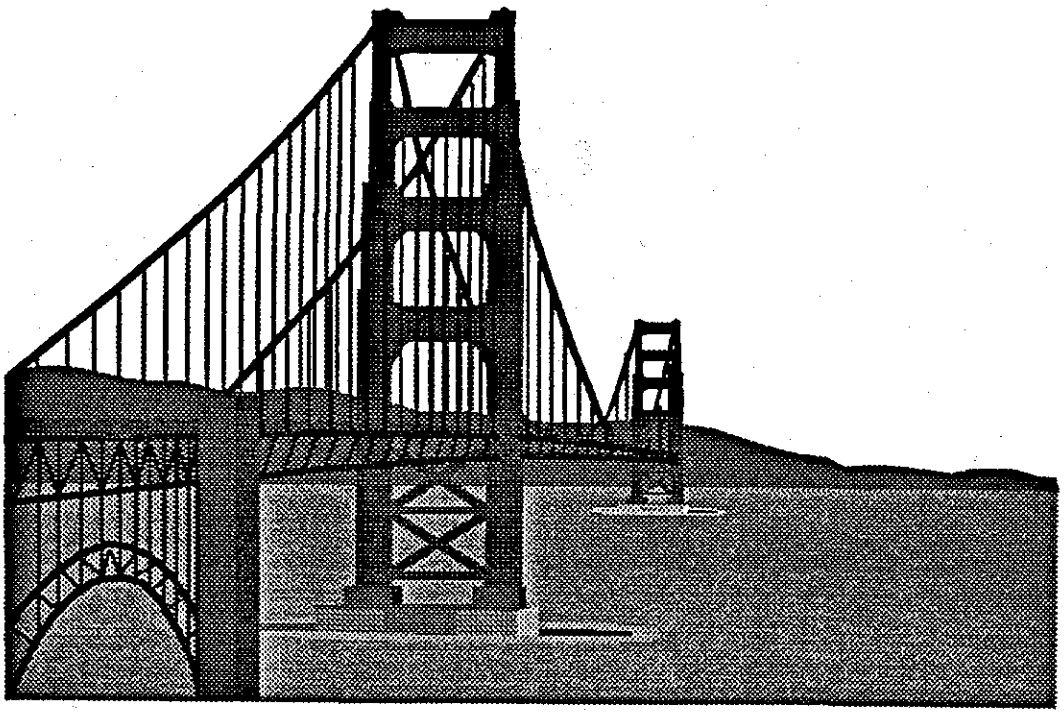
PACIFIC INTELLECTUAL PROPERTY ASSOCIATION

太平洋知的財産協会

TWENTY-SIXTH INTERNATIONAL CONGRESS

SAN FRANCISCO

OCTOBER 4-6, 1995



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This 26th PIPA Congress is dedicated to the memory of PIPA Medalists:

Mr. Koichi Ono
of Kyowa Hakko, who received the PIPA Award at the 21st Congress in Niigata

and

Mr. Shozo Saotome
formerly of Mitsubishi Kasei, who received the PIPA Award at the 12th Congress in New York

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TABLE OF CONTENTS

PROGRAM OF THE 26TH INTERNATIONAL CONGRESS

REPORTS OF COMMITTEE NO. 1

REPORTS OF COMMITTEE NO. 2

REPORTS OF COMMITTEE NO. 3

REPORTS OF COMMITTEE NO. 4

PROGRAM

TUESDAY, OCTOBER 3, 1995

5:00-7:00 p.m. REGISTRATION

7:00 p.m. GRAND RECEPTION

WEDNESDAY, OCTOBER 4, 1995

7:45 a.m. REGISTRATION

8:00 a.m. OPENING CEREMONIES
Welcome - Lawrence T. Welch
Report of the 1994 Activities - Kazuo Kamisugi

8:20 a.m. Keynote Address
George M. Scalise
Executive Vice President
National Semiconductor Corporation

8:50 a.m. Guest Address
Lois Bolen
Legislative International Intellectual Property Specialist
U.S. Patent and Trademark Office

9:20 a.m. Presentation of PIPA Award to Paul D. Carmichael

9:45 a.m. COFFEE BREAK

REPORT OF COMMITTEE NO. 1
Jack E. Haken and Makoto Inabayashi, Chairpersons

10:00 a.m. Joint Panel Discussion
Applications Relating to Manufacturing Technology
Mamoru Kakuda, Koichi Wada, Mikio Hayashida, Toshiyuki Fukuroi, Jack E. Haken, J. Jeffrey Hawley, Terence P. Strobaugh

11:15 a.m. Examiner Interviews During Patent Prosecution
Harold E. Cole

11:30 a.m. Summary of Revised Law and Its Practices
Shin'ya Yamaji

12:00 p.m. LUNCH

1:00 p.m. Accommodation to Reformed System of Opposition
Yukihiro Masumitsu

1:15 p.m. Software Disclosure and Patentability in Europe
Ruud J. Peters

1:30 p.m. Software Disclosure and Patentability in the United States
Jack E. Haken

REPORT OF COMMITTEE NO. 2
Charles C. Krawczyk and Masaharu Fukuma, Chairpersons

REPORT OF COMMITTEE NO. 1 (Cont'd)
Jack E. Haken and Makoto Inabayashi, Chairpersons

8:00 a.m. The Use of Color Alone as a U.S. Trademark After Qualitex
Edward M. Blocker

8:15 a.m. Trademark Infringement Measures in Japan
Mizuno Emi, Kishi Shigemi, Nishimura Akemi, Tanaka Hisako, Ueda Manato, Nakayama Masakazu

REPORT OF COMMITTEE NO. 4
Ben C. Cadenhead and Hironori Kitamura, Chairpersons

8:30 a.m. Joint Panel Discussion
How to Develop and Manage Global Patent Portfolios – Global Patent Procurement and Practical Use
Mamoru Takada, Nobuhiro Ichihashi, Kazuaki Okimoto, Akira Kobayashi, Masayuki Miyanaga, Ben C. Cadenhead, Ruud J. Peters, Lawrence T. Welch

10:00 a.m. COFFEE BREAK

10:20 a.m. Decisions on Parallel Imports of Patented Goods
Takahiro Koyama

10:50 a.m. Generating Value From Patenting
Peter C. Bawden

11:20 a.m. Infringement Under the Doctrine of Equivalents - As Limited by File Wrapper Estoppel
Donald C. Banner

(12:00 p.m.)

