined as the taking from the patent owner of the right to exclude others from practicing the patented invention and also the right to grant licenses to parties of his own choosing. The

patent owner retains only the right to monetary relief for infringement. There are two sources of compulsory licenses in the United States, Congress and the judiciary. It seems that both are grafting compulsory licensing upon our patent system.

There have been previous attempts in the Congress to pass a general compulsory licensing statute, but these have always been unsuccessful. However, there are several statutes passed by Congress having compulsory licensing provisions which are limited to specific subject matter, for example:

1. Tennessee Valley Authority Act, 16 USC 831(r) (1933)
2. Atomic Energy Act 42 U.S.C. 2183 (1954)
3. Coal Research and Development Act 30 U.S.C. 666 (1960)
4. Helium Act 50 U.S.C. 167 (b) (1960)
5. Arms Control and Disarmament Act 22 U.S.C. 2572 (1961)
6. Resource Recovery Act of 1970 42 U.S.C. 3253(c) (1970)
7. Plant Variety Protection Act 7 U.S.C. 2404 (1970)
8. Clean Air Act of 1970 42 U.S.C. 1857(h) (6) (1970)

More recently, there was a compulsory licensing provision in the Federal Nonnuclear Energy Research and Development Act of 1974 as passed by the Senate, but the House of Representatives bill contained no patent

or compulsory licensing provisions. The joint House-Senate Conference Committee agreed to provide for a 12 month study by the ERDA Administrator followed by recommendations. On October 6, 1975, the ERDA Administrator announced that it would hold hearings on November 18 and 19, 1975 to determine whether legislation requiring mandatory licensing of energy-related patents is needed to carry out the purposes of ERDA.

The Atomic Energy Act provides that after hearings, the Commission may declare a patent to be "affected with a public interest", and the government may then take a license and grant non-exclusive licenses to third parties. Private parties may also apply to the Commission for a license after showing that a voluntary license could not be obtained from the patent owner who is entitled to a reasonable royalty as determined by the Commission. This compulsory licensing provision was deemed necessary for the Commission to direct the development, control and use of atomic energy for the welfare and security of the United States. There was only one application for a compulsory license under the Atomic Energy Act during its first 20 years, and it was withdrawn before a decision by the Commission. On August 29, 1975, the Energy Research and Development Administration gave notice that Hewlett-Packard had applied for a compulsory license under a patent (U.S.P. 3,601,609) owned by

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Tracor for a Detection Device Using a Radioactive Source. The parties had previously litigated the validity of the patent which was held valid and infringed.

Section 308 of the Clean Air Act provides for compulsory licensing upon certification by the Attorney General to a U. S. district court that: (1) use of the patented technology is necessary to meet emission standards set by the Act; (2) the patent is not available for license; (3) there is no reasonable alternative technology; and (4) to deny the license would promote a lessening of competition. The basis for this provision is the public health and welfare combined with antitrust "lessening of competition" considerations. Section 308 was enacted without public hearings, and it has been often critized but never used.

In most discussions of compulsory licensing, the eminent domain authority of the government is usually mentioned. This authority over patents is set forth in 28 U.S.C. 1498 which denies injunctive relief against the government for patent infringement, and the patent owner is forced to accept reasonable compensation. The purpose of this governmental

authority is to prevent interference with government activity on behalf of the public welfare and defense.

The judiciary has also been active in denying the patent owner injunctive relief, particularly in cases involving the public welfare or antitrust violations. In 1908, the Supreme Court affirmed a decision issuing a permanent injunction against the infringer even though the patentee was not using the invention. Eastern Paper Bag Co. v. Continental Paper Bag Co., 210 U.S. 405 (1908). However, the Court indicated that there might be a case where in view of the public interest, a court of equity might be justified in withholding injunctive relief. 26 years later, in an often-cited case, the brave city of Milwaukee found sufficient public interest in the disposal of its sewage. City of Milwaukee v. Activated Sludge,Inc., 69 F. 2d 577 (1934). The trial court enjoined the city from operating its sewage plant, holding that Activated's patent was valid and infringed. However, the 7th Circuit Court of Appeals was persuaded that Milwaukee would have to dump its sewage in Lake Michigan if it could not operate its plant, and this would pollute the water and endanger the public health. The injunction was vacated.

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Compulsory licensing has been used to promote or reestablish competition in a number of cases involving antitrust violations. In Hartford-Empire Co. v. United States, 65 U.S.P.Q. 1 (1945) the defendants were found to have violated the antitrust laws (Sherman Act and Clayton Act), and the Supreme Court required them to grant licenses under their glassmaking machinery patents at "uniform reasonable royalties". This case is usually cited for the Court's statement that it had no authority to order dedication of the patents which would be equivalent to royalty-free compulsory licensing. Two years later, the Supreme Court again used compulsory licensing with royalty payments to promote competition where the defendants conspired or combined to restrain trade in titanium products. United States v. National Lead Co., 73 U.S.P.Q. 498 (1947). In this case, the Court stated that Royalty-free compulsory licensing was an open matter to be decided in a future case. The Court decree also provided for the licensing of technology at a reasonable charge and limited to a 3 year period. Subsequent lower court cases involving antitrust violations have ordered dedication of all existing patents. United States v. General Electric Co., 99 U.S.P.Q. 76 (1953). In the General Electric case, the district court also ordered the granting of licenses at

reasonable royalties under patents acquired within 5 years of the court decree.

In a recent case which is rapidly becoming infamous, the Second Circuit Court of Appeals ordered a compulsory license with a reasonable royalty based on nonuse by the patentee. Foster v. American Machine & Foundry Co., 182 U.S.P.Q. 1 (1974). The Court stated that it would be inequitable to enjoin the infringer without any resulting benefit to the patentee, and since the patentee was not in business either directly or through licensees, he is entitled only to a reasonable royalty. The Court called this a "flexible approach" /see Royal-McBee Corp. v. Smith-Corona Marchant, Inc., 130 U.S.P.Q. 377 (1961)/ and it certainly did bend the patent system out of shape. The Supreme Court refused certiorari.

In an earlier Illinois district court case which has not gained notoriety, probably due to the fact that it was not appealed, the court stated that public policy required liberal use of patents and a patent owner cannot assert his rights under the law if he refuses to make use of the patent, or to license the patent so that it may be of use to the

public or refuses to license an applicant when it has already granted a license to the applicant's competitor. Allied Research Products, Inc. v. Heatbath Corp., 161 U.S.P.Q. 527 (1969). In the Allied case, since the patent owner had granted a license, the court held that the defendant infringer, who willfully and deliberately infringed, was entitled to a license on the same terms as the other license. The court said that the defandant could have brought a suit in equity to compel the patent owner to grant a license.

If the Foster case and the Allied case represent the state of the law today, what "exclusive" rights are left for the patent owner? It might be argued that a patentee can enjoin an infringer only when the patentee and/or his licensee is using the patented technology and satisfying the public need for said technology.

In 1973, Senator Phillip Hart introduced to the Senate S.2287 which would impose general compulsory licensing in the United States. This bill has been reintroduced in 1975 as S.814. The bill proposes to amend the Federal Trade Commission Act by making it an unfair act or practice for the owner of a U.S. patent to refuse to license such patent, together with all available know how, to any applicant on reasonable and

nondiscriminatory terms. The patented subject matter must relate to "public health, safety, energy or protection of the environment". This bill also provides for the licensing of any patent if the subject matter has not been used commercially for a period of 3 years following the date of issue or 4 years after the application date. It also provides for compulsory licensing where the applicant needs the license to work his subsequently issued patent or if he commercially worked the patented subject matter prior to the filing of the patent application. The Act applies to all U. S. patents whether issued before or after the effective date of the Act. In introducing the bill, Senator Hart said that its goals were to make the patent licensing system serve the public interest by preventing suppression of technology and to codify various legislative and court decisions - citing the Foster case.

NEW ASPECTS OF UNITED STATES LICENSING LAW

The most important development in United States licensing law in the last 10 years is the decision by the Supreme Court in Lear, Incorporated v. Adkins, 162 USPQ 1 (1969) holding that a licensee cannot be estopped from contending that the licensed patent(s) is invalid when sued for royalties, regardless of a provision in the license

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agreement that the licensee will not contest validity. It was also held in the Lear case that a provision in the license agreement that royalties be paid until the licensed patent is held invalid does not require the licensee to continue to pay royalties while contesting validity.

The Lear decision has resulted in much litigation concerning entitlement to royalty payments, particularly during the pendency of the litigation. I believe that it is now fairly well settled that a licensee can refuse to pay royalties while he is challenging validity, but this is clearly a breach of the license agreement. In such a case, the patent owner has the right to terminate the license agreement for failure to pay royalty and sue the "former" licensee for patent infringement. Morton-Norwich Products, Inc. v. International Salt Co., 183 U.S.P.Q. 748 (1974).

However, who is entitled to royalty payments during the course of litigation if the licensee agrees to continue such payments into escrow and the patent is held invalid? This issue was decided by the Sixth Circuit Court of Appeals in Atlas Chemical Industries, Inc. v. Moraine Products, 184 U.S.P.Q. 281 (1974), and the Court held that

the licensee was entitled to recover all of the royalties paid into escrow during pendency of the suit. The Court distinguished the Atlas case over the earlier Troxel Manufacturing Co. v. Schwinn Bicycle Co., 175 U.S.P.Q. 65 (1972) and 180 U.S.P.Q. 290 (1973) on the grounds that in the Troxel cases, the licensee was doing nothing to contest the validity of the patent. In Troxel, the licensee sued the licensor to recover royalty payments made prior to a decision of patent invalidity in litigation not involving the licensee. The court held that the licensee was liable for royalties up to the date on which the patent was held invalid and recovery of prior royalty payments was denied.

The Lear decision was recently interpreted by the Sixth Circuit Court of Appeals in Schlegel Manufacturing Co. v. USM Corp., decided on September 25, 1975 but not yet published. The Court affirmed the District Court for Southern Ohio (181 U.S.P.Q. 619 and 184USPQ22) holding that a consent decree acknowledging patent validity, entered as a final judgment, is entitled to res judicata effect. The Court distinguished over the Lear decision which invalidated licensee estoppel and held that by giving res judicata effect to consent decrees only the parties to the decree are precluded from litigating patent validity and

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they had the opportunity to litigate the issue fully prior to entering into the decree.

In a case involving an international licensing agreement, Shin Nippon Koki Co., Ltd. v. Irvin Industries, Inc., 186 U.S.P.Q. 296, the New York Supreme Court held that territorial restraints that are ancillary to a know-how license agreement (no patents were involved) are valid and do not violate the antitrust laws. Under the agreements in suit, Irvin granted to Shin Nippon an exclusive license for 7 years to manufacture and sell in Japan only, three can making machines. Irvin claimed that Shin breached the agreements by making sales other than in Japan, by failing to diligently promote sales in Japan, and other breaches. In accordance with the agreement, Irvin sought arbitration by an American Arbitration Association panel seeking an injunction to prevent future sales, return of all technological information and an accounting for unpaid royalties. Shin petitioned the court for a stay of arbitration and a holding that the territorial restriction was an antitrust violation. The court held that the restriction was ancillary to the agreement and valid because: (1) the subject matter of the license was

substantial, valuable, secret know-how; (2) the restraint was limited to the life of the know-how (while it remained secret); and (3) the restraint was limited to only those products made by the use of the know-how.

Finally, I would like to call your attention to a very interesting decision (not yet published) which involves an assignment of patent applications but would be equally applicable to an exclusive license. Perma Research & Development Co. v. Singer Co., decided on April 11, 1975. The parties entered into a contract whereby Perma assigned its patent applications for an anti-skid device to Singer which was to pay a royalty on each device which it sold. There was no minimum royalty provision. However, a Technical Services Contract was entered into on the same date. The District Court for Southern New York stated that it was clear at the time of the agreement that the anti-skid device was not fully perfected and that Singer would have to do engineering development work, though this was not recited in the contract. The Court held that the contract clearly implied an obligation on Singer to use its "best efforts" to perfect and market the device, and Singer had failed to meet this duty.

DECISIONS BY THE COURT OF THE EUROPEAN ECONOMIC COMMUNITY, INCLUDING THE NEGRAM DECISION AND INFLUENCES ON LICENSING POLICY IN EUROPE.

The EEC was formalized in March 1957 by the Treaty of Rome. The treaty has over two hundred articles or sections.

The common market concept was a dominant theme. Tariffs between member states were to be eliminated and freedom of movement of goods was to be achieved.

A four branch community body was established to implement the treaty. It consists of a council, a commission, an assembly and a court of justice.

The commission is primarily charged with the ministerial or executive duties. It has issued decisions and directives and regulations of interest to us. The court of justice is the other agency which has been active in formulating the free competition policies.

The court of justice can be appealed to by one not satisfied with a decision by the commission. In addition member states and individuals can have questions of common market competition law referred to the court for an opinion.

Articles 3, 30 and 34 of the treaty set forth that there will be elimination of quantatative restrictions and restrictions on import and export of goods between the states and all other measures having equivalent effect. Article 3 also states that a system shall be instituted insuring competition is not distorted.

Article 85 (1) states that there shall be prohibited as incompatible with the common market all agreements which may effect trade between member states, and which have as their object, or effect, the prevention, restriction or distortion of competition and in particular those which fix prices, limit production or markets or technical development, or which put one party at a disadvantage with respect to another, or which make the conclusion of contracts conditional upon acceptance of requirements which have no real connection with the subject of the agreements according to common commercial practice.

This is not a literal translation of these provisions. I trust you understand these are exerpts used for brevity's sake.

Article 86 deals with the abuse of a dominant position and states an abuse may consist in imposing unfair prices, or limiting markets or technical developments to the prejudice of consumers.

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Exceptions, favorable intellectual industrial property agreements are set forth in both articles 36 and 85.

Thus: according to Article 36 prohibitions on movements of goods are acceptable where necessary for the protection of industrial and commercial property. This is true however, only if they are not arbitrarily discriminatory and are not a disguise for a restriction on trade.

Likewise Article 85 (3) stipulates that Article 85 (1) is not to apply where an agreement contributes to improving production or distribution or technical progress if, consumers get a fair share of the benefits derive. There must not, however, be an elimination of competition in respect of a substantial part of the products in question.