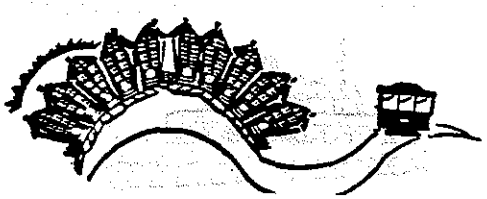
12:30 p.m. LUNCHEON AND CLOSING CEREMONY

1:30 p.m. Closing Address
Kazuo Kamisugi

GUEST PROGRAM

WEDNESDAY, OCTOBER 4, 1995

10:00 a.m. - 5:00 p.m. Rodin Sculpture Garden Tour with Lunch at Allied Arts Complex and Visit to "Acres of Orchids"



Hiromichi Ogasawara

2:25 p.m. Joint Panel Discussion
Industry Licensing Strategies and Legal Limitations
Kyoji Murayama, Masaharu Fukuma, Shigemitsu Nakajima, Yoshikuni Tashiro, Lawrence T. Welch, Paul D. Carmichael, Ben C. Cadenhead, Charles C. Krawczyk

3:45 p.m. COFFEE BREAK

4:00 p.m. 1995 U.S. Antitrust Guidelines for the Licensing of Intellectual Property
Donald Corneglio

4:20 p.m. Intellectual Property Licensing Considerations for Joint Ventures in the Peoples' Republic of China Involving Technologies of Both Chinese and Foreign Parties
Charles C. Krawczyk

4:40 p.m. Laws and Practices in Asian Countries Concerning Technology Transfers
Masaaki Sibagaki

THURSDAY, OCTOBER 5, 1995

REPORT OF COMMITTEE NO. 3
William T. Ellis, Frederick T. Boehm, and Mitsuo Taniguchi, Chairpersons

8:30 a.m. Update on U.S. Intellectual Property
William T. Ellis

8:45 a.m. A Study of Articles 12 and 21 of WIPO Harmonization Treaty (PLT/DC/69)
Kazuya Kusano and Koichi Kamon

9:10 a.m. Marking of Patented Articles
Bidyut Niyogi

9:25 a.m. Prior User Rights -- Worldwide View
Terence P. Strobaugh

9:40 a.m. European Patent Cost
Erwin F. Berrier, Jr.

9:55 a.m. English Language Patent Application System and Practice in Japan -- From the Viewpoint of Foreign Applicants
Takashi Kuboyama

10:10 a.m. COFFEE BREAK

10:30 a.m. Joint Panel Discussion
The Present and Future Situation Over Protection of Intellectual Property in Developing Countries Under the WTO System
Hiroomi Kobayashi, Masaaki Miyata, Tohru Yamaguchi, Hisashi Okamoto, Yoshihiko Kutsukake, Fumio Okamoto, Lawrence T. Welch, Allen J. Spiegel

1:00 p.m. Group Outing
San Francisco Museum Tour with Dinner on the Monte Carlo

9:30 p.m. Arrive at Hotel

(1) Title : Applications Relating to Manufacturing Technology

(2) Date: October 1995 (26th San Francisco General Meeting)

(3) Committee

1) Japan

2) 1st Committee

(4) Authors:

INOGUCHI Masatoshi	Nissan Motor Corporation
ISHIJIMA Takashi	Ricoh Co., Ltd.
ITO Katsuhiro	Ube Industries, Ltd.
KAKUDA Mamoru	Asahi Glass Co., Ltd.
TAKADA Masahiko	Oki Electric Industry Co., Ltd.
HAYASHIDA Mikio	Mitsui Petrochemical Industries Ltd.
FUKUROI Toshiyuki	Fuji Photo Film Co., Ltd.
MORISHIMA Hiroshi	Tec Corporation
WADA Koichi	Sony Corporation

(5) Keyword: Manufacturing technology

(6) Statutory Provisions: None

(7) Abstract:

The actual situation of dealing with patent applications relating to manufacturing technology with respect to companies attached to the Japan Section Committee was researched. As a result thereof, the following interesting profound results were obtained.

(1) A higher percentage of companies in the electrical field, indicated that they believed there was a need to increase the percentage of applications relating to manufacturing

technology. This percentage of the electrical companies was greater than those companies involved in the chemical and machinery/metallurgy fields.

(2) Companies which believed that applications relating to manufacturing technology should henceforth increase tended towards a high percentage almost to the extent of companies with large number of applications.

(3) Companies which have the lower percentage of manufacturing technology applications among all Japanese applications seldom filed overseas applications for manufacturing technology, and companies which had 10% or more percentage of Japanese applications relating to manufacturing technology filed a substantial number of corresponding applications for manufacturing technology in the United States.

(4) There is a tendency for companies having the higher percentage of that overseas applications the higher percentage of overseas applications, to have relating to manufacturing technology could be seen.

(5) As a reason for filing applications for manufacturing technology in the United States, "by obtaining a process patent in the United States, that right with respect to products produced by performing that process outside the United States and imported into the United States could be exercised" was overwhelmingly common.

Based on these results, a panel discussion regarding how to handle applications relating to manufacturing technology has been scheduled for a general meeting.

1. Introduction

Inventions which are born of the results of technical development are a help in business activities when positively filed and rights therefor have been obtained and put to practical use. However, patented inventions relating to manufacturing technology are often difficult to enforce even due to such things as the difficulty in detecting and verifying infringement (manufactures rarely allow outsiders to observe in the past, there has not been much discussion on the subject of such inventions.

However, last year, due to the increased difficulty in protecting trade secrets and tendency to respect other company's patents which has accompanied the increase in foreign production, discussion of patent applications for manufacturing technology had become important. Due to this situation, the First Committee of PIPA investigated the current conditions in various companies of applications relating to manufacturing technology and planned a panel discussion to discuss what type of identification of "manufacturing technology" and thinking with regard to applications are required.

Applications relating to manufacturing technology discussed herein are defined as "technology (including installations, methods, etc.) applied to manufacturing processes for products and inventions the working of which is difficult to confirm or assume from the completed product (structure) produced thereby". This article, in order to present basic material for this discussion, will introduce results from a questionnaire which was organized for the purpose of understanding the current situation of applications relating to manufacturing technology

in various companies.

2. Outline of Results of Questionnaire

This questionnaire was distributed to member companies of the Japanese committee. Responses were received from 69 member companies. The break-down of types of companies was 38 chemical-related companies, 15 electrical-related companies, 11 machinery/metals-related companies and 5 other companies.

Fig. 1 to Fig. 15 of Appendix 1 illustrate the results of the questions in the current questionnaire shown in Appendix 2. In questions where a number of (n) order-of-priority answers are required, the accumulated results of those answers are indicated as points, with one point added in increasing order, so that, for example, the highest-priority answer is n points, the second priority answer is n-1 points, and so on till the nth priority answer is 1 point.

We analyzed the data received from the following six viewpoints.