Regulations have been adopted providing among other things that agreements, concerning industrial intellectual property, in certain cases, must be submitted, and in other cases, may be submitted, to the commission, for its review in due course. One can also request that the commission grant a specific negative clearance, which is a statement that an agreement is acceptable and does not come within the prohibitions of the treaty. Also one can request that even though there may be some provisions which are prohibited, by Article 85 (1) the agreement comes within the exemption provided by Article 85 (3).

All kinds of commercial agreements are covered by the free competitions sections of the treaty, and thousands were submitted to the commission, including several thousand industrial intellectual property agreements. Some notices have been published to indicate the thinking of the commission concerning specific terms of agreements and to indicate agreements which because they were not in fact prohibited, do not have to be notified to the commission. However, there is inherently within the articles and regulations an inducement to notify even agreements which one feels are clearly not prohibited. There certainly is an inducement to notify those which may require some amendment to eliminate selected provisions. Agreements can be attacked as prohibited and not within the exemptions of Articles 85 or 86 and they can be declared void if such is proved to be the case. Depending upon the country which is involved, a declaration that an agreement is void could lead to some undesired questions of restitution for payments made from the beginning of the agreement.

A commission notice of December, 1962 listed clauses of patent license agreements which the commission considered were not prohibited by Article 85. These included as permissible; clauses restricting a licensee to a right to manufacture or to sell, restrictions to certain technical applications, restrictions on quantities, limiting the licensee in time or in area, imposing standards of quality, requiring the mention of patents on an

article, requiring the disclosure of experience or know-how to the licensor, and requiring the licensee to non exclusively license improvements to the licensor. It was also stated that a license can be exclusive. The commission cautioned that this was a guide for the commission in interpreting Article 85, and not binding on the courts.

It is important to remember the common market concept in considering the decisions.

Agreements including rights in patents, trade marks, copyrights and know-how have been considered.

The first decision to which I refer is Consten and Grundig v. the EEC Commission, a decision by the court of justice in July, 1966.

Grundig originally owned the trade mark GINT as well as the trade mark GRUNDIG but the trade mark GINT was applied to products distributed outside Germany. In accordance with exclusive distributorship agreements GINT was registered in the name of the exclusive distributors of Grundig products outside Germany. In Germany, however, it was registered in the name of Grundig.

The UNEF company imported Grundig products purchased in Germany bearing the name GINT into France. Questions concerning the validity of the agreement with Consten were ruled on by the commission, and from its decision, there was an appeal to the Court of Justice. Consten's position was that it was the owner of the trade mark in France and that the Treaty of Rome was not intended to limit the national grants of industrial property rights.

The court of justice considered the fact that Grundig had multiple agreements in the countries of the common market with respect to exclusive distributorships, and GINT. Among, other facts, the court noted that upon termination of the agreement the trade mark GINT was to be reassigned to Grundig. The court concluded that the agreement was within the prohibitions of Article 85 because it restricted competition that could take place between Grundig or Consten and a third party. The court emphasized the purpose of the common market to eliminate trade barriers. Heavy reliance was made by Consten on the fact that the registration of the trade mark in France by Consten gave absolute territorial protection for Consten. But the court stated tht the registration was designed to fortify the protection of the agreement against parallel imports and held that an agreement between a producer and a distributor designed to restore national partitions could be in conflict with the basic objectives of the community which are pursued by Article 85 (1).

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It was also held that there was no exemption for this agreement possible under Article 85 (3) for the reason that the agreement did not contribute to any improvement in production or distribution of goods or technical or economic progress, one of which is essential for the exception to apply.

The second decision of note of the court of justice in February, 1968 involved Parke Davis, and several defendant companies including Centrafarm. This case involved patent rights in the Netherlands for the protection of an antibiotic. The defendants purchased products in Italy where there were no pharmaceutical patents and sold them in the Netherlands. No agreements between enterprises were involved and also importantly, the defendants had not purchased products, such as in the Grundig case which were put in the market-place by the patent owner or a trade mark owner in one of the states. Here the products were clearly purchased in Italy from a non-licensed manufacturer having no agreemnt with Parke-Davis or a licensee thereof. The questions were solely ones of patent infringement and whether the common market provisions of Article 85 (1) and 86 were contravened by a simple patent action.

The court held they are not. The court pointed out they were dealing with the unilateral action by the holder of a patent right. Nothing was based on an agreement between parties to restrict trade although there was a Dutch licnesee of the patent

right who required Parke-Davis to take action under the provisions of the patent license. The treaty recognizes national patent rights in Article 36, and Article 85 (1) could not be invoked, nor could Article 86 relating to abuse of market position. The case it was said could not be compared with the Grundig case where there was a clear attempt to carve up the common market through means above and beyond the purpose and function of a trade mark right.

Another decision of importance also of the court of justice is Sirena v EDA Gmb H decided in February, 1971. This was another trade mark case. Here Mark Allen had owned the trade mark "Prep" in Germany and Italy and had licensed manufacture and sale of the product bearing this mark in Italy to Sirena. After some period of time, Mark Allen simply assigned its rights to Sirena and the latter continued to use the mark. Mark Allen discontinued export of Prep products to Italy from America. Articles purchased in Germany were being sold in Italy and Sirena objected. Sirena raised the fact that it was exclusive owner of the trade mark in Italy. The defendant Eda said that the agreement under which the rights were obtained, violated Articles 85 and 86, since it enabled Sirena to prevent imports of products from other states of the EEC where the mark had been properly affixed.

The court agreed stating in effect that there was no reason for distinguishing between an assignment and a contract granting

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a temporary license if there were a prohibited effect arising from the exercise of the assigned rights. If there were, the situation in Grundig/Consten might be circumvented by making an assignment or an agreement to make a new registration in the name of the other party without expressly defining contractual and economic ties.

It was held that Article 85 is applicable where the trade mark right is invoked to prohibit import of goods from other member states carrying the same mark if the several owners of the trade mark acquired their rights under agreements between them or with a third party. (Presumably this means legitimate goods).

The court also said that although Article 36 did permit import restrictions that are justified on the grounds of protecting industrial and commercial property, it did so with the express proviso that they shall not be used as a means of arbitrary discrimination, nor as a disguised restriction on trade.

The Sirena opinion was followed in June, 1971 by Deutsche Grammophon v Metro, referred to the court of justice for an opinion by a German court.

The German firm owned copyrights in recordings. In Germany, there was a price maintenance system. A French licensee - distributor of the German company was selling records made by Grundig in France at a price below the German price. Metro bought records in France and sold them in Germany beneath the established price.

The question according to the court, was whether the exclusive rights which the manufacturer had under national law can prevent the sale in the domestic territory of products normally sold in the other territory by that manufacturer with its consent, without jeopardizing the community rules. The court pointed out that Article 3 of the treaty provided for the establishment of a system that insures that competition is not distorted, and also, that although Article 36 permits certain prohibitions or restrictions, to protect industrial property it stipulates that such exceptions shall not be used as a means of arbitrary discrimination, nor as a disguise for a restriction on trade between member states.

The court held that where the copyright is invoked to prohibit sales that are initiated with the holder's consent for the sole reason that the distribution thereof took place in another country initially, this serves to isolate national markets, and the attempted prohibition conflicts with the essential goal of the treaty which is to merge the national markets into a single market.

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Next in order is Burrough/Geha and Burroughs/Delplanque. Unlike the decisions I referred to above, these are decisions of the commission on requests for negative clearances.

These two cases have virtually the same facts. Burroughs had licensed the French firm Delplanque and the German firm Geha under patents and know-how and trade marks. The licensees had exclusive manufacturing rights in France and Germany respectively and nonexclusive rights to sell. There were no territorial restrictions on sales. Conversely, there were no exclusive sales territories granted.

The negative clearance was granted. It was not a 100% victory for the agreements because the commission did hold that exclusive manufacturing rights can restrict competition. However, the commission did find in these instances that there was no appreciable effect on competition, as required under Article 81 because of the relatively small market shares of the parties and the freedom to sell in the whole EEC where the products could be shipped easily and inexpensively. In addition to clearing the particular agreement, the commission took the opportunity to specifically state the restrictive clauses such as the following were not deemed to be violations;

A prohibition against sublicensing.

A requirement that the know-how be kept secret.

An obligation preventing use of the know-how after termination of the agreement.

A requirement to make adequate quantities to meet the market.

A requirement to meet the technical directions of the licensor.

A requirement to mark the products to indicate their manufacture under license.

A requirement that disputes will be settled by arbitration.

The next are two decisions by the commission on June 9, 1972. One is Davidson Rubber. There were several licensing agreements between Davidson Rubber Co. and German, Italian and French licensees. They related to process patents for making vinyl covering material which could be used for arm rests for a door of an automobile, for seat cushions and other interior fittings of an automobile.

These agreements had provisions somewhat similar to those in Burroughs. Davidson had made agreements with French, German and Italian firms, then another license by Davidson to an Italian firm was granted and sublicenses were granted by the licensees with Davidson's consent.

Each licensee agreed to utilize the Davidson process in its contract territory according to know-how supplied by Davidson and pay a royalty based on the selling price, or the cost of the manufacture of the article, or the cost of the

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The parties also agreed to exchange information. In particular, Davidson agreed to convey to its licensees any information that it obtained in the future, and the licensees agreed to convey information they acquired back to Davidson. Thus, the licensee information would filter through to all the parties.

The licensees could only grant sublicenses with Davidson's consent.

Two of the contracts provided for annual renewal, but the others extended for the duration of the patents.

All disputes were to be submitted to arbitration.

The contracts provided that Davidson was not to authorize anyone other than the licensees to utilize the patents and know-how in specified areas of the common market, i.e. in the local countries. It appears that two sublicenses had fewer restrictive terms.

The commission felt that because the Davidson process was a most important process for the manufacture of arm rests, even though there was freedom to sell the articles throughout the EEC, the exclusive manufacturing restrictions in the main licenses

could constitute a restriction on competition within the common market in that other manufacturers of fitting were prevented from utilizing the process within the common market. Also Davidson was prohibited from further exploiting its patents. These provisions could likely affect trade between the member states in such a way as to be detrimental to the realization of the goals of a single market. Therefore, the agreements, some of them at least, fell within a field of application of Article 85 (1).

The agreements were therefor tested as to whether they helped to improve production and distribution of products, whether they imposed restrictions that are not indispensable to the realization of the objects, i.e., manufacture of the products, and whether they make it possible to eliminate competition for a substantial part of the products.

It was held that economic and technical progress was promoted. Reference was made in reaching this conclusion to the passing through by Davidson of the developing technology.

It was also held that there was a benefit derived by the users. There was greater safety and comfort from these interior parts, and manufacturers actually could acquire these parts readily near their assembly plants. Further, it was held that granting of exclusive rights in the patents and know-how could be considered to have been essential for the achievement of the objects. Davidson would not

likely have been able to have its processes applied by third parties in Europe if it had not agreed to limit the number of licensees and given the assurance that in their territories, Davidson would not expose them to competition by more licensees than they would agree to. The licensees were thus likely to make the investments needed.

It was further held that the competition restraint was not excessive. There were other competing processes for padding and other parts for automobiles, which were utilized by a dozen other enterprises who produced about 1/3 of the total production of the arm rests and seat cushions in the common market. Furthermore, some automotive manufacturers made their own.

All the conditions for granting exemption under Article 85 (3) seemed to be fulfilled.

Certain restrictions however were said not to fulfill the conditions for granting an exemption. One was the agreement not to contest validity of the patents. Another restricted exports, and a third was the granting of exclusive sales territories. Voluntary revisions of the contracts however, took care of the objections, and the several licenses not given negative clearance were declared exempt under article 85 (3).

The second case is Raymond/Nagoya. Raymond of France requested negative clearance of an agreement with Nagoya of Japan

This agreement included patents, know-how and utility models relating to plastic fasteners. Nagoya was exclusively licensed to manufacture and sell in Japan and several nearby countries but was not permitted to sell outside this territory. This clearance was granted. However it was pointed out as in the Davidson Rubber case that there were some unacceptable provisio that the parties had voluntarily withdrawn or altered after the commission had called attention to them. One of these was a requirement that Nagoya improvements be assigned to Raymond and that Nagoya would grant a license to Raymond but no one else fo any property rights relating to parallel inventions. These wer changed to require only a grant back of nonexclusive license fo patents.

The commission stated that the exclusive territory provisi did not affect competition within the common market. The only affect was to eliminate potential competitors on the far easter market. It was held that because of the characteristics of the products, there was virtually no likelihood of their being exported from Japan to the common market in any event.

Centrafarm v Sterling and Centrafarm v Winthrop, i.e., the Negram decisions.

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These two cases were referred to the EEC court of justice by a Dutch court. Patents and trade marks were involved. The product was a pharmaceutical. Winthrop, a Dutch firm, was selling the drug under the trade mark Negram in Holland where there was a patent under which it was licensed. Winthrop owned the trade mark rights in Holland. The right to use the trade mark Negram in England however, was held by Sterling Winthrop the parent company, Centrafarm purchased the drugs in England and brought them into Holland. Sterling brought an action against Centrafarm for patent infringement while Winthrop of Holland brought action against Centrafarm for trade mark infringement. The cases were eventually referred to the court of justice for its opinion. Centrafarm is the same concern that was involved in Sirena.

First, the patent action.

Here were raised questions as to whether the holder of patent rights in several countries where exclusive marketing rights are granted, or the licensees, can prevent marketing of products lawfully purchased in one country in another of the licensed countries without infringing the provision of the treaty promoting free flow of goods, and are agreements concluded for the purpose of maintaining such exclusive marketing areas prohibited by Article 85.

The answers were; the patent holder cannot prevent the marketing, and the agreements are prohibited.

The reasons given are substantially the same as given in respect of trade marks outlined in Sirenna and copyrights in Deutsche Grammophon.

The free flow of goods between the member states cannot be restricted unless justified as necessary for the protection of the specific object of industrial property (Article 36, as interpreted). The specific object is to insure to the owner compensation for exercise of the invention. This is achieved by the manufacture and first marketing of the products concerned either directly or by licensee.

Exercise of the patent to prevent importation may be justifie where the product comes from a state where it is not patented or i originates from different owners, but this is not justified if the product has been lawfully placed on the marked of a member state by the owner himself or with his consent. Otherwise national markets could be partitioned by a patent holder.

Patents are thus in the same position as trade marks.

Insofar as the agreements are concerned, it was held that since Winthrop of Holland was a subsidiary of Sterling, Article 85 does not apply because there is no agreement between undertakings. The nature of the agreement was not consequential to

the decision. It is purely decided on patent rights v treaty objectives.