1. Type of company
2. Number of Japanese applications
3. Percentage of manufacturing technology applications among Japanese applications
4. Existence of foreign bases
5. Percentage of foreign applications among total applications
6. Percentage of foreign applications among applications relating to manufacturing technology

3. Total Analysis

3-1. General Items

(1) Types of companies

1. Companies not filing applications for manufacturing technology in the U.S. were 21% of chemical companies, tending to exceed by a large margins those in electrical (7%) and machinery/metals (9%). Note that the total percentage of companies not filing applications for manufacturing technology in the U.S. was 16%. (Refer to Fig. 1)

2. Approximately 30% of all companies thought that applications relating to manufacturing technology should be increased. Although omitted in the diagram, among these companies all electrical-related companies indicated that manufacturing technology applications should be increased "because there is a limit to protection of secrets and patent applications should be positively filed and rights obtained" as the reason for "should be increased". (Refer to Fig. 2)

(2) Number of Japanese applications

1. A noticeable difference in the data was that 33% of companies which file 500 or less domestic applications answered that they do not file applications relating to manufacturing technology in the U.S. and 0% of companies which file 1,000 applications or more do not file applications relating to manufacturing technology in the U.S. (Refer to Fig. 3)

2. There was a tendency for companies filing 500 to 1,000 applications to think that the number of applications

relating to manufacturing technology "should be increased". (Refer to Fig. 4)

(3) Percentage of manufacturing technology applications among Japanese applications

1. There was a tendency not to file foreign applications relating to manufacturing technology among companies which had the lower percentage of Japanese applications among those companies relating to manufacturing technology, and among companies whose percentage of Japanese applications relating to manufacturing technology exceeded 10% there was a definite tendency to file applications relating to manufacturing technology in the U.S. (Refer to Fig. 5)

2. Among companies whose percentage of Japanese applications relating to manufacturing technology was up to 30% a large number of companies which thought that "applications relating to manufacturing technology should be increased in the future" could be seen. On the other hand, this tendency decreased as the percentage of applications relating to manufacturing technology exceeded 30%. (Refer to Fig. 6)

(4) Existence of foreign bases

1. Although a difference in the percentage of foreign applications due to the existence of overseas productions bases was not visible, a large number of companies filing applications in the U.S.; although they did not have production bases overseas, could be seen. What is worthy of note is the citing of the reason for this being that, by attaining process

patents, rights for products produced by such processes outside the U.S. and imported into the U.S. can be exercised. (Refer to Fig. 7 and Fig. 8)

(5) Percentage of foreign applications among total applications

1. Having the percentage of foreign applications, a tendency could be seen not to differentiate general inventions and inventions relating to manufacturing technology. (Refer to Fig. 9)

(6) Percentage of foreign applications among applications relating to manufacturing technology

1. In companies where the percentage of applications relating to manufacturing technology among foreign applications was 10% to 20% the ratio of answers of "applications relating to manufacturing technology should be increased in the future" was high, and among companies in which this figured exceeded 20% there was a tendency to think that current conditions should be maintained. (Refer to Fig. 10)

(7) Others

1. There was a tendency for the percentage of applications relating to manufacturing technology among foreign applications to be few compared to the number of applications relating to mt among total Japanese applications. (Refer to Fig. 11)

3-2. Regarding in-house handling

1. A tendency for companies not distinguishing between general inventions and inventions relating to manufacturing technology to have a higher percentage of

overseas applications than companies which did make such a distinction. (Refer to Fig. 12)

2. As the reason for such a distinction, to "manage as know-how" was common. Also, as a means to make such a distinction, "according to such standards as a company manual etc." and "on the basis of individual judgment" were each similarly cited.

3. As a reason for not filing applications relating to manufacturing technology, "to prevent leakage of know-how", "because effectiveness of rights are limited" and "because it is difficult to prove infringement" were cited. Also, as an advantage of possessing a great deal of manufacturing technology not filed as applications, "can often use in products original technology not possessed by other companies" was given. Further, about half of the companies making such a distinction manage unfiled manufacturing technology in various forms, and in many of such companies relevant documentation is stored for use as evidence of right of prior use. Also, with regard to inventions relating to unfiled manufacturing technology, various types of compensation are awarded to the inventors in place of applications.

4. Final judgment on whether or not to file was given about twice as often by intellectual property divisions as by technical divisions.

3-3. Regarding purpose etc. of applications relating to manufacturing technology

1. As an advantage to having rights for manufacturing

technology, "utilizing together with product rights in package licenses" and "restraining other companies" were given weight.

2. The purpose of filing, although it need not be said that this resides in exercise of exclusive right by obtaining patent right, over 90% of companies gave answers to the effect that "exercise of exclusive right" was a prerequisite. "To maintain first-to-file rights" and "to prevent other companies from acquiring rights" were given weight as purposes for filing applications. (Refer to Fig. 13)

3. As a reason for also filing in the U.S., what is worthy of note is that over 80% of all companies gave "by attaining process patents, rights for products produced by such processes outside the U.S. and imported into the U.S. can be exercised" as the number one reason. Also, the second reason was that the company had offices in the U.S. or because of the discovery system in the U.S. (Refer to Fig. 14)

4. 30% of all companies replied that applications relating to manufacturing technology should be further increased. The reason for this was thought to be "because there is a limit to protection of secrets and patent applications should be positively filed and rights obtained". (Refer to Fig. 15)

4. Summary

The understanding we have gained from the responses to the questionnaire are as follows.

Inventions relating to manufacturing technology, as also described at the beginning of this article, do not have a clear way of being dealt with in various businesses merely because of the understanding that even if a third party works the invention verification is difficult. However, from the results of this questionnaire it can be seen that large numbers of companies expect exclusive rights therefrom. It is thought that the number of applications relating to manufacturing technology should be further increased as the number of general applications increase, this tendency being quite significant among electrical-related companies and in excess of a similar tendency among chemical and machinery/metal-related companies.

As the percentage of manufacturing technology applications among Japanese applications decreases, there is a tendency not to file manufacturing technology overseas, while in companies where the percentage of manufacturing technology among Japanese applications exceeded 10% manufacturing technology was definitely filed in the U.S. On the other hand, as the percentage of overseas applications increases, a tendency for the percentage of overseas applications for inventions relating to manufacturing technology to increase can be seen.

As the reason for filing applications relating to manufacturing technology in the U.S., companies generally stated that by attaining process patents, rights for products produced by such processes outside the U.S. and imported into the U.S. can be exercised were overwhelmingly numerous. Prevention of

the outflow to other companies of know-how accompanying the increase in overseas production in recent years and acquisition of effective rights by filing applications for manufacturing technology henceforth will become an important subject among all companies in the near future and we believe that manufacturing technology applications will come to be seen as even more important.