Centraform v. Winthrop is the trade mark side of the same controversy. Winthrop owns the Dutch trade mark.

The imports were as indicated in the companion case parallel imports originating in both instances from Sterling in the U.K. There was no question of confusion as to origin of the goods. The decision again confirmed Deutsche Grammophon.

The existence of a trade mark implies the exclusive right to be the first to put the products bearing the trade mark on the market. Once a product is sold however, the owner ceases to be the only one having the right to use the mark.

Exercise of the trade mark right to prohibit sale of a trade marked article marketed under the trade mark in another state with the owners consent is incompatible with the rules of the EEC concerning the free movement of goods within the Common Market.

Again, it was held that the agreements were not within the scope of Article 85 because of the parent-subsidiary relationship. An opinion of the Advocat General argues that the precedents do

not preclude the application of Article 85 to such situations.

One interesting point which Winthrop raised in its favor and Sterling in the companion case was that Centrafarm was making it impossible for them to control the distribution of the product and that such control was necessary so that the companies could take appropriate measures for protection of the public where there was defective preparations in any consignment.

These measures would generally amount to locating and withdrawing from the market the offending products as rapidly as possible. The existence of parallel imports would render that control impossible, i.e., the protection of health and life of humans is justification under Article 36 for the conduct of the parties.

The court stated this was a legitimate concern and Article 36 did authorize derogation from the rules by the member states for reasons relating to protection of health and life. However, the measures necessary must be such as may properly be adopted in the field of health control and must not constitute a misuse of the rules concerning industrial and commercial property. Also that specific considerations underlying the protection of industrial and commercial property are distinct from the considerations underlying the protection of industrial and commercial property are distinct from the considerations underlying the protection of the public. The question was answered in the

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There are several other decisions worthy of noting.

Henkle/Rolgate, June 1972, concerned a joint development agreement under which research work was to be done in Switzerland. The commission found that there was restriction on the parties particularily in view of the requirement that each must license the joint venture with results of their own independent research. However applying the criteria for exemptions the agreement was allowed to stand.

Rank/sobelem December 1974. This was another joint development undertaking. Here there would be jointly owned patents which each could use. The commission held not only was there a restriction on competition existed, but also there was an appreciable effect on the market in the products.

However the agreement was granted exemption status in view of the benefits to be derived from the undertaking. The commission stated that the parties were unlikely to individually have developed a product range as wide as they both now offer. It is of interest that the commission will review this arrangement periodically and the parties were placed under an obligation to report every three years. The first report period began December 1973.

Van Zuyler Freres v Hag AG Court of Justice
July 1974

Here the trade mark Hag had been owned by the German concern and products were marketed in Germany, Belgium and Luxembourg. In 1934 the trade mark rights for Belgium and Luxembourg were assigned to the Belgium subsidiary. The latter firm and all its property were confiscated by Belgium authorities as a war measure.

Thereafter there was independent sale of Hag coffee in Belgium and Luxembourg and there was no longer any commercial or legal link between the companies.

Hag started marketing in Luxembourg to test whether it could be stopped. The court held that importation of products bearing the mark of the Germany company which was the original holder of the mark could not be stopped. This did not involve an agreement. The court simply held that to prohibit the marketing in a member state of a product legally bearing a trade mark in another state for the sole reason that an identical mark having the same origin exists in the first state is incompatible with the provisions providing for free movement of goods within the Consumers Market.

Cinoco v Soenen July 24, 1974 a commission decision concerning

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the trade mark Advocaat Zwarte Kep. This followed Sirena and Hag in holding that the trade mark owners could not prevent import of legitimately branded products from one state to another. Where there was a common source for the trade mark even though there may be differences in quality. The court held that the consumer is in danger of being misled only if there is a failure to state either the composition or the origin of the product.

Committee Presentations
(Committee 3)

Proposed International Treaty on the International Deposit of Microorganisms and its Problems, and Partial amendments of our 'Standard for Examination of Patent Applications in The Field of Applied Microbiological Industry' in Japanese Patent Office

Shoji Matsui

With regard to patent applications for an invention utilizing microorganisms, there are specific problems including descriptions in the specification about microorganisms, deposition of microorganisms, conditions of releasing microorganisms e.g. when, where, to whom, etc. and practices in this field largely differ from country to country, which is causing no end of inconvenience to the applicants and third parties who wish to obtain such microorganisms.

Therefore, voices have been increasing that some kind of International agreements should be concluded to lessen the dissimilarity in practices.

The recent effort by World Intellectual Property Organization (WIPO) to arrange a treaty on the international recognition of the deposit of microorganisms for the purpose of patent procedures is one of the trials along this line.

In Japan we have practised the deposit system of microorganisms over some ten years. At present our practice in this field has been based on:

(1) Regulations concerning the Enforcement of the Patent Law, Article 27, bis.

and

(2) Standard for Examination of Patent Applications in the field of Applied Microbiological Industry.

The following three points summarize our practice:

(1) Any person who wishes to file a patent application on an invention in which a microorganism is utilized, unless persons of ordinary skill in the field have ready access to the microorganism, shall deposit the microorganism at Fermentation Research Institute, Agency of Industrial Science and Technology, Chiba, Japan (FERM), which is designated by the Director-General of the Patent Office, and describe the deposit number or the receipt number in the specification as first filed.

(2) The deposited microorganism shall not be refrained from distribution to the public on and after the publication upon examination. Although not stipulated by laws, it has been an established interpretation that refusal by the depositor of the distribution outside the territory of Japan shall not affect the validity of the patent right. The depositor can ask a receiver of microorganisms to declare that he makes use of the microorganisms for the purpose of academic researches only and does not redistribute the same microorganisms while observing some additional restrictions.

(3) In the case of a Convention application, if the doposition of a microorganism has been made in accordance with the first point, and the specification filed in the first country, on which the claimed Convention priority is based, describes that the same microorganism has been deposited with a public depository, the deposition made in Japan shall be regarded as having been done on the priority date.

The partial amendments of our 'Standard for Examination' which I am now going to touch upon are mainly centering around the first and third points and as to the second point no substantial amendment is made.

Referring to the attached table for the comparison of the amended items with the original ones, I shall explain the underlined parts in the order of numbering of ① ② --- and so forth.

3.13 (2)

Number ① : This insertion was made in order to specify more clearly the type of institutes. At present, FERM mentioned above is the sole institute as designated by the Director-General. However it is possible for the Director-General to designate other Japanese or foreign preservatory institutes in addition to FERM.

Number ② : This insertion corresponds to the amendment of 3.14 (1) 4. That is to say, exceptionally, when the microorganism has been preserved at a reliable public preservatory institute and the preservation number is described in the specification as first filed, the preservation number may be replaced later by the deposit number given by FERM upon deposition and the claimed invention shall not be deemed to be incomplete.

3.14

Number ③ : Article 27 bis of the regulations concerning the Enforcement of Patent Law is cited here.

Number ④ : This is an important amendment in that at the time of a Japanese patent application the deposition at a reliable public preservatory other than FERM has come to be admitted.

The reliability of such institute may be assessed in terms of technical levels and levels of management and administration.

An institute which has rules and regulations substantially equal to those of FERM will be acceptable. If in the near future WIPO's treaty comes into effect, the 'internationally recognized depository institute' will be such a reliable preservatory institute.

The timing of the replacement of the preservation number by the deposit number of FERM has not yet been decided, but will be indicated by the examiner in the course of examination.

The applicant must certify the identity between the originally preserved microorganism and the later deposited microorganism to FERM, for instance, by means of direct transmittance of the microorganism from the first preservatory institute to FERM.

Number ⑤: Even before the publication upon examination, it may happen that the examiner rejects a junior application as relating to an identical invention with a senior application and the junior applicant wants to obtain the microorganism involved in the senior application in order to check the identity of the invention. This amendment will answer such necessity.

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Number ⑥ : This insertion follows the present practice and does not mean to introduce a new practice.

3.14 (2)

Number ⑦ : No substantial change of practice occurs.

3.14 (3) 2 (b)

Number ⑧ : The term 'A reliable preservatory institute' is understood to include public and non-public ones. It may cover any institute so long as the institute distributes a catalog of microorganisms in its possession. No substantial change of present practice will be introduced by this amendment.

3.14 (4)

Number ⑨ : This amendment corresponds to the amendment of 3.14 (1), in that the deposition at FERM at the time of filing the Japanese application becomes no longer essential. This amendment means that with regard to a patent application as first filed, unless a deposit number or a preservation number of utilized microorganisms is described in the specification, the priority under the convention is not admitted.

The foregoing covers the major amended points of our Standard for Examination. As you see, these amendments are made with a view of rendering the procedure of patent applications easier, especialy for foreign applicants, without placing a third party in an unfavorable position in respect of obtaining the microorganisms concerned.

The timing and regional extent of the release of deposited microorganisms have not been changed, and thus, the new Standard for Examination does not necessarily coincide with the draft treaty of WIPO.

In this connection I touch upon the draft Treaty of WIPO.

This draft Treaty was proposed with a view that in a patent procedure for an invention involving the use of microorganisms, if a deposit is mandatory, one deposit to an internationally recognized depositary authority should serve the purposes of all the deposits for individual patent applications in plural countries which would otherwise be required. More concretely, in its substantive provisions the proposed draft Treaty deals with general conditions of the status of internationally recognized depositary authority (Article 5), the procedures for granting such authority (Article 7), Guarantees by a contracting country to such authority and the liability of the authority (Article 6). On the other hand the draft Regulations for the enforcement of the Treaty provides for the detailed procedures to effect the Treaty, including the maintenance and the release of deposited microorganisms. However, the conditions or restrictions for releasing the deposited microorganisms are mainly subjected to the internal laws of the contracting countries (Rule 12.3 (iii), (iv)).

Recently, the Japan Patent Association has received 'Circular 2256-453' which WIPO's International Bureau has prepared as part of the proposed new draft Treaty and the

Regulations for the conference of the expert committee of 1976.

The circular 2256-453 consists of:

(1) Alternative proposals (A) and (B) with regard to Treaty, Article 2, Definition of 'Strain' and 'Culture'.

(2) Alternative proposals (C), (D), (E) and (F) with regard to Treaty, Article 6, 1 (viii), Liability of Internationally Recognized Depositary Authority.

and

(3) Alternative proposals (G) (H) and (I) with regard to Regulations, Rule 12.3, Release of Samples to Third Parties.

The Subcommittee on microorganisms of the Japan Patent Association has deliberated over these alternatives and recommended proposals (B), (C) and (I), respectively.

In proposal (B) the definition of 'Strain' and 'Culture' was deleted from Article 2, (i) and (ii), whereas proposal(A) retains the definition of 'Culture' in such manner that"'Culture of microorganism' means a viable population of microorganisms, in a given place and at a given time, which is rigorously homogeneous with respect to its morphological, physiological, genetical and serological behavior". The subcommittee has considered that the definition of 'Culture' of proposal (A) is too rigid and that proposal (B) is more flexible and convenient for actual practice.

With regard to Article 6, 1 (viii), the previous draft

provides that an internationally recognized depositary authority would be held immune by the contracting country from claims which might arise from the act of the authority.

Alternative (C) proposes that the Treaty does not regulate the question of liability of the authority so that claims against the authority are governed by the then applicable national law.

Alternative (D) provides for a general limitation of the liability of internationally recognized depositary authorities to a monetary ceiling to be fixed by the Regulations. Alternative (E) excludes the liability of an internationally recognized depositary authority for the release of any deposited microorganism, if such release was effected at the request or with the authorization of the depositor or of the industrial property office of a contracting country.

Alternative (F) proposes to combine the previous draft with alternative (D) or (E). Thus, alternative (C) alone proposes that the liability of a depositary authority is subjected to the internal laws of each contracting country, whereas alternatives (D) (E) and (F) intend, in common, to provide for a certain liability of depositary authority in the Treaty.

The subcommittee has considered it improper to universally regulate the liability of a depositary authority in view of the difference in political and economical system of each contracting country, and admitted that proposal(C) is most practical.

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Finally, with regard to the release of microorganisms to third parties, the previous draft contained a provision on the release of deposited microorganisms by an internationally recognized depositary authority to a legally entitled party. In accordance with that provision, the release was possible if the industrial property office of a contracting country certified the legal necessity. In the new proposals the question is examined whether, at the option of a contracting party, the certification requirement for each request for release could be replaced by a communication from industrial property offices to the depositary authority with which the microorganism has been deposited that release may be effected from a date to be indicated.

Proposal (G) maintains the system of the previous draft. Proposal (H) provides for the option of a contracting party for such communication. In addition, proposals (G) and (H) commonly stipulate that the release of deposited microorganisms shall be ready to be distributed after the publication without examination or after granting of the patent.

Proposal (I) makes the optional system of proposal(H) mandatory, but the timing of release is largely subjected to the option of the industrial property office of each contracting country. The subcommittee has recommended proposal (I) for the ground that, as I previously mentioned, in Japan the required timing of release to third parties of deposited microorganisms is only after the publication upon examination of the pertinent patent application and accordingly we cannot accept proposals (G) and (H) at present.

In the meantime, Japanese Patent Office may share opinions with Japan Patent Association in respect of the choice of proposals (B) and (C), but with regard to the release of microorganisms, in place of (I) it would choose proposal (H), probably because proposal (H) allows the Patent Office to choose such communication system/at its option. And in case Japan Patent Office chooses proposal (H), it may propose some amendments to adapt proposal (H) to our practice, particularly to ensure the release after the publication upon examination.

Incidentally, in the last May, AIPPI had the 24th Congress at San Francisco and proposed that the deposited microorganism should not be released to third parties until some enforceable form of patent protection begins and such release should be made contingent upon the filing of undertakings to the applicant or patentee by the person seeking said release. AIPPI also proposed that if any dispute should arise regarding the breach of the undertakings, the receiver of the microorganism shall prove that he has not violated that undertaking. It seems, however, that these AIPPI's proposals have not been reflected yet in the present circular.

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The Partial Amendment of

"STANDARD FOR EXAMINATION OF PATENT APPLICATIONS IN THE FIELD OF APPLIED MICRBIOLOGICAL INDUSTRY"

Original Items

3.13 Inventions Deemed To Be Incomplete

(1) ----------

(2) When a deposit number of the microorganism utilized is not set forth in the specification as first attached to an application (hereinafter referred to as "specification as first filed"), the claimed invention shall be deemed to be incomplete.

3.14 Deposition Of Microorganism To Be Utilized

(1) Any person who wants to file a patent application for an invention in which a microorganism is utilized must deposit ~~the expression variation~~ the microorganism with an institute designated by the Director-General of the Patent Office (hereinafter referred to as "deposition") and must clearly indicate a deposit number of the microorganism in the specification as first filed and attached to the patent application a document verifying the fact, unless said microorganism is easily obtainable to the persons having average knowledge in the technical field to which the in-

Amended Items

(1) no amendment

(2) When a deposit number at an institute designated by Director-General of the Patent Office① of the microorganism utilized, is not set forth in the specification as first attached to an application (hereinafter referred to as "specification as first filed"), the claimed invention shall be deemed in principle② to be incomplete.

Regulations concerning the Enforcement of the Patent Law, Article 27 bis. (newly inserted)③

Any person who wishes to file an application for patent on an invention in which a microorganism is utilized, unless persons of ordinary skill in the field of art to which the invention pertains have ready access to the same microorganism, shall attach to the application documents a document certifying that the particular microorganism has been deposited in the custody of an institute which shall be designated by Director-General of the Patent Office.

(1) Any person who wants to file a patent application for an invention in which a microorganism is utilized must deposit the microorganism with an institute designated by Director-General of the Patent Office (hereinafter referred to as "deposition") and must clearly indicate a deposit number of the microorganism in the specification as first filed and attached to the patent application a document verifying the fact.

In the above case, however, when the microorganism

vention pertains. Furthermore, said microorganism must be made ready to be distributed to the public after the publication of the patent application.

In the above case, however, when the microorganism utilized has been deposited with Fermentation Research Institute, Agency of Industrial Science & Technology, MITI (hereinafter referred to as "FERM"), a receipt number given by FERM for an application of deposition of the microorganism therewith (hereinafter referred to as "receipt number") may be described in the specification as first filed, in place of a deposit number to be assigned thereto later. In this case, the receipt number must be replaced by the deposit number as soon as possible after the filing of a patent application.

utilized has been deposited with Fermentation Research Institute, Agency of Industrial Science & Technology, MITI (hereinafter referred to as "FERM"), an institute designated by Director-General of the Patent Office, a receipt number given by FERM for an application of deposition of the microorganism therewith (hereinafter referred to as "receipt number") may be described in the specification as first filed, in place of a deposit number to be assigned thereto later. In this case, the receipt number must be replaced by the deposit number as soon as possible after the filing of a patent application.

Exceptionally, when the microorganism utilized has been preserved at a reliable public preservatory institute and the preservation number is described in the specification as first filed, the preservation number may be later replaced by the deposit number given by FERM upon deposition, provided that the identity between the originally preserved microorganism and the later deposited microorganism is certified. ④

Said microorganism must be made ready to be distributed to the public at the time of the publication upon examination of the pertinent patent application at the latest.

If occasion demands the microorganism in the procedure of an examination or an appeal, however, the microorganism must be ready to be distributed within the limit of the necessity, even before the said publication upon examination. ⑤

Said deposited microorganism must be preserved at least as long as the patent relating to an invention in which the microorganism is utilized, continues to exist, in such manner that the microorganism is ready to be distributed to the public. ⑥

(2) Scope of microorganisms required to be deposited,

In an invention where a microorganism is utilized, when the microorganism is recognized to be an indispensable element constituting the invention, deposition of said microorganism is required to be made.

(3) Microorganism exempted from deposition,

1. ----------

2. Microorganisms which are readily obtainable to those skilled in the art.

(a) ----------

(b) Microorganisms which have been preserved in a reliable depository and are freely distributed (including type culture strains).

(4) In the case of a Convention application directed to an invention involving the use of a microorganism which is not readily obtainable to the persons having ordinary knowledge in the technical field to which the invention pertains, if the deposition of said microorganism has been made in accordance with the provisions of 3.14(1) and the specification filed in the first country, on which the claimed Convention priority is based, describes that the same microorganism has been deposited with a public depository, the deposition made in Japan in accordance with the provisions of said 3.14(1) shall be regarded as having been done on the priority date.

Note: In the table underlined portions indicate important amendments, and the explanation on the portions of encircled numbers will be given in separate papers.

(2) Scope of microorganisms required to be deposited.
In an invention where a microorganism is utilized, when the microorganism is recognized to be an indispensable element constituting the invention, deposition of said microorganism is required to be made, except for the case exemplified in the following item (3).

(3) Microorganism exempted from deposition.

1. No amendmemt

2. Microorganisms which such persons of ordinary skill in the field of art to which the invention pertains have access to, as referred to in 'Regulations concerning the Enforcement of the Patent Law Article 27 Bis'.⑦

(a) No amendment

(b) Microorganisms which have been preserved in a reliable preservatory institute⑧, and known, before the filing of the pertinent patent application, to be freely distributed.

(4) In the case of a Convention application directed to an invention involving the use of a microorganism which is not readily obtainable to the persons having ordinary knowledge in the technical field to which the invention pertains, if said microorganism has been preserved at a depository institute designated by Director-General of the Patent Office or a reliable public preservatory institute and the deposit number or preservation number has been described in the specification filed in the first country, on which the claimed Convention priority is based, the effect of the priority with regard to the application shall be admitted.⑨

CURRENT PROPOSAL WITH RESPECT TO THE REVISION OF PARIS CONVENTION MADE BY UNDERDEVELOPED COUNTRIES

PIPA MEETING OCTOBER 15-17, 1975
CAMBRIDGE, MASSACHUSETTS

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You are all aware, of course, that the Paris Convention is under very heavy attack by the developing countries (often referred to as the "Group of 77", which is really a misnomer since they now number well over 100). These countries have formed a united front and act as a group, mainly through the United Nations and its various agencies. Of the latter, one should mention ECOSOC, UNIDO, UNCTAD and the newest specialized U.N. agency -- WIPO (the World Intellectual Property Organization).

The Paris Convention has been with us for 92 years and I believe it is one of the oldest international treaties, which has shown its viability by never ceasing to grow since its inception. It has survived unscathed momentous calamities of political, economic and social nature which rocked the world, including two world wars and the rise and fall of empires. One might ask what is the reason for this longevity and durability, and I am quite certain that there are many good answers but I like to think of two as most important. One is that the Paris Convention is based, and has always been based, on sound principles of decent international behavior; and another is that the Convention has never been overly ambitious to prescribe in detail to the member countries what the substantive law should be with respect to intellectual property, but limited

itself to its most essential aspects as far as international relations were concerned. The consequence of this prudence was that adherence to the Paris Union has hardly ever been questioned -- at least not until recently -- on the basis that the treaty infringed upon the sovereign rights of the member countries as far as domestic legislation was concerned. I believe it would be useful to keep these two points in mind when we review the present proposals to revise the Convention.

Work on revising the Convention started with WIPO calling a meeting of an "Ad Hoc Group of Government Experts" in February of this year to hear the grievances and suggestions of the underdeveloped countries. The meeting was called at the request of India - which is not even a member of the Paris Convention. 47 Countries were represented by delegates, and as observers there were representations from the United Nations, from 4 intergovernmental organizations, and 9 international nongovernmental organizations. The total number of participants was 150. I participated at this meeting as a member of the delegation of the International Chamber of Commerce.

It was obvious from the outset that there were three distinct camps -- the Western industrialized (or "market economy") countries

the Socialist (in this context, Eastern European) camp, lead by Russia; and the underdeveloped world lead by Algeria and some Latin American countries.

The Western and the East European Socialist positions were very similar. While emphasizing that the basic principles of the Paris Convention were extremely valuable, the spokesmen from the industrialized world stressed that their position was flexible and they were ready to listen and carefully consider the grievances of the underdeveloped countries when formulated. It was obvious from the very beginning that the industrialized countries were painfully anxious to avoid confrontation with the Third World. On the other hand, those who spoke for the developing countries showed no sign of a willingness to compromise but sometimes threateningly demanded that their wishes should be fully taken care of.

After considerable difficulty, 14 topics were identified which, according to the Third World, needed thorough examination in the context of revising the Paris Convention in order to satisfy their needs and desires. These topics were:

1. National treatment

2. Independence of patents

3-5. Non-working and Delays in Working of the Patented Invention; Compulsory licenses; Licenses of Right

6. Preferential treatment without Reciprocity

7. Technical Assistance

8. Types of Protection other than Patents (Inventors' Certificates, etc.)

9. Marks; Industrial Design; Appelations of Origin

10. Reservations

11. Deletion of Article 24 of the Convention

12. Scope of Protection of Process Patents

13. Right of Priority

14. Unanimity Rule

The meeting thereafter adopted a resolution that the Director General of WIPO should prepare a study analyzing these issues and outlining possible alternative solutions. Many Western delegates, in private conversations, expressed the view that, "We will never agree to any revision of the Paris Convention which will violate basic principles, such as the principle of 'national treatment' or 'independence of patents', etc." -- and some went even further -- that there will be no revision of any significance of the Convention in the foreseeable future. I have to admit that I never really shared this view.

Unfortunately, my misgivings were borne out by recent events and I am referring, of course, to the September 16, 1975 resolution of the United Nations General Assembly (Resolution 3362(S-VII) entitled "Development and International Economic Cooperation") which was adopted unanimously. In Chapter III dealing with Science and Technology, under Paragraph 3, the following is stated:

> "All States should cooperate in evolving an international code of conduct for the transfer of technology, corresponding, in particular, to the special needs of the developing countries. Work on such a code should therefore be continued within the United Nations Conference on Trade and Development (UNCTAD) and concluded in time for decisions to be reached at the fourth session of the Conference, including a decision on the legal character of such a code with the objective of the adoption of a code of conduct prior to the end of 1977.
>
> (So the agitation for a Code of Conduct; a kind of international antitrust law -- regarded with much misgiving by the international business community -- got a powerful shot in the arm). The Resolution continues:
>
> "International conventions on patents and trademarks should be reviewed and revised, to meet, in particular, the special needs of the developing countries, in order that these conventions may become more satisfactory instruments for aiding developing countries in the transfer and the development of technology. National patents systems should, without delay, be brought in line with the international patent system in its revised form." (Emphasis added)

The Resolution further states that the United Nations system should play a major role in achieving the above objectives

and that the work of U.N. bodies -- UNCTAD, UNIDO, WIPO - and others are specifically mentioned -- should be given urgent priority. In view of this Resolution, the question is no longer whether the Paris Convention should be revised, but only "how", and perhaps, "when".

In the meantime, the analysis of the 14 points by WIPO (Document: PR/GE/II/2, dated September 5, 1975) became available and WIPO called a meeting of Government Experts to consider it December 16-22, 1975, in Geneva. I shall try briefly to comment on the alternatives which have been suggested in this document. First, I would like to deal with the last one -- the 14th issue -- which is procedural and not substantive and which deals with the "unanimity" rule. To me this is a "key" issue; if we give in on this one, the "game" is mainly over.

The Paris Convention differentiates between two terms relating to changing the Convention. One is called "amendment" and the other "revision." The term "amendment" relates to changing Articles 13 to 17, which deal with some administrative matters. These can be changed by amendment in the Assembly of the Paris Union, and the majorities required are specified in Article 17. All the other provisions of the Convention, including all those concerning substantive law, can only be changed at a Revision Conference. The Convention itself contains no provision on the question whether the decisions on changes in the text of the Convention proposed at such a

Revision Conference require "unanimity" or a "majority." Nevertheless, all 9 Revision Conferences held so far have followed the rule of "unanimity." Abstentions were never counted as negative votes. Neither did absence of a member country play a role. The developing countries want to change this traditional method, and the Director General of WIPO clearly leans towards a qualified majority rule and mentions 3/4 or perhaps 4/5 majority of the member states.

On principle, much can be said in favor of requiring unanimity in the revision of an international treaty. The unanimity rule avoids abrupt changes which, while perhaps attractive at the spur of the moment, might be harmful or disadvantageous in the long run. Also, a revision unanimously adopted places moral pressure on the member countries to go forward with ratification, while the majority rule would have the opposite effect. These are theoretical considerations, but let us now look upon the issue from a practical point of view.

The developing countries argue that they are already a majority -- 45 out of the 81 member countries -- and, therefore, their wishes should prevail. These 45 Third World countries would presumably vote as a bloc, leaving 36 countries to be classified.

I would consider:

23 countries as industrialized "market economy" countries;

7 countries belong to the East European bloc, lead by Russia;

and there are about 6 swing votes.

Some of these, like Canada, Portugal and Spain could easily go with the developing countries. The others - Greece and Ireland - would probably vote with the industrialized world. The 6th, Rhodesia, would probably not be permitted to vote.

Even if we assume that Russia and Eastern Europe will vote with the West (far from certain) and there are no defections, we have a division of something like 33 versus 48 -- but this is not the end of the story. UNCTAD, in its report on the revision of the Paris Convention, lists 61 Third World countries which are not members at present. Assuming that the unanimity rule was changed and the Convention revised to please the developing countries, and for argument's sake assuming that all 61 countries would join, the line-up would look something like this: about 108 versus 33 -- and the emergence of further new countries has not even been considered. If this happens, I ask -- where would the qualified majority be? I submit that the situation would be similar to that in the United Nations -- bloc voting by a majority disregarding the interests of major industrialized countries.

I have taken up a lot of your time talking about the "unanimity rule", but to me this is crucial. The unanimity rule is the safety valve which assures against ill-advised amendments, and prevents derogation from those basic principles upon which the Convention is built. Departures or exceptions from such basic principles as the "national treatment" and the "independence of patents" could easily disrupt the harmonious relationship existing between those member countries, large and small, which for many decades have been guided in their relationships to each other in industrial property matters, by the voluntary acceptance and observance of not only the letter, but also the spirit, of the Paris Convention.

I will now deal with the remaining issues more or less in the order handled in the WIPO analysis.

1. Independence of Patents

This principle logically follows from the fact recognized by the Convention that the patent laws are national laws; and with regard to such basic issues as patentability and validity, the laws of the member countries are not uniform and therefore there is no such thing as an "international patent law." It follows, therefore, that the Convention provides that Country A cannot refuse to grant a patent merely on the grounds that the applicant was not able to obtain a patent in Country B, and this also means that Country A cannot invalidate a patent merely on the grounds that in Country B the corresponding patent is no longer in force.