APPENDIX. 1

FIG. 1

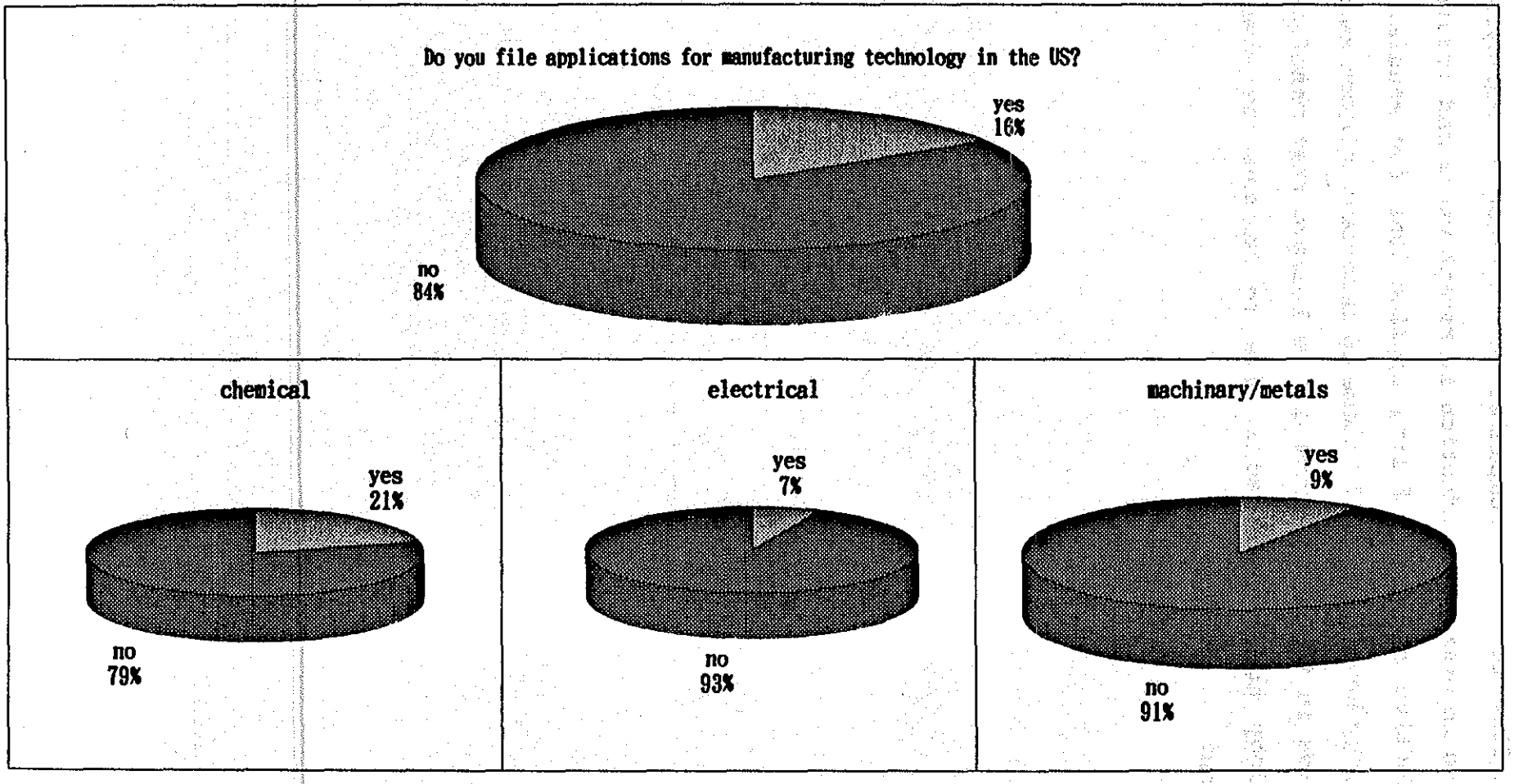


Fig. 2 How should applications for manufacturing tech. be? (vs. type of company)

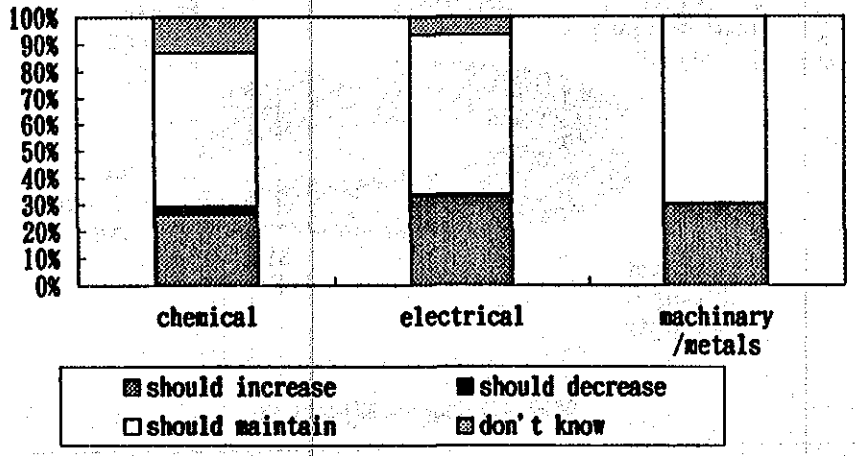


Fig. 3 Do you file applications for manufacturing tech. in the US? (vs. No. of applications)

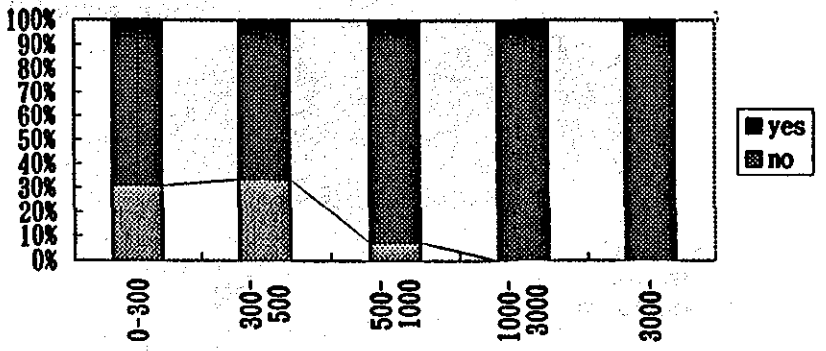


Fig. 4 How should applications for manufacturing tech. be? (vs. No. of applications)

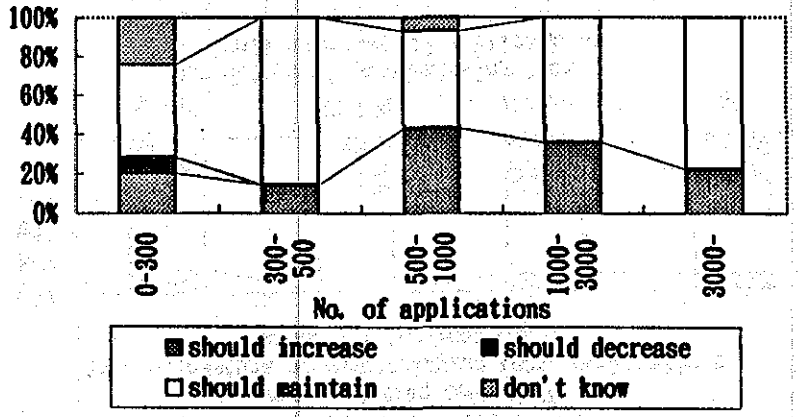


Fig. 5 Do you file applications for manufacturing tech. in the US? (vs. percentage of manufacturing tech. applications)