The developing countries argue that it is unjust that an applicant should be permitted to get a patent in their country or have the grant maintained, when in his home country, (i.e., in the country of priority) he was unable to obtain a patent, or his patent has been invalidated. (Of course, not a word is said about reliance on the home country decision if the decision was positive with regard to patentability or validity -- only if it was negative.) The WIPO document points out that reliance on foreign law would mean that there would be in a country a different patent law with regard to foreign applicants than with respect to local applicants. This certainly is a telling argument for maintaining the full independence principle, which I strongly support.

In the report, the Director General outlines the numerous difficulties and mentions the extensive revision of the Convention which would be necessary if the principle is abandoned or is subject to exceptions, but surprisingly fails to point out an obvious solution. If the reason for making an exception to the independence of patents principle is that the developing countries lack the ability to judge patentability and patent validity, then the solution is, of course, that they should combine their abilities and set up regional

patent treaties similar to the European Patent System and/or adhere to the Patent Cooperation Treaty.

2. Compulsory Licenses and the Question of Importation

Under this heading the following questions were raised:

a. Should it be permitted for a developing country to impose stricter requirements for working of patents on foreigners than on nationals?

b. Should the time limits of Article 5A of the Convention be shortened?

c. Should "licenses of right" (a concept to be defined) be permitted by the Convention; and

d. Should there be a specific statement in the Convention that importation does not satisfy the requirements of working in the country?

Discriminating against foreigners with regard to working requirements is correctly stated in the WIPO document as being a derogation from the principle of national treatment, and the Director General apparently has no great enthusiasm for it. He states, however, that if a departure from the time limits were permitted by amending the Convention, then it would be necessary to have a time limit specified in the Convention below which no national law can go with respect to working requirements on patents owned by foreigners.

In discussing the next issue - whether the time limits now specified in Article 5A should be shortened - the Director General points out that the period of 4 years from filing, or 3 years from grant, in Article 5A, applies only to compulsory licenses granted on the ground of failure to work. Unfortunately, he also gives a long dissertation regarding the complete freedom of any country to grant compulsory licenses in any other cases of abuse -- for example - the price of the patented product is abusively high, or, even in the absence of abuse, where there is a justified public interest involved (such as public health, defense, or development of the national economy, etc.) and underlines that in all these situations compulsory licenses may be granted without any time limit.

The question of "licenses of right" is dealt with in the document in a separate chapter and the Director General first asks the question - what does the term mean? If the term is understood in the sense used, for example, in British law (meaning nothing more than the right of the patentee to have his patent endorsed with these words so that anybody could obtain a license under it), he states correctly that the Paris Convention is not involved - on the principle that volanti non fit injuria. If, however, a "license of right" is compulsory, then a distinction must

be made on the grounds on which it is based. If it is based on reasons of public interest or abuses other than nonworking, then the document states that granting is not prohibited by the Convention and no time limits need to be observed. If, on the other hand, the ground is nonworking or insufficient working, then Article 5A would be involved.

The document also supports the view that the Convention could be amended to specify that importation does not constitute working, because there is no difference of opinion on the issue.

3. National Treatment

The national treatment principle forbidding discrimination between nationals and foreigners is, of course, the cornerstone of the Paris Convention. This principle is under a broad-based general attack by the developing countries - who argue that equality of treatment only makes sense if the parties are generally equal; otherwise, equality perpetuates inequality; and that a fundamental revision is needed to alter this "perverse situation." I hope that you will agree that one cannot tinker with this principle without destroying the Convention and without violating the principles of decent international behavior.

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At the February meeting, the Government experts had considerable trouble with this issue. The industrialized countries successfully blunted the broad-based attack against the principle by demanding specificity - which was not forthcoming. The national treatment section in the WIPO document, therefore, deals with only some examples which were mentioned. These are - first "fees"; then "working" (and I have dealt with that before); and, finally, "duration of the patent."

With regard to "fees", the Director General first concludes that charging higher fees to foreigners than to nationals would indeed be a violation of the national treatment principle included in Article 2 of the Convention; and then states that if the Convention is amended so that the national treatment principle need not be applied by a developing country as far as fees are concerned, then it would be indispensable to indicate also the difference as a ratio between the fees payable by foreigners as compared to nationals. For example, it could be stated that the fees payable by foreigners cannot be more than twice or three times the amount paid by nationals. He also suggests that all foreigners should be dealt with equally so as not to violate an important corollary - the equality of foreigners.

The Director General also gives an alternative solution, suggesting that patents not worked in the country should be charged higher fees, particularly maintenance fees, and perhaps also retroactive extra filing fees. He happily concludes that this alternative could be implemented without changing the Convention because it would apply equally to nationals and foreigners.

I believe that permitting discrimination against foreigners regarding fees should be resisted all the more so since if the reason for the proposal is not to make the national patent systems prohibitively expensive to foreigners, but to help the local inventor, then other much more practical means are available. Countries can directly, or via the income tax laws, subsidize their national inventors - covering research, development and local and also foreign patent procurement expenditures, without violating the Convention. As an alternative one may even consider establishing an international fund administered by the U.N. or some other international body to take care of the matter.

On the question of providing in the national law of a Convention country shorter patent "duration" for foreigners than for nationals, the Director General concludes, of course,

that this would also be a derogation from the national treatment principle and any provision in the Convention for such discrimination would have to set minimum standards of duration for each category of inventors. The Director General also promotes his own novel idea incorporated in the revision proposal for the model patent law that there should be an initial 10 year period both for nationals and foreigners, extendable twice for 5 years each if the patented invention is worked in the country. The document states, as it did with regard to higher fees for nonworked patents, that this alternative would be a particularly efficient way of encouraging working of the patent locally and of "punishing" nonworking.

I am convinced that any derogation from or exceptions to the national treatment principle should be vigorously resisted. I regard any compromise, however minor in importance, similar to the proverbial hairline crack in a dam -- inevitably becoming a breach, ultimately destroying the edifice.

4. Preferential Treatment without Reciprocity

This topic sounds more formidable than it is - at least according to the report of the Director General. He deals with the "fees" again, now in the context of whether

inventors from a developing country should not be permitted to pay lower fees in a developed country than that country's nationals or other foreigners. I don't think I need to say much about this, and as I said before, I believe that the solution is the granting of a direct subsidy either out of the national treasury or internationally to Third World inventors.

The other topic dealt with is whether developing country nationals should be allowed a longer "priority period" than inventors from a developed country. The Director General is not happy with the proposal and marshalls his arguments as follows. First, it would slow down the granting procedure in all countries where the law provides that where two applications claim the same invention, the one with the later filing or priority date must be rejected. Second, it would mess up the procedure in all those countries where applications are made public after 18 months from priority date. Third, it would make it impossible to apply many of the important time limits prescribed in the Patent Cooperation Treaty. Finally, it is pointed out that the PCT gives the applicant just the sort of advantages which those favoring the prolongation of the priority period seem to be seeking.

5. Scope of Protection of Process Patents

The question here is whether developing countries should not be exempted from the provisions of Article 5quater of the Paris Convention which provides that:

> "when a product is imported into a country of the Union where there exists a patent protecting a process of manufacture of the said product, the patentee shall have all the rights, with regard to the imported product, that are accorded to him by the legislation of the country of importation, on the basis of the process patent, with respect to products manufactured in that country." (Emphasis added)

The issue is, of course, of the utmost importance for the pharmaceutical industry, but also for the chemical industry in general, and the agro-chemical industry in particular.

In dealing with the question, the Director General first states that neither Article 5quater nor any other provision of the Paris Convention obliges any country to grant process patents in general or patents in respect to certain processes - for example, processes used in the pharmaceutical industry in particular; and then continues to deal with the question strictly from the point of view of local working. He states in essence that the real issue is whether it is assumed that the process is going to be worked locally or not. If it is, then it would be in the interest of the local manufacturer to be able to prevent importation from abroad. If, on the other hand, it is assumed that the process will not be worked in the country, then it is not important

to prevent such importation; and therefore the problem has less to do with Article 5quater of the Convention than with forcibly encouraging local working or sanctioning its absence. The Director General thereafter points to his proposals regarding compulsory licensing and reduction of patent term in case of nonworking as the proper remedy.

I believe that as long as the artificiality of limiting patentability to processes in the chemical and/or pharmaceutical fields continues to persist in many countries it is essential to maintain the minimal - and far from satisfactory - guarantee which Article 5quater provides. Otherwise this highly invention-intensive field of technology would lose all protection as a practical matter, especially in the developing countries where infringement rarely occurs by virtue of local manufacturing, but rather,by importation.

In order to save time, I shall deal with the remaining issues in a somewhat summary fashion.

6. Inventors Certificates

These are of little interest to Western industries and there should be no objection that they should be treated on equal footing with patents, so long as the "free choice" principle is maintained. The Soviet Union, chief proponent of the

amendment, firmly supports that the applicant should be permitted freely to choose between obtaining an inventors' certificate or a classical patent.

7. With respect to Special Types of Patents, the question is whether the Paris Convention should not specifically provide for special types of patents and the reference relates to the Technology Transfer Patent (TTP) and the Industrial Development Patent (IDP). I will mention the features of these in connection with the Model Law revision. It will suffice at this point to note that according to the Director General, no such mentioning is needed in the Convention, and the International Bureau takes the position that any country of the Union is free to provide for special types of patents so long as the country's law also provides for the traditional type of patent which conforms with the Paris Convention requirements.

8. In the long sections dealing with Trademarks, Indication of Source, and Industrial Designs, a number of rather strange suggestions are considered quite extensively and some are summarily dismissed. With regard to the issue whether the Convention should set a specific time limit for cancelling a trademark registration for "non-use", instead of the presently-stated "reasonable period", the Report, referring

to the Trademark Registration Treaty, suggests that the time might have come to accept a 5-years limit. As an amusing sideline, I just want to mention that the report states that at the Lisbon Conference for the Revision of the Convention in 1958, a 5-year time limit was proposed and defeated by just one vote - that of Japan. This I regard as a useful illustration of what the "unanimity principle" really means.

Regarding the question relating to Geographical Designations Used as Trademarks, the Director General points out that the Paris Convention does not contain an express prohibition against the use of such geographical designations as trademarks. The matter is dealt with in the context of Articles 10 and 10^{bis}, which relate to the false indication of the source of goods and repression of unfair competition. He also indicates that there are two special treaties under the Paris Union which try to deal with the subject and that WIPO is currently sponsoring an effort to revise them or to conclude a new treaty. So far as the Paris Convention itself is concerned, he proposes that the treaty should contain a provision to the effect that false or misleading use of geographical designations as trademarks should be prevented by all member countries of the Union.

Regarding the question of whether in a case of Conflict Between an Appelation of Origin and a Trademark, the former should prevail, the paper states that this is an extremely complex question which should perhaps be dealt with in connection with the international protection of appelations of origin.

With respect to "Well-Known Marks", the question was raised: "whether the obligation to protect any well-known mark (Marque notoirement connue) was always compatible with the interests of developing countries in which similar national marks were registered before the registration of the well-known mark." (Emphasis added)

> "154. The obligation referred to in the above question is contained in Article 6bis, the relevant passage of which reads as follows: 'The countries of the Union undertake...to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods...' (paragraph (1))."

With regard to this issue, the Director General points out that the purpose of the protection of any mark, including "well-known marks", is not only to preserve the interests of the owner of the mark, but also and equally importantly, to protect the consumer public from being confused as to the origin of the goods; and developing countries should be as much interested in protecting their consumer public

against confusion as developed countries.

The rather weird idea of providing in the Convention for Compulsory Licensing of Trademarks in certain situations received no support from the Director General. He correctly points out that the remedy in case of "non-use" of a trademark is revocation of the registration or refusal of renewal. Similarly, the WIPO document takes a negative position with respect to the idea of changing the principle of Independence of Trademarks in the Convention. He points out that the grounds for refusal or cancellation of a trademark registration in one country may be totally nonexistent in another, and therefore the issue of registrability or cancellation of the trademark should be determined on the basis of the local situation.

On the issue of strengthening the Paris Convention provisions to allow for swifter action against abuses in connection with False Indications of Source and Unfair Competition, the Director General correctly points out that according to the present language of the Convention, any country is free to act as swiftly as it pleases or is able to do.

On the question whether the Convention should not provide for compulsory licenses with regard to Industrial Designs,

the document clarifies that since the Convention is silent, member countries are not restricted from introducing a compulsory license system; but he rightly questions what purpose compulsory licenses would serve in this situation. Neither does the Convention permit forfeiture or lapse with regard to industrial designs or any other taking away of design protection, and the Director General argues that the reason for this is that apparently there is no public interest involved in providing the domestic market with articles having aesthetic features.

The paper also deals quite extensively with the question of Technical Assistance to developing countries and the suggestion that provisions similar to those included in the Patent Cooperation Treaty should also be included in the Paris Convention. The matter obviously needs study but it is doubtful whether there is need for such an inclusion.

Abolition of Article 24 (the so-called "territorial clause", sometimes also referred to as the "colonial clause" -- the terminology used depends on who you are talking to) of the Paris Convention was also suggested. This article provides that any member country responsible for the external relations of a territory may extend the application of the Paris Convention to that territory. The Director General

sidesteps taking a position, pointing out that this is an international political issue.

The last question dealt with is the suggestion that developing countries should be permitted to make Reservations with regard to the applicability of certain provisions to their country and thereby make the Convention more flexible and "tailor-made for the country making the reservation." The Director General points out that the question is so vague that it is impossible to deal with it without knowing what provisions are suggested to be susceptible for reservation by individual countries.

There is no question in my mind that a treaty can easily become unworkable and meaningless when the opportunity is afforded to individual member countries to pick and choose between the various treaty provisions as to whether they are applicable to their country or not. After all, legal security and knowing where one standsare essential for a multinational treaty to be successful.

I believe the questions which have been raised and will be discussed at the forthcoming WIPO meeting at the end of December are important and serious enough to be of concern to all of us. AND if there are among us optimists who

think that sober minds will prevail and workable compromises can be arrived at satisfying the Third World while safeguarding our interest, I would like to point out that in my opinion we have only seen the tip of the iceberg. At the February meeting, the Third World reserved the right to add further issues to the 14 points which we have just discussed and, indeed, simultaneously with the publishing of the analysis by the Director General of WIPO, UNCTAD published a report on the very same subject, i.e., the revision of the Paris Convention. This is UNCTAD Document TD/B/C.6/AC.2/3 dated September 1, 1975 (and I recommend reading it!)