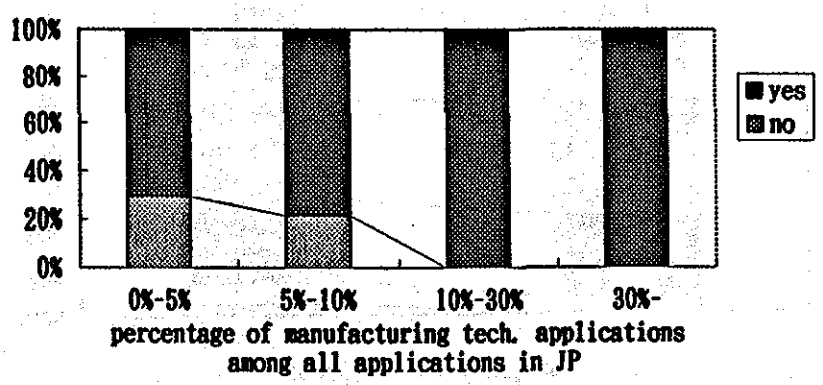


Fig. 6 How should applications for manufacturing tech. be?
(vs. percentage of manufacturing tech. applications among all applications)

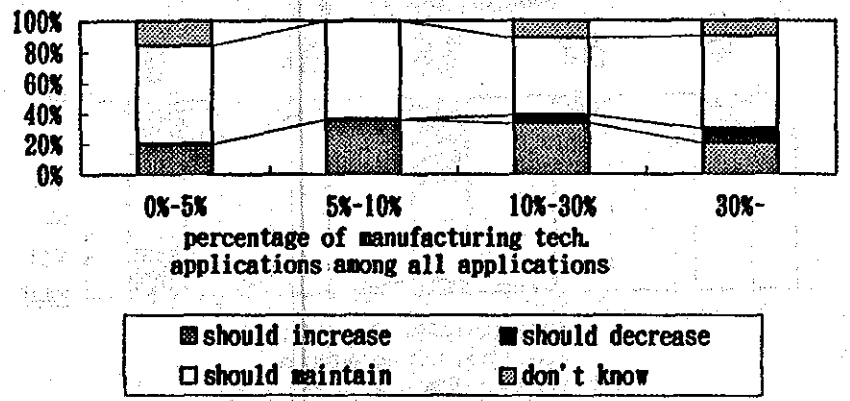


Fig. 7 percentage of applications in foreign countries among all applications

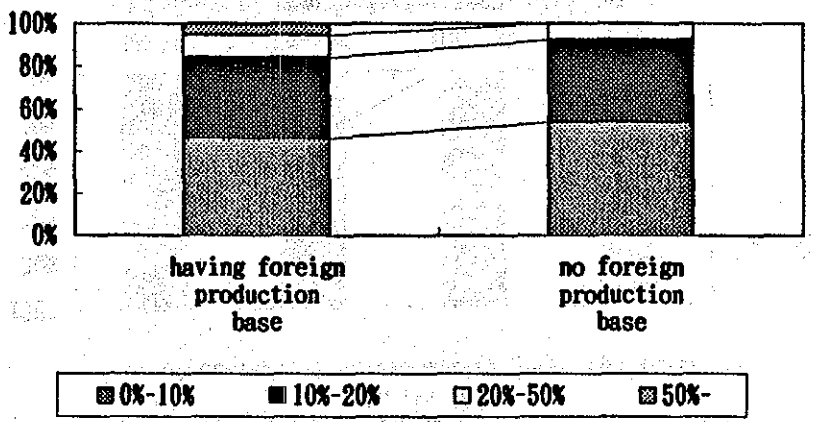
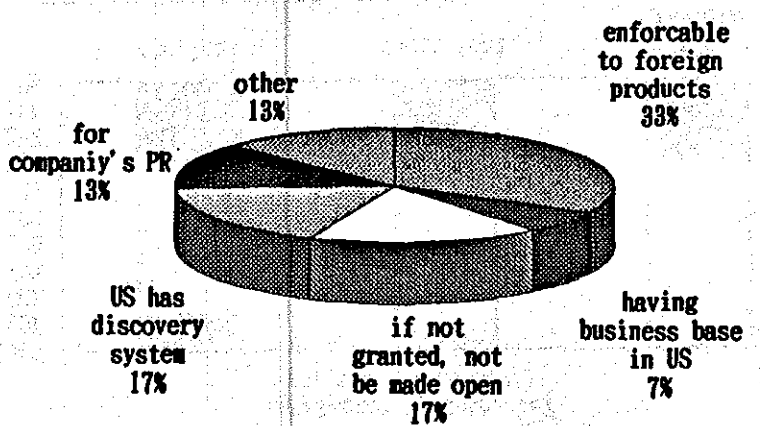


Fig. 8 Why do you file applications for manufacturing tech. in US?



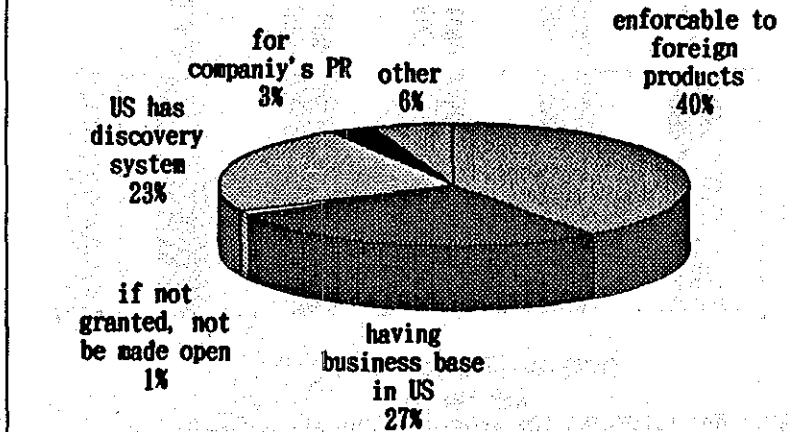


Fig. 9 Do you distinguish manufacturing tech. from general invention?(vs. percentage of applications in foreign countries)

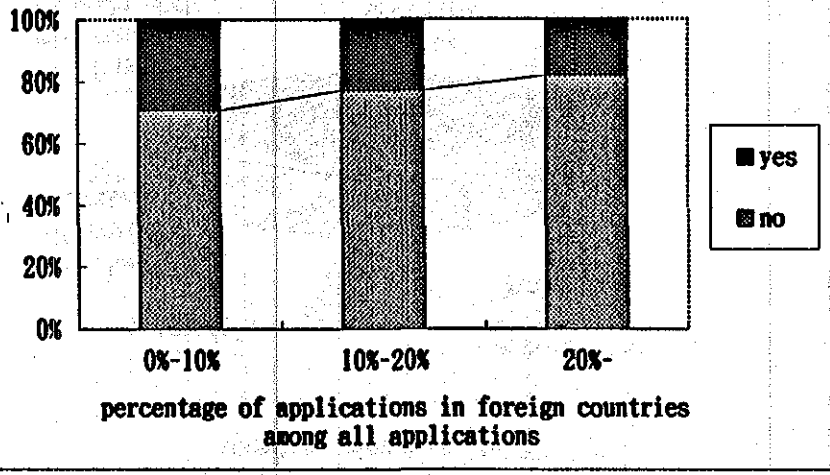


Fig. 10 How should applications for manufacturing tech. be (vs. percentage of manufacturing tech. applications)

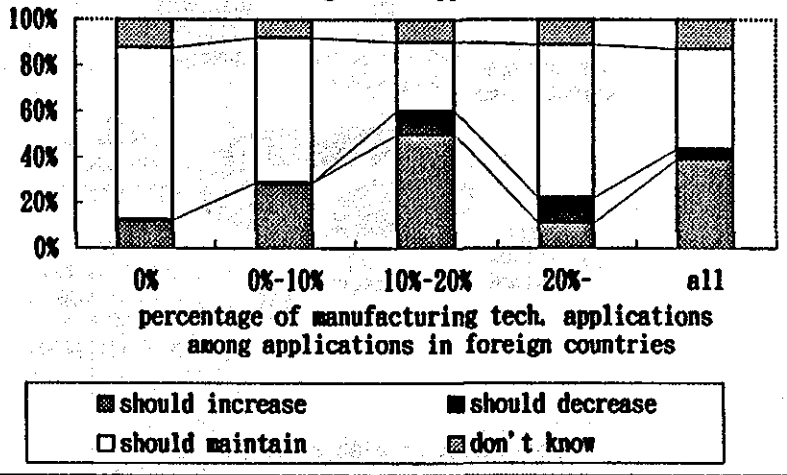
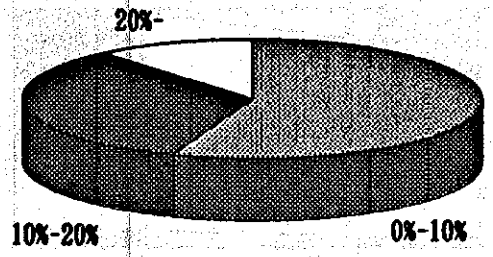


Fig. 12 percentage of applications in foreign countries among all applications

in case of companies which distinguish manufacturing tech. from general invention



in case of companies which don't distinguish manufacturing tech. from general invention

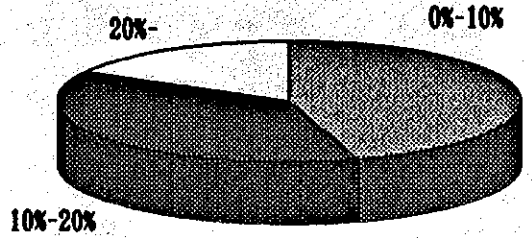


Fig. 11 percentage of manufacturing tech. among all applications

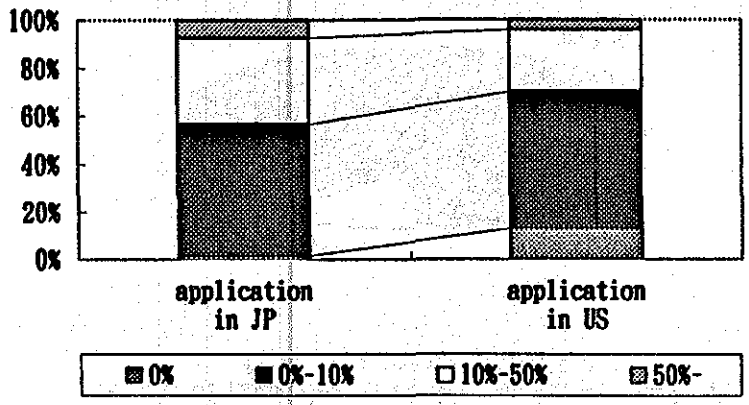


Fig. 13 object of applications for manufacturing tech.

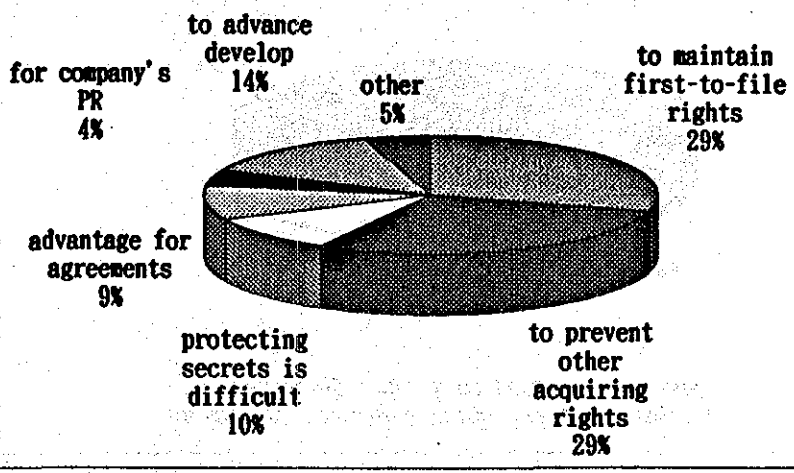


Fig. 14 Why do you file applications for manufacturing tech. in US?

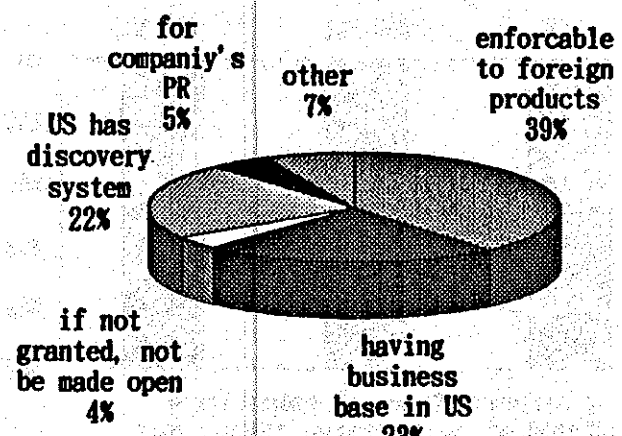
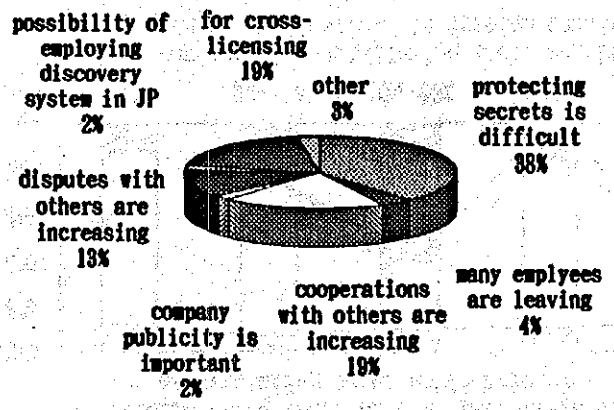


fig. 15 Why do you think manufacturing tech. applications should be increased?



QUESTIONNAIRE: PIPA 1ST COMMITTEE

Filling in the Questionnaire

This questionnaire comprises 3 parts, the first regarding general items, the second regarding in-house attitude towards manufacturing technology, and the third regarding patent applications relating to manufacturing technology.

When preparing this questionnaire, we have clarified below the definition of "inventions relating to manufacturing technology" and given examples corresponding and not corresponding to this definition. We ask that you fill out the questionnaire while referring thereto.