Time does not permit me to deal also with this document to any extent, but I would just like to read you a few quotes:

"The singular weakness of the Paris Convention is that it is strong on the rights of patentees but very weak on stipulating their obligations and safeguarding national interest, particularly of developing countries."

"The adequacy of revision of the Convention would have to be judged against the extent to which it succeeds in incorporating provisions granting special treatment to developing countries."

Specifically, "It should not include references to rights of importation of a patented product or of products manufactured on the basis of patented processes."

"It should recognize explicitly the right of member States to adopt legislative measures, inter alia, providing for: use or expropriation by the government of patented inventions for purposes deemed necessary for national development; various kinds of licensing systems; automatic lapse of patents; and revocation. The recourse to any one of these measures should not be conditional upon, or conditioned by, the prior or simultaneous use of any of the other measures. Each State should be able to employ them as and when considered necessary." (Emphasis added)

On the question of revision, it points out..."that the success of the revision would depend upon the extent to which the attempts to arrive at a new text of the Convention respond not only to the explicit wishes of the majority of the present membership of the convention" (UNCTAD claims 45 Third World member countries of the total of 81)"but also to the needs of the numerous developing countries...which are outside of the Union" (This is the 61) (Emphasis added)

These views appear to be unreconcilable with the commonly held views of those Paris Union countries which regard the Convention not as a hindrance but a positive force to their progress in the field of technology, trade and economics, and are guided in their country-to-country relationships in industrial property matters by the letter as well as the spirit of the Convention.

The question must be raised, therefore, whether there is any real purpose in trying to work out some sort of a compromise between these two positions or whether we should try to find some other solution. We cannot compromise on the basic principles upon which the Convention is founded, such as the "national treatment", the "independence of patents" principle, and even on the "unanimity rule". Providing exceptions or reservations for certain countries is no solution either. How to determine which country should qualify for "special treatment?" "Developing country" is an ambiguous term defying definition. In the U.N. a country is classified as "developing" on the basis of self-declaration. What is to prevent any Paris Union country which hitherto strictly observed the Convention rules from declaring itself eligible for "special treatment?" The whole fabric of the Paris Convention, which has always been a unifying force, in many respects responsible for the similarity of the national industrial property systems in the member countries, could be torn apart.

Isn't it perhaps time to reconcile ourselves -- instead of arguing against what seems to be the basic thesis of UNCTAD and those who speak in the name of the Third World - that equality of treatment only makes sense when the parties involved are generally equal, otherwise equality perpetuates inequality -- and let the Third World if they wish, conclude their own Convention among those countries who consider each other "generally equal?" Let these countries devise an industrial property system which will satisfy them, and have their own model law. This certainly appears to be a better solution than dismantling an edifice of 90 years duration which has served its member countries well. Interrelationship between the two Conventions could then be regulated; and technical assistance and similar types of programs worked out on a mutually agreeable basis. This would leave us with a Paris Convention with like-minded member countries, and useful revisions of the Convention could be agreed upon in the interest of furthering uniformity of the national laws.

I know that the alternative I just suggested can have ramifications of major importance of which I am not aware. I have proposed it merely for critical examination by you.

Reverting to the current negotiations about the revision of the Paris Convention, I believe it indispensable that we, professionals and representatives of major industries with worldwide operations, see to it that our Government representatives fully recognize the importance of the issues involved and the serious consequences of acceding to the excessive demands made by the Third World.

REPORT ON THE WIPO PROPOSAL TO REVISE THE MODEL PATENT LAW FOR DEVELOPING COUNTRIES

PIPA MEETING OCTOBER 15-17, 1975
CAMBRIDGE, MASSACHUSETTS

Bartholomew J. Kish
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The WIPO program to revise the 1965 BIRPI Model Patent Law for the Developing Countries is proceeding according to schedule. Two working group sessions were held in Geneva, November 25-29, 1974 and May 26-30, 1975. The third session is scheduled to take place from November 10-14, 1975 and the working document prepared by WIPO has recently been received. The working group, organized by WIPO, is heavily weighted with representatives of the Third World and there are only four official experts participating from the so-called industrialized "market economy" countries. As you know, I participated as an observer at the first two meetings as a representative of PIPA. If entrusted with the task, I would be willing to attend also the third session in November.

Now that the entire WIPO draft is available, it is possible to get some idea of what the model law -- promoted by a world organization which claims unbiased expertise of the highest order in the field -- will look like.

At the very beginning, I have to say that the WIPO proposal has been influenced by such radical departures from the traditional patent concept as the Andean Commission Decisions, particularly 24 and 85, and by the new Indian, Argentine and Mexican laws, as well as by the heavy pressures

to which the Secretariat has been subjected by the "Group of 77" and other U.N. agencies, especially UNCTAD.

That portion of the WIPO draft for the Model Law which was discussed at the first session of the working group, recommended setting up a system for Governmental supervision and control of all license agreements, and also incorporated the highly-controversial Code of Conduct concept in the model law.

As originally proposed, the draft contained 19 rigidly-worded per se prohibitions and two required stipulations in any license agreement, with only a very weak and almost meaningless saving clause that exceptions can be made "in the interest of the country."

Possibly as a result of vigorous intervention by representatives from developed countries and observers, the Secretariat indicated a change in the position. While the suggestion made by myself and supported by others -- that the list of prohibited stipulations be replaced by a general clause merely indicating areas in an agreement to be considered by the Government in the light of all other circumstances -- was not adopted, the Director General in his report stated that the entire section will be redrafted, couching the provision in terms of a permission "The Government authority may refuse..." rather than as an obligation "shall" refuse.

You may be wondering, as I am, what the ultimate fate of these "concessions" will be, in the face of the September 16, 1975 U.N. General Assembly Resolution strongly endorsing the adoption of an International Code of Conduct. (I referred to this Resolution in my prior speech on the Paris Convention.)

The meeting also dealt with a possible addendum to the model law relating to special types of patents; in particular, to the Technology Transfer Patent (TTP) and the Industrial Development Patent (IDP). You are familiar with both of these concepts and therefore it will be sufficient for me just to say that the IDP did not get any support at the meeting and the idea will probably be abandoned. On the other hand, the TTP was looked upon generally favorably by the participants as a possibly useful tool in transferring technology to developing countries. A condition for this endorsement of the TTP idea is that the classical patent system must remain intact and a TTP will only be available if no classical patent on the same invention is in existence in the developing country.

The legal protection of "know-how" was also discussed but the views expressed by the developing countries were so diverse and so contrary to what we understand on "know-how" protection

that no consensus could emerge. Some developing country representatives even denied the proprietary nature of "know-how". They also argued that "know-how", whether secret or non-secret, should become the property of the transferee the minute it is communicated and the transferor should have no right to recapture it under any circumstances.

The debate at the May 1975 session was just as lively, if not more so. The WIPO draft on patentability followed recognized international principles but the Secretariat's ambitious attempt to define the concept of "invention" provoked endless debate, without a consensus. The attempt will probably be abandoned.

The proposal providing for a domestic "grace period" following a prior publication of the invention by the applicant -- a kind of local priority right -- was objected to on the grounds that such a prior publication would make the obtaining of foreign patents impossible.

The proposal to exclude from patentability certain (unspecified) products or processes by law or decree, for successive 10-year periods, was objected to very vigorously by the developed countries, while defended by Third World representatives. The provision will probably remain, but

one might hope that the even more radical "flexible" approach promoted by some countries will not be adopted.

The draft proposed that an invention should belong to the inventor ab initio, who should be compensated by his employer if it is used. This idea was supported by the representative of the International Labor Organization (ILO) but objected to by many. It is expected that the provisions of the 1965 Model Law will be retained with respect to inventions made under contractual obligations or service contracts.

The traditional formulation with regard to the rights of the owner of a patent, namely, the right to exclude others from making, importing, offering for sale, selling, and using the product, came under very heavy attack by Third World representatives. Inspired by Andean Decision 85 and by a report of the Canadian Economic Council, they insisted that a patent should not be permitted to be used to prevent importation of infringing products, and certainly not if the patent in question was not being worked in the country. Hopefully the provision will remain unchanged in the final text.

With respect to the duration of the patent, the WIPO draft contained the provision, also suggested in connection with

the Paris Convention -- 10-year term from filing, extendable twice for 5 years each in case the patent is worked in the country. I proposed that the initial term should be counted from grant in order to assure the patentee sufficient time to prepare for working of his patent. Experience shows that in many developing countries the granting procedure might take 5 or even 8 years, making the 10-year initial term totally insufficient. The proposal to start the term from grant received considerable support, but I doubt that it will be adopted. Even if not accepted, it served perhaps to deter proposals by several Third World countries that the patent term should be "flexible" to conform to the country's needs and development programs.

With regard to fees, it was agreed that the Third World proposal to charge higher fees for foreigners than for nationals would be deferred until the issue was decided in connection with the revision of the Paris Convention.

The draft sets up three categories for compulsory licenses. The Paris Convention time limits are observed with regard to compulsory licenses for non-working, and importation by a compulsory licensee is not permitted. In the other two

categories (licenses granted in the Public Interest, and in the case of Patent Dependency) the compulsory licensee may get a license to import and there are no time limits to be observed. The most objectionable is, of course, the "Public Interest" license which provides that a compulsory license may be granted at any time with respect to a patented invention which is of importance for defense, public health, or for the national economy. One should emphasize that such a "Public Interest" license is available also when the patent is worked in the country. The "importance for the national economy" ground is available if the patented product made in the country is "not available on reasonable terms (price) and in sufficient quantities." The procedure to grant a compulsory license is administrative, with appeal to the Minister; only with respect to the amount of the compensation (royalty), is court appeal permitted. There is practically no hope, in my judgment, that these compulsory license provisions will be changed. One can only hope that the various proposals made by the developing countries to "punish" the patentee will not be followed.

The working paper for the third session has just been received, as I indicated before. It appears to deal mainly with non-controversial matters and I will therefore only point to those few areas which I believe deserve closer attention.

The section dealing with the application, grant, and refusal of the application, is remarkable in the following respects. It introduces the "best mode" requirement in the specification. This is the first time that I have seen this typically-United States concept suggested for adoption by others. Incidentally, this is the Director General's idea to counter the Third World pressures that the applicant be forced to include all "know-how" in the application.

The document also has a section on information concerning corresponding foreign applications and patents and puts the obligation on the patentee, under the penalty of rejection, to furnish the Patent Office in the developing country with dates and numbers of any corresponding foreign application relating to the same or essentially the same invention, together with copies of all correspondence relating to the examination and all cited prior art, copies of all issued patents, copies of any decisions rejecting the foreign cases. Also, the applicant is under the obligation to furnish copies of any decisions invalidating the foreign patents. This absurd requirement is also applicable in any court proceedings in which the validity of the patent might be an issue. Incidentally, according to the draft an invalidated patent is to be regarded as null and void from the date of grant instead of what would be more fair -- from the date of the final decision.

Just imagine the mountains of papers the applicant will have to furnish and the Patent Office to consider! -- the translation problems and costs, the explanations which will have to be furnished with respect to all these documents, etc., etc. I can only hope that this is just a trial balloon by WIPO and that this requirement will be dropped. In any case, you will notice that with regard to revising the Paris Convention, furnishing this type of information was only suggested with regard to proceedings in the priority country -- but in this model law, with regard to all corresponding applications in all countries. One can also wonder whether WIPO has already crossed the bridge to break the principle of independence of patents de facto if not de jure.

The draft recommends that no patents in a developing country shall be granted without novelty search and preliminary examination. The relevant provisions are drafted in the fashion that this could be done, if not in the local Patent Office then by another country's Patent Office or through the International Patent Institute or via the Patent Cooperation Treaty.

In the section it is stated that the relief in case of infringement shall be injunction and damages which, at the option of the patentee, may be his financial loss or the

profits made by the infringer, or a reasonable royalty. This would be quite acceptable if the next section did not specify that only "reasonable royalties" may be recovered if the court finds that the infringement was committed without any intention or negligence of the defendant, or that at the time of the infringement the patent could have been subjected to a compulsory license for non-working.

I must also point out an improvement which we can unhesitatingly support. The draft institutionalizes the "shifting of the burden of proof" in process patent situations. Section 51 states that, "If a patent relates to a process for the manufacture of a product showing novel features, such a product shall, in the absence of proof to the contrary, be presumed to have been manufactured by that process." I am afraid, however, that this section will have a very short life in the forthcoming discussions.

The remainder of the working paper need not be commented on since it deals with such matters as inventors' certificates (of little interest to Western industries), some administrative matters, and contains an annex with a rough draft for "Innovations" (a type of shop invention existing in some Socialist countries).

The Model Law, after the November session, will be redrafted, and a consolidated text produced which would then be subjected to discussion at additional meetings. I am doubtful that the end result of these WIPO efforts will be a patent law which would be meaningful for foreign patentees. Rather, I am concerned that the patentee's rights will be so severely restricted that filing patent applications in the developing countries will have no purpose. How such a situation would improve the transfer of technology to these countries is beyond me!

I think UNCTAD and the leaders of the Group of 77 live in a "never-never land" and seem to think that if only they can shape the industrial property system to conform with their ideas, then everything will be "alright". I should think they would be well advised to take to heart the statement attributed to Professor Erhard, the former German Chancellor and the architect of the German "economic miracle" after the last war. According to a recent article in the "Wall Street Journal", Professor Erhard, during a visit to a developing country, after listening to local officials give an enthusiastic run-down of their great economic potentials, observed, "Yes, that is all very well, but you have still got to learn to work, work, work."

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I HAVE BEEN ASKED TO SPEAK ABOUT THE STATUS OF SOME PROPOSED TREATIES - SPECIFICALLY THE TRADEMARK REGISTRATION TREATY, THE PATENT COOPERATION TREATY, THE EUROPEAN PATENT CONVENTION AND THE EUROPEAN ECONOMIC COMMUNITY PATENT CONVENTION. TO RECITE THE STATUS OF A PROPOSED TREATY IN TERMS OF WHAT HAS BEEN WRITTEN AND WHAT MEETINGS HAVE BEEN HELD AND ARE SCHEDULED IS EASY - BUT NOT VERY ENLIGHTENING. HOWEVER, TO INDICATE THE STATUS OF A PROPOSED TREATY IN TERMS OF HOW CLOSE THE PARTIES ARE TO AGREEMENT AND WHAT THEY WILL FINALLY AGREE UPON WITH ANY DEGREE OF RELIABILITY IS EXTREMELY DIFFICULT AND PERHAPS IMPOSSIBLE IN PRESENT DAY CONDITIONS. IT IS AS THE JAPANESE SAY - "NIKAI KARA MEGUSURI" - LIKE DROPPING MEDICINE IN YOUR EYE FROM THE SECOND FLOOR. NEVERTHELESS, I WILL ATTEMPT TO DO SO. BUT YOU MUST RECOGNIZE THAT MY COMMENTS ARE TOTALLY UNRELIABLE AND PURELY GUESSWORK.