Definition

Inventions relating to manufacturing technology are:

inventions which are techniques (including equipment, methods, etc.) employed in manufacturing processes for products, implementation of which is difficult to confirm or estimate from the end product (structure).

Examples of Manufacturing Technology included in this Subject Matter

Example 1: A method of radiating specific wavelength ultra-violet light onto photo-sensitive resin formed on a substrate and developing the resin thereafter to obtain a prescribed resin pattern.

Example 2: A manufacturing method and apparatus for a!!cassette tape in which a magnetic tape is wound about reels after the reels are installed in the cassette.

Example 3: :A processing method for electronic machinery in which manufacturing data at the time of manufacturing the electronic machinery is stored in a memory within the machinery so that the data can be referred to when processing.

Example 4: A firing method for ceramics having characteristics such as a temperature profile in the firing oven etc.

Example 5: A method and apparatus for checking for deficiencies

on the surface of a substrate.

Example 6: An adjustment method which adjusts by detecting an offset load which applies a load to a specific location after assembly of a load cell and trimming a corresponding location.

Example 7: A thermal processing method for skew bevel gears which heats the entire gear to 800°C to 900°C after emitting a laser beam onto the tooth surface of the bevel.

Example 8: A metal die for forging in which a nitride carbonized layer is formed on a die surface.

Example 9: Cheating method for assembly robot using CAD data.

Examples of Manufacturing Technology not included in this Subject Matter

Example 1: An engine camshaft in which hardening of 0.5mm or more is performed on the cam surface (because traces are left on the product).

Example 2: A sealing method of coating a sealing solution of the same color as the body paint color on the body of an automobile (because traces are left on the product).

Example 3: In relation to a chemical production method of chemically modifying a known material, that in which performance of that method is estimated from analysis of impurities a produced compound.

Example 4: In a polymerization method using a specific catalyst, that in which performance of the polymerization method is estimated by a catalyst remaining from analysis of a film etc. obtained by the polymerization method being verified.

I. GENERAL ITEMS

I-1 What is your company's main type of industry?

- ☐ Mechanical/metals
- ☐ Electrical
- ☐ Chemical
- ☐ Others ( )

I-2 How many domestic patent applications did your company file during 1994 ?

☐ Less than 300 ☐ Up to 500 ☐ Up to 1,000
☐ Up to 3,000 ☐ 3,000 or more

I-3 Among all patent applications, approximately what percentage of applications were related to manufacturing technology? Please answer within the limits of your main industry.

☐ 0% ☐ Up to 5% ☐ Up to 10% ☐ Up to 30%
☐ Up to 50% ☐ 50% or more

I-4 Does your company have a production base overseas? (More than one answer is possible.)

- ☐ Yes ------→ Which country ?
  - ☐ U.S.A. ☐ Europe ☐ Asia
  - ☐ Oceania ☐ Other
- ☐ No

I-5 What is the ratio (%) of overseas (EP, JP, etc.) patent applications to US patent applications in your company? Please compare the number of cases, not the number of countries.

☐ 0% ☐ Up to 10% ☐ Up to 20% ☐ Up to 50%
☐ 50% or more

I-6 What is the ratio (%) of overseas patent applications relating to manufacturing technology to total overseas applications in your company?

☐ 0% ☐ Up to 10% ☐ Up to 20% ☐ Up to 50%
☐ 50% or more

II. IN-HOUSE ATTITUDE TOWARDS MANUFACTURING TECHNOLOGY

II-1 Does your company distinguish between treatment of general inventions and manufacturing technology inventions?

- ☐ Yes
- ☐ No --------→ III

II-2 Why does your company make this distinction? (Please answer in order of priority.)

- ☐ ( ) Do not file patent applications
- ☐ ( ) Manage as know-how --------→ II-4
- ☐ ( ) Other ( )

II-3 What is the reason for not filing such inventions? (Please answer in order of priority.)

- ☐ ( ) To prevent leakage of know-how
- ☐ ( ) Because there is the possibility of false accusations of infringement being brought due to filing
- ☐ ( ) Because effectiveness of rights are limited
- ☐ ( ) Because it is difficult to prove infringement
- ☐ ( ) Because manufacturing technology is the property of the company and not to be made open to the public to begin with
- ☐ ( ) Other ( )

II-4 Who ultimately judges whether patent applications are filed or not? (Check one only.)

- ☐ Technical Department
- ☐ Intellectual Property Department
- ☐ Other ( )

II-5 By what means do you make the above distinction? (Check one only.)

- ☐ According to such standards as a company manual etc.
- ☐ On the basis of individual judgment
- ☐ Other ( )

II-6 What is the advantage of maintaining a large amount of

manufacturing technology which has not been filed? (Please answer in order of priority.)

- ☐ ( ) Can make long-term know-how agreements
- ☐ ( ) Can often use original technology not possessed by other companies in products
- ☐ ( ) No advantages
- ☐ ( ) Other ( )

II-7 Do you manage manufacturing technology which has not been filed as a patent application ?

- ☐ Yes
- ☐ No --------→ II-9

II-8 How do you manage such manufacturing technology? (More than one answer is possible.)

- ☐ Make confidentiality agreements with employees concerning specific technology
- ☐ Take custody of related documentation in order to prove prior use
- ☐ Utilize in-house registration system
- ☐ Other ( )

II-9 Do you compensate the inventor for development manufacturing technology which will not be filed as a patent application ?

- ☐ Yes
- ☐ No

III. PATENT APPLICATIONS RELATING TO MANUFACTURING TECHNOLOGY

III-1 Does your company file patent applications in America for manufacturing technology?

☐ Yes

☐ No --------→ III-4

III-2 Why do you file? (Please answer in order of priority.)

☐ ( ) To maintain first-to-file rights

☐ ( ) To prevent other companies from acquiring rights

☐ ( ) Protecting secrets is difficult

☐ ( ) Advantageous for agreements

☐ ( ) For company public relations

☐ ( ) To advance development

☐ ( ) Other ( )

III-3 What are the advantages of maintaining manufacturing technology which has been filed and registered as a patent right? (Please answer in order of priority.)

☐ ( ) Utilizing it together with product rights in package licenses

☐ ( ) For when employees leave

☐ ( ) No advantage

☐ ( ) Other ( )

III-4 When you file patent applications in the America, do you typically file corresponding patent applications in Japan?

☐ Yes ☐ No ------→ III-5

III-5 Why do you only file in the U.S.A.? (Please answer in order of priority.)

☐ ( ) It is better to acquire patent rights in the U.S.A. due to the existence of the discovery system

☐ ( ) For company public relations

☐ ( ) If not granted rights in the U.S.A, cannot be made open to the public

☐ ( ) By gaining a process patent in the U.S.A., this right can be exercised against products

produced outside of the U.S.A. by that process and imported into the U.S.A.

☐ ( ) Because your company has sites in U.S.A.

☐ ( ) Other ( )

III-6 Recently the number of companies which are positively pursuing filing of patent applications relating to manufacturing technology have been increasing; do you think that your company should increase the number of patent applications relating to manufacturing technology in the future? (Check one only.)

☐ ( ) Should increase

☐ ( ) Should decrease --------→ III-8

☐ ( ) Should maintain current conditions --→ Go to end

☐ ( ) Should not file --------→ III-8

☐ ( ) Don't know ------------→ Go to end

III-7 Why do you think they should be increased? -------→ Go to end. (Please answer in order of priority.)

☐ ( ) Because there is a limit to protection of secrets and patent applications should be filed and rights obtained

☐ ( ) Because many employees are leaving and protection of secrets is becoming difficult

☐ ( ) Because there are many cases of development in cooperation with other companies and this company cannot solely own technology

☐ ( ) Because company publicity is important

☐ ( ) Because disputes with other companies are increasing

☐ ( ) Because there is a discovery system

☐ ( ) To maintain the right as the subject of cross-licensing

☐ ( ) Other ( )

III-8 Why do you think they should not be filed or should be decreased? (Please answer in order of priority.)

☐ ( ) Because know-how is the property of the company and it is advantageous to have a large amount of undisclosed know-how

☐ ( ) Because protection of secrets is possible

☐ ( ) Because by making confidentiality agreements the period of protection as a know-how agreement can be extended beyond the period of patent right

☐ ( ) Because the effectiveness of right is limited

☐ ( ) Other ( )

THANK YOU FOR YOUR COOPERATION.

(1) Title: **EXAMINER INTERVIEWS DURING PATENT PROSECUTION**

(2) Date: October, 1995

(3) Source: a) Source: PIPA

b) Group: U.S.

c) Committee: No. 1

(4) Author: Harold E. Cole, Eastman Kodak Company

(5) Keywords: Interviews, Exhibits, Conducting Interviews

(6) Statutory Provision: U.S.: 37 § CFR 1.133
Japan: Japanese Examination Manual 20.09A

(7) Abstract: Interviews usually advance prosecution, but are not undertaken with regularity. Regular use of interviews will result in patents with better claims with less prosecution, saving both time and money.

EXAMINER INTERVIEWS DURING PATENT PROSECUTION

A survey was conducted among PIPA companies both in the U.S. and Japan (see Appendix D). Some of the more interesting results are the following:

JAPANESE PATENT ATTORNEYS

The non-chemical Japanese patent attorneys interviewed cases in the JPO almost twice as often as chemical Japanese patent attorneys. This is the conclusion from Appendix B, where the sum of the averages of all interviews conducted was 50%, while in Appendix A, the sum of the averages of all interviews conducted was 28%.

The interviews by non-chemical Japanese patent attorneys also appeared to be more effective than those by chemical patent attorneys. This is the conclusion from Appendix B, where 52% reported less prosecution after the interview and 26% reported that the prosecution was about the same as usual, as compared to Appendix A, where the corresponding % numbers were 42% and 37%, respectively.

For 20% of the interviews (average of 18% and 22%) by both chemical and non-chemical Japanese patent attorrneys, there was MORE prosecution after the interview than usual. Perhaps this is the result of situations where more complicated cases were interviewed. The more prosecution afterwards could be the result of the complexity of the case, rather than the ineffectiveness of the interview.

About 25% (average of 29% and 22%) of both chemical and non-chemical U.S. counterparts of Japanese cases were interviewed in the USPTO.

U.S. PATENT ATTORNEYS

Among the U.S. companies reporting, chemical patent attorneys seemed to interview about the same rate as their non-chemical counterparts. This is the conclusion from Appendix C, by comparing the personal interview average % and the phone interview average % for the two groups. One is 10% higher while the other is 11% lower.

In the U.S., interviews were effective in reducing prosecution after the interview in about 76% of the cases. This is shown in Appendix C by averaging 78% and 75% for both chemical and non-chemical U.S. patent attorneys.

COMPARISON BETWEEN JAPAN AND U.S.

In contrast to the 20% of Japanese patent attorneys who reported MORE prosecution after an interview, there were no U.S. patent attorneys who reported that to be the case.

In the U.S., personal interviews were conducted in about 56% of all applications (average of 61% and 51%), in

comparison to Japan, where only 16% (average of 15% and 18%) of all applications were personally interviewed.

In the U.S., telephone interviews were conducted in about 77% of all applications (average of 72% and 83%), in comparison to Japan, where only 11% (average of 8% and 15%) of all applications were personally interviewed.

Thus, U.S. patent attorneys have personal interviews three times more often than their Japanese counterparts, and have telephone interviews seven times more often. Perhaps the reason for this is that interviews are a comparatively new procedure in Japan, and the Japanese patent attorneys haven't yet fully adopted this procedure.

Also, interviews in the USPTO were reported to be effective in reducing prosecution afterwards in about 76% of the cases, as compared to interviews in the JPO where only 47% of the interviews were effective in reducing prosecution afterwards. Perhaps the reason for this is that the Examiners do not yet have enough experience with this procedure.

WHY INTERVIEW AN APPLICATION?

The purpose of an interview is to develop and clarify the issues which hopefully will lead to a mutual understanding and thus advance prosecution.

AUTHORITY FOR INTERVIEWS

U.S.:37 § CFR 1.133:

Interviews with examiners concerning applications and other matters pending before the Office must be had in the examiners' rooms at such times, within office hours, as the respective examiners may designate. Interviews will not be permitted at any other time or place without the authority of the Commissioner. Interviews for the discussion of the patentability of pending applications will not be had before the first official action thereon. Interviews should be arranged for in advance.

Japan: Japanese Examination Manual 20.09A

While the examination of a patent application is to be carried out on basis of formal written documents, an interview may be conducted as a auxiliary procedure in order to lead to mutual understanding between an examiner and a patent applicant or a representative thereof, and thereby serve to advance the quick and accurate examination of the application.

MODE OF INTERVIEWING

Interviews can be conducted by phone or in person. An advantage of interviewing in person is that the patent attorney can build up a rapport with the Examiner. I

conducted a series of interviews with one Japanese Examiner over a period of three years. The first interview resulted in very few allowances. At the next one, he allowed more cases. At the final one, he allowed almost all of them!

LENGTH OF AN INTERVIEW

Generally speaking, an interview should last no longer than about 20-30 minutes.

WHEN TO INTERVIEW?

The best time to interview a case is after the first official action and prior to amendment. If an amendment is filed before an interview, changes in the amendment may have to be made as a result of the interview, which is especially a problem in Japan in view of the limited times for making an amendment.

EXHIBITS

Exhibits are very desirable and can be very impressive to an Examiner. Since Examiners deal with reading things on paper all day long, a tangible representation of an invention is a welcome break from the Examiner's daily routine. When possible, exhibits should be taken which result from the examples in the application. Copies of an exhibit may be attached to the response if feasible.

ADVANTAGE OF INTERVIEW

Sometimes an Examiner may not have completely read or fully understood an application and may not have appreciated the importance of the invention. In preparing for an interview, the Examiner will have to review the application and reread it, which is beneficial.

I have had several interviews in the JPO where the Examiner