LET US CONSIDER THE TRADEMARK REGISTRATION TREATY FIRST. THIS TREATY HAS BEEN SIGNED AND IS NOW AWAITING RATIFICATION BY THE VARIOUS GOVERNMENTS. IT IS MY PERSONAL OPINION THAT THE PROPOSED TRADEMARK TREATY IS IN A PRECARIOUS STATE. YOU WILL RECALL THAT THE DISCUSSIONS LEADING TOWARD SUCH A TREATY WERE INITIATED LARGELY BECAUSE OF THE ENCOURAGEMENT OFFERED BY THE UNITED STATES GOVERNMENT.

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THE PRINCIPAL OBJECT OF THE PROPOSED NEW TREATY IS TO ESTABLISH A MULTILATERAL TRADEMARK FILING ARRANGEMENT WHEREBY A SINGLE INTERNATIONAL APPLICATION COULD BE USED TO OBTAIN AN INTERNATIONAL REGISTRATION FOR A BUNDLE OF NATIONAL RIGHTS.

THE DIFFICULTY ARISES PRIMARILY FROM THE DEEPLY INGRAINED AND LONG STANDING AMERICAN PHILOSOPHY THAT A TRADEMARK RIGHT CAN ONLY ARISE FROM, AND BE TIED TO, USE OF THE MARK, AS OPPOSED TO ARISING FROM REGISTRATION. OTHER STATES HAVE BEEN UNWILLING TO ACCEPT THIS PHILOSOPHY. AS A RESULT THE TREATY INCORPORATES A COMPROMISE. IT PROVIDES THAT A TRADEMARK RIGHT ARISES UPON REGISTRATION WITH INTENT TO USE AND WITH ENFORCEMENT AND MAINTENANCE OF THE RIGHT DEPENDING UPON SUBSEQUENT ACTUAL USE WITHIN THREE YEARS.

THE NEGOTIATORS FOR THE UNITED STATES WERE IN A MOST DIFFICULT POSITION. THEY RECOGNIZED THE OPPOSITION IN THE U.S. TO A TRADEMARK RIGHT WITHOUT ACTUAL USE BUT HOPED THE BENEFITS OF HAVING A WORLDWIDE CONVENTION WOULD SUBSTANTIALLY REDUCE THAT OPPOSITION. HOWEVER, THE UNITED STATES IS A HIGHLY TRADEMARK ORIENTED SOCIETY. MANY ARE CONCERNED THAT UNSCRUPULOUS PERSONS WOULD TAKE ADVANTAGE OF A REGISTRATION RIGHT TO CLOG THE U.S. PATENT AND TRADEMARK OFFICE WITH A

LARGE NUMBER OF REGISTRATIONS MERELY FOR THE PURPOSE OF EXTRACTING TRIBUTE FROM INDUSTRY. WITHOUT GOING INTO THE MERITS OF THIS CONCERN, IT IS APPARENT THAT THE ISSUE IS HIGHLY CONTROVERSIAL IN THE UNITED STATES AND THOSE WHO ARE OPPOSED SEEM TO HAVE MUCH STRONGER CONVICTIONS THAT THOSE WHO ARE FOR THE TREATY. MOREOVER, THERE APPEARS TO BE NO ONE IN THE GOVERNMENT NOR IN THE SENATE WHO IS REALLY PUSHING FOR THE TREATY.

IN VIEW OF THIS OPPOSITION AND THE NATURAL RELUCTANCE OF POLITICIANS IN A MAJOR ELECTION YEAR TO VOTF AGAINST SUBSTANTIAL OPPOSITION, IT IS MY GUESS THAT IF BROUGHT TO A VOTE IN 1976, RATIFICATION BY THE U.S. WILL BE DEFEATED. IF DELAYED UNTIL AFTER THE U.S. ELECTIONS, RATIFICATION WOULD STAND A BETTER CHANCE BUT IS STILL QUESTIONABLE WITHOUT A STRONG PUSH FROM WITHIN THE GOVERNMENT.

THERE IS THEN LEFT THE QUESTION OF WHETHER OTHER COUNTRIES WILL RATIFY THE TREATY WITHOUT THE UNITED STATES. THEY SEEM TO BE FAVORABLY INCLINED TOWARD THE TREATY AND MY GUESS IS THEY WILL GO AHEAD EVEN IF THE U.S. FAILS TO RATIFY.

Let us next look at the Patent Cooperation Treaty. This treaty has also been signed and is awaiting ratification. I have detected very little remaining opposition to this treaty. Ratification in the United States has been delayed pending passage of enabling patent legislation. Such legislation has passed the U.S. Senate and is now before the House. Hearings have been held and it is pretty certain that it will be passed and the treaty ratified in 1976.

Europe has put off ratifying the PCT until the European Patent Convention and the Community Patent Convention are settled. The major European countries would like to ratify all three of these treaties at about the same time.

It also appears that Russia and Japan will ratify the PCT without any great difficulty. Accordingly, an Interim Committee has been laboring to settle the practical details of how the PCT is to work. They have made a substantial number of studies with resultant reports, much too lengthy for us to review here. The Committee is meeting again later this month at which time the Soviet Union has proposed a simulation, or "dry run" as we call it in the U.S., of various type cases through the PCT procedures and forms which have been developed.

THUS, THE PCT WILL PROBABLY BE READY TO GO INTO EFFECT PROMPTLY AFTER RATIFICATION BY THE REQUIRED NUMBER OF COUNTRIES. BUT WHEN WILL THAT BE? THE ANSWER TO THAT QUESTION LIES WITH THE EUROPEAN AND COMMUNITY PATENT CONVENTIONS.

AS I PREVIOUSLY MENTIONED EUROPEANS HAVE MOVED THE PCT INTO THE BACKGROUND TO AWAIT COMPLETION OF THE EUROPEAN AND COMMUNITY CONVENTIONS. THE EUROPEAN CONVENTION HAS BEEN SIGNED AND AWAITS RATIFICATION. THE DIPLOMATIC CONFERENCE NEXT MONTH AT LUXEMBOURG IS EXPECTED TO RESULT IN THE SIGNING OF THE COMMUNITY CONVENTION. NEVERTHELESS BOTH CONVENTIONS FACE SOME VERY COMPLEX DIFFICULTIES.

SOME OF THE MORE DIFFICULT PROBLEMS STEM FROM THE PRESENT POOR ECONOMIC CONDITIONS. VARIOUS GOVERNMENTS ARE PUTTING MORE PRESSURE ON THEIR PATENT OFFICES TO BALANCE THEIR FINANCIAL BUDGETS. VARIOUS FEES AND ANNUITIES HAVE BEEN INCREASED RATHER SPECTACULARLY. BUT AT THE SAME TIME SALARIES AND OTHER EXPENSES HAVE ESCALATED AND FEWER PATENT APPLICATIONS ARE BEING FILED. THUS AT A TIME WHEN THEY HAVE FINANCIAL DIFFICULTIES AT HOME, COUNTRIES ARE BEING ASKED TO COMMIT FUNDS TO START A NEW PATENT SYSTEM WHOSE COSTS ARE ALSO ESCALATING. THIS LEADS TO UNCERTAINTY AS TO THE NEW SYSTEM AS WELL AS CONCERN ABOUT THE EXISTING NATIONAL PATENT OFFICES.

A U.K. MINISTER RECENTLY SAID THE U.K. WAS PREPARED TO RATIFY THE EPC ONLY IF THE U.K. PATENT OFFICE COULD RECEIVE ONE-THIRD OF THE EUROPEAN APPLICATIONS TO EXAMINE AND IF AN ACCEPTABLE NUMBER OF BRITISH EXAMINERS WERE EMPLOYED IN THE EUROPEAN PATENT OFFICE. WHILE THIS LOOKED FEASIBLE SOMETIME AGO, DOUBTS OF ITS PRACTICALITY ARE NOW BEING EXPRESSED.

THE SWEDISH PATENT OFFICE IS SIMILARLY CONCERNED.

WHILE THE SWISS ARE REPORTED TO BE PREPARED TO PROVIDE A SUBSTANTIAL SUM TO INITIAL FUNDING, IT IS RUMORED THAT ITALY MAY NOT EVEN BE WILLING TO RATIFY THE EPC BEING CONCERNED WITH FINANCIAL COMMITMENTS AND UNHAPPY POLITICALLY WITH HAVING TO ALLOW PATENTS IN PHARMACEUTICALS.

FINANCIAL CONCERNS HAVE ALSO PRODUCED PROPOSED CHANGES IN THE COMMUNITY PATENT CONVENTION PERMITTING A SELECTION OF COUNTRIES IN WHICH THE PATENT WILL APPLY. ORIGINALLY, IF ONE SEEKING A EUROPEAN PATENT DESIRED TO HAVE A PATENT IN ANY COUNTRY OF THE COMMUNITY, HE HAD TO TAKE A PATENT IN ALL OF THE COUNTRIES OF THE COMMUNITY. THUS, HE COULD SELECT THE COUNTRIES OUTSIDE THE COMMUNITY IN WHICH HE WISHED TO HAVE HIS EUROPEAN PATENT APPLY BUT WITHIN THE COMMUNITY HE HAD TO SELECT ALL COUNTRIES OR NONE. IT WAS ALSO PROVIDED

THAT INDIVIDUAL NATIONAL PATENT SYSTEMS WOULD CONTINUE WITHIN THE COMMUNITY. HOWEVER, WITH CURRENT ECONOMIC CONDITIONS, INDIVIDUAL COUNTRIES ARE RELUCTANT TO REDUCE FEES FOR A PATENT OBTAINED UNDER THE EUROPEAN SYSTEM. THERE IS THEN SUBSTANTIAL CONCERN THAT ONE WHO MIGHT OTHERWISE USE THE EUROPEAN SYSTEM WOULD BE UNWILLING TO PAY THE FEES ASSOCIATED WITH A PATENT FOR EVERY ONE OF THE COUNTRIES. INSTEAD HE MIGHT AVOID THE EUROPEAN PATENT COMPLETELY AND SEEK NATIONAL PATENTS IN ONLY SELECTED ONES OF THE COUNTRIES AT A LOWER OVERALL COST. SUCH AVOIDANCE, IF IT BECAME WIDESPREAD, COULD DESTROY THE EUROPEAN SYSTEM BEFORE IT GOT STARTED.

AS A RESULT OF THE FOREGOING CONCERN, THE LATEST DRAFT OF THE COMMUNITY PATENT CONVENTION CONTAINS AN OPTION EFFECTIVE DURING A TRANSITION PERIOD FOR AN APPLICANT TO SELECT COUNTRIES FROM AMONG THE COMMUNITY, AS WELL AS FROM AMONG THE OTHER COUNTRIES OF EUROPE, IN WHICH TO OBTAIN PATENT RIGHTS. THIS OPTION IS VIGOROUSLY OPPOSED BY THE EEC COMMISSION WHO IS STRONGLY PROMOTING THE IDEA OF A SINGLE PATENT FOR THE ENTIRE COMMUNITY.

TWO OTHER MAJOR UNSETTLED PROBLEMS RELATIVE TO THE COMMUNITY PATENT CONVENTION ARE PROPOSALS PRIMARILY

ORIGINATED AND STRONGLY BACKED BY FRANCE BUT ALSO OPPOSED BY THE EEC COMMISSION. THESE ARE (1) THAT VALIDITY OF A COMMUNITY PATENT SHALL BE DETERMINED BY NATIONAL COURTS RATHER THAN A EUROPEAN COURT DURING A TRANSITION PERIOD, AND (2) THAT MARKETING OF A PRODUCT IN A COMMUNITY COUNTRY WHERE IT IS NOT PATENTED WILL NOT ACT TO EXHAUST THE PATENT RIGHTS ON THAT PRODUCT IN ANOTHER COMMUNITY COUNTRY WHERE IT IS PATENTED. THE EEC COMMISSION STRONGLY OPPOSES THESE PROPOSALS ALSO AND THREATENS TO TAKE ANY SUCH REJECTION OF AN EXHAUSTION OF RIGHTS TO THE EEC COURT OF JUSTICE AS AN ALLEGED VIOLATION OF THE TREATY OF ROME.

THUS, I BELIEVE THE PRIMARY PHILOSOPHICAL STRUGGLES STILL FACING THE EUROPEAN AND COMMUNITY PATENT CONVENTIONS WILL BE DIRECTED TOWARD TRYING TO RETAIN AND SAFEGUARD NATIONAL PATENT RIGHTS IN THE FACE OF THE FREE FLOW OF GOODS CONCEPTS OF THE COMMON MARKET. CONSIDERING THE ECONOMIC PRESSURES, I AM GUESSING THE SELECTION OPTION, THE NON-EXHAUSTION OF RIGHTS AND THE DETERMINATION OF VALIDITY BY NATIONAL COURTS DURING TRANSITION WILL BE INCLUDED IN THE COMMUNITY CONVENTION AS PRAGMATIC SOLUTIONS TO ECONOMIC AND POLITICAL PROBLEMS.

I SHOULD ALSO POINT OUT THERE ARE OTHER UNSETTLED ASPECTS OF THE COMMUNITY CONVENTION WHICH ALSO INVOLVE THE POLITICS OF THE COMMON MARKET VERSUS NATIONAL PATENT RIGHTS. THESE INCLUDE HOW PRIOR NATIONAL RIGHTS ARE TO BE TREATED IN ENFORCING COMMUNITY PATENTS, COMPULSORY LICENSING ON A NATIONAL VERSUS A EUROPEAN SCALE, AND THE ULTIMATE NEED OF A CENTRAL SYSTEM FOR ENFORCEMENT AND APPEAL ON INFRINGEMENT ISSUES. IT IS MY GUESS THAT THE COMPLETE SOLUTION TO THESE QUESTIONS WILL BE DEFERRED DURING TRANSITION. THEY PROBABLY WILL NOT CAUSE MAJOR DISAGREEMENT AMONG THE PATENT REPRESENTATIVES OF THE COUNTRIES BUT WILL FACE EEC COMMISSION OPPOSITION.

THERE ARE, OF COURSE, MANY OTHER PROBLEMS TO BE SOLVED BEFORE THE EUROPEAN AND COMMUNITY CONVENTIONS CAN GO INTO EFFECT. AN INTERIM COMMITTEE OF THE EUROPEAN PATENT ORGANIZATION HAS BEEN WORKING HARD ON THESE PROBLEMS. IT HAS HAD SEVEN WORKING GROUPS DOING PREPARATORY WORK ON PROCEDURES. FROM THESE GROUPS, DRAFTS HAVE BEEN PREPARED DETAILING PROCEDURES TO BE FOLLOWED IN THE EUROPEAN PATENT OFFICE FOR CONDUCTING SEARCHES, FOR EXAMINING APPLICATIONS AS TO FORMALITIES AND FOR EXAMINING AS TO SUBSTANCE. IN ADDITION A FOURTH GUIDELINES DRAFT FOR OPPOSITIONS HAS BEEN PREPARED BUT NOT RELEASED, PROBABLY BECAUSE OF CONFLICTS WITH THE SUBSTANTIVE EXAMINATION GUIDELINES. SUCH CONFLICTS WILL

LIKELY OCCUR WITH FREQUENCY FOR THE DIFFERENT GUIDELINES ARE BEING WRITTEN BY DIFFERENT NATIONAL GROUPS. HOWEVER, THESE CONFLICTS ARE RESOLVABLE.

IT IS, OF COURSE, VERY DIFFICULT TO DRAFT PROCEDURAL GUIDELINES FOR A SYSTEM WHICH IS NEW AND DIFFERENT. UNDOUBTEDLY MANY WILL HAVE TO BE CHANGED ON THE BASIS OF EXPERIENCE ONCE THE SYSTEM IS IN OPERATION. IT IS NOW EXPECTED THAT THE VARIOUS GUIDELINES WILL BE PUBLISHED DURING 1976 SO THAT PATENT AGENTS CAN BECOME FAMILIAR WITH THEM.

ALL CONSIDERED, PLANS FOR THE EUROPEAN PATENT SYSTEM ARE RATHER WELL ALONG. THE ORGANIZATION OF THE PATENT OFFICE IS SUBSTANTIALLY SETTLED. THE PATENT OFFICE BUILDING PLANS ARE COMPLETED AND NO REAL PROBLEMS ARE ANTICIPATED EXCEPT TIME. THE BUILDING CANNOT BE COMPLETED BEFORE 1979 BUT TEMPORARY ACCOMODATIONS ARE BEING ARRANGED FROM 1977 UNTIL THEN. PRESENT PLANS CALL FOR RATIFICATION BY A SUFFICIENT NUMBER OF STATES TO BEGIN OPERATIONS OF THE PATENT OFFICE SOMETIME DURING 1977. THE PATENT OFFICE PLANS A STAFF OF 500 EXAMINERS AND 100 LAYWERS, A CLERICAL AND ADMINISTRATIVE STAFF OF 1000 AND A PRESIDENT AND 5 VICE

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PRESIDENTS IN CHARGE. IT IS ALSO PLANNED TO HAVE 500 SEARCHERS AT THE IIB. THE BUILD-UP OF STAFF IS PLANNED SO THAT ALL AREAS OF TECHNOLOGY CAN BE HANDLED WITHIN FOUR YEARS FROM START UP OF THE SYSTEM.

IN TALKING WITH PEOPLE SUCH AS PATENT OFFICE EXAMINERS AND PATENT ATTORNEYS, ONE HEARS OPINIONS THAT THE PROBLEMS ARE SO GREAT, THE NEW CONVENTION COULD NOT POSSIBLY BE READY TO OPERATE IN 1977 OR EVEN 1979 AND PERHAPS NEVER. HOWEVER, MANY OF THESE PEOPLE HAVE A SORT OF PERSONAL INTEREST IN OBJECTIVING AS THEIR JOBS ARE UNCERTAIN. NONE OF THE OFFICIALS CONCERNED OR IN A POSITION TO KNOW ARE INDICATING ANY DOUBT WHATSOEVER OF THE CONVENTIONS BEING SIGNED AND RATIFIED. THEY WOULD LIKE FOR THE PCT, THE EUROPEAN CONVENTION AND THE COMMUNITY CONVENTION TO BE RATIFIED IN TIME TO START OPERATIONS IN 1977.

THEY DO RECOGNIZE THAT THE EEC COMMISSION MIGHT SOMEHOW CREATE DELAY IN THE COMMUNITY CONVENTION. BUT THEY ARE PREPARED TO PROCEED WITH THE EUROPEAN PATENT EVEN IF THE COMMUNITY PATENT IS DELAYED. MY OWN PERSONAL GUESS IS THE EUROPEAN PATENT AND PCT WILL START SOMETIME IN 1978 AND THE COMMUNITY PATENT IN 1980. WHENEVER THEY DO START, IT WILL MEAN THAT WE IN THE PATENT PROFESSION WILL HAVE A LIVELY AND INTERESTING TIME WORKING WITH THESE NEW SYSTEMS.

Committee Presentations
(Committee 4)

Dr. Pauline Newman (Chairman-Committee #4)

Good morning to all of you.

With the publication of these rules and regulations we have indeed reached a culmination of the work of Committee Number 4 and I'd like, if I may, to mention once more some of the people who have promoted and encouraged this project from the beginning:

Mr. Kalikow, who you might call the "Father" of the PIPA conciliation plan; Mr. Remsen, who's been one of the chief draftsmen on the American side; and the continuing strengths and support of Mr. Saotome, Mr. Matsui, Mr. Kanzaki (previous chairman of Committee #4), and the many others of the Japanese and American groups.

Mr. Teshima has borne the heaviest burden in recent months, and perhaps in recent years, and is responsible for this superbly executed document that he has somehow managed to have with us at this time. For this excellent and artistic result, we thank you.

We now think that the work of Committee #4 is about over. Only time will tell now how much conciliation activity will be generated. We plan to publicize this system promptly in Japanese and in American media. We have prepared a joint press release as a followup to this meeting. It's short, and if I may I'll read it because it helps to summarize the highlights of what we've been doing.

"The Pacific Industrial Property Association has announced publication of the Rules and Regulations of a proposed conciliation procedure which will be available for use by Japanese and United States nationals in disputes concerning industrial property rights. The purpose of this procedure is to facilitate the voluntary settlement of disputes relating to intellectual property matters outside of the courts. This procedure relates to disputes involving patents, trademarks, copyright, know-how, technical information, and trade secrets. Not included is subject matter that may be in conflict with national laws or policies affecting either party to the conciliation. The basic principles on which the Pacific Industrial Property Association has based its conciliation rules are as follows:

"1) The procedure is simple to invoke yet carries enough formality that the parties and the conciliator will be able to proceed expeditiously.

"2) The procedure is non-binding and thus is intended to encourage participation.

"3) Neither party is penalized if the dispute is not settled by conciliation.

"4) There are specific rules to protect proprietary and confidential information."

We then advise where copies of the Rules and Regulations may be obtained in Japan and in the United States. Each Group will undertake to reach the interested, possibly

participating, audiences in the United States and in Japan.

After Committee #4 settled on the final text of the rules and regulations, we continued to receive useful suggestions of merit for improvement, including some suggestions from Japanese counsel, that we think warrant early attention. Thus, we propose to wait a while to see how much use this conciliation procedure attracts and whether and when it may be worthwhile to improve the text.

Meanwhile, Mr. Teshima and I have recommended that our respective committees go out of existence, perhaps at the end of this year, and that a continuing entity, perhaps through the Board of Governors or the Secretariat, be selected to keep track of PIPA conciliation activity and to insure that it runs smoothly and also to maintain an active panel of conciliators. Only time will tell how elaborate a supporting structure PIPA may need to administer the conciliation system.

We therefore, are very pleased to report to you the completion of this phase, after some years, of our proposed procedure.

We now await your disputes.

Thank you.

IMPLEMENTING THE CONCILIATION PROCEDURES
JAPANESE GROUP, COMMITTEE NO. 4

Mr. President, Ladies and Gentlemen,

I wish to express my hearty congratulations to you all for the fact that whilest your excellent country is keeping the leading role in every field of the world you are going to enter into the two hundredth year since the foundation of the country next year and marching forward to the brilliant third century.

Our Emperor Hirohito met the chance in fifty long years on the throne to visit your country. As I hear, the Emperor visited the Woods Hole Oceanographic Institution at Cape Cod located near here and met peerless ovation from your people. I cannot help thanking you for the goodwill extended to the Emperor by all of you.

I think it is very significant to have the 6th PIPA general meeting at this opportunity at Boston which has close relation with the establishment of the U.S.A.

[Approval & Realization of Conciliation System]

Now, the Conciliation System which PIPA No. 4 Committee has been tackling as the plan ever since the establishment of PIPA, the move for the adoption of its rules as well as regulations for its execution was approved at the fifth general meeting in October 1974 in Kyoto, then in 1975 the American and Japanese Groups opened respectively its general meeting and have approved Rules

and Regulations for execution and completed its notification mutually, as Mr. Suzuki informed in his report of the 1974 activities of PIPA. Thus, the matter showed a concrete form at long length in 6 years since the initial planning.

[Secretaries for Conciliation System]

In order to operate this system effectively, it needlessly depends upon the capability of conciliators and their management, however, the business disposing performance of the Secretary should be fulfilled completely. From this view point, the receiving attitude of both Secretary of American and Japanese Groups cannot be said ready to respond even if the Conciliation System started working now.

The capability of the Japan Patent Association which is subcontracting the actual business of PIPA as the Secretary of Japanese group looks very feeble at present.

Accordingly, until the start up of this Conciliation System, we eagerly expect its formation be strengthened so that it can have proper capability. I am requesting the improvement since several months ago, however, I have not yet heard any policy in detail through the president of Japanese Group.

As I am not well aware of the circumstances of the American party I am unable to say definitely, only I can say it appears like that.

As to the set-up of American Secretary, we have conveyed our desire that PIPA should give enough consideration to the maintenance of secrecy or the principle of neutrality from the nature

of PIPA as an international group or from the phase of business disposal in the operation of conciliation system.

[Advertisement & Promotion of Common Knowledge of Conciliation System]

This Conciliation System has been established as one of the activities of PIPA so that PIPA System may play its functions in full and this fact have been already known to each member, accordingly I believe they will be convinced easily of Rules and Regulations of the subject conciliation system and their intent.

As provided in the Conciliation rules, the person who wants to use this System is not limited to member corporations of PIPA, furthermore, there is no such restriction as to confine the member to American or Japanese nationality. The door of conciliation system is kept wide open. Therefore, as the precondition to have this system understood as reliable and available, PIPA itself should be entrusted with interest and confidence by industrial concerns. In this connection, I think the subject matter should not be confined in such a limited group as PIPA No.4 Committee, and only through the development of PIPA, this system can attain its repletion.

By the thoughtful suggestion of Dr. Newman, I should like to make the following joint press release from the above-mentioned view point, the text of which wi-l be announced by Dr. Newman. I am thinking of every influential method for convincing Business

Management to accept this system not only through media of legal or licensing fields concerned.

Further, to those who have interest in this system and want to avail themselves of this system, with the cooperation of both the American and Japanese No. 4 Committee, the booklet was worked out as distributed to you for the introduction of this system and to facilitate your convenience.

[Appointment of Conciliators]

With regard to Conciliators of Japanese group, we elected 10 candidates through the kind offices of committees ex-officio including panel members and seeked their acceptance of Conciliators. It is a great honour for us to have received the acceptance from majority persons and can introduce here at this meeting.

These persons have the following careers:
It is needless to say that the success or otherwise of the Conciliation System is said to solely depend upon the calibre of conciliators, however, I can say with self-confidence that all persons who accepted the office of conciliator possess impeccable talent.

The American Groups elected conciliators promptly last year and indicated its tentative panel. Whereas, we feel very small for the Japanese nomination has been much delayed like this. As one of its reason, we have few practice of resorting to conciliation

in Japan as compared with the U.S.A., and in addition, we have profound interest in such procedures, and also we took time in selecting No. 1 in the objective field.

As mentioned above, the reason for existance of this system is to be enhanced by the endorsement of PIPA system, therefore, each candidate for conciliator is requested to recognize first the PIPA system completely, so we took more time than we had expected.

[Opinion for Rules and Regulations of Conciliation]

To the members of PIPA, the orientation for PIPA Conciliation System was specified, and requested to recognize its Rules and Regulations have satisfactory contents, however, on the part of candidates for Conciliators, it is quite natural that he thinks to fulfill his responsibility as efficiently as possible. From this view point, some of the insufficiencies in Rules and Regulations have been indicated. I am thinking personally of their modification and improvement in due course of time so that this conciliation system may be polished and refined. The U.S. Committee Chairman, Dr. Newman, has kindly agreed to my opinion, and I believe all of you have no objection, provided, this consiliation system has just completed its preparation at present, and we do not know how the system will work, we are unable to confirm its result, so we will not intend to revise the content immediately, but we will keep in mind that there remain such problems unsolved and we will try to obtain good result as early as possible.

For the two provisions of Conciliation System, there are principal items which are attracting special attention at present. One is whether the provision may infringe the Law for Attorneys in Japan, the other provision is a conciliator must not keep various records at the time of conciliation, and whether or not this provision is suitable for activities of Conciliator.

[Prospect for Future Activities]

For the three principal factors required for full display of the functions of this Conciliation System, namely the provisions for operation (Rules and Regulations for Execution), Secretariat, and the Panel of Conciliators were given due consideration respectively and their preliminary arrangement have been nearly completed, we suppose we are now in the stage of determining when and how we shall accept applications for conciliations.

If the activity of the system gets on the rail smoothly, the mission of No. 4 Committee of PIPA is considered attained, and the actual business is to be disposed almost all by the business routine at the Secretary, so it is not necessary to retain the present form and we can think over its dissolution, provided, however, I think works concerning management such as maintaining the dignified Panel of Conciliators in fresh and lively conditions as well as initiation for modification or improvement or cancellation will remain in any case.

In order to dispose such works as above without hitch, each group should consider the best organization to mechanically respond to such affairs.

I sincerely hope you will give your attention along this way.

Thank you for your kind attention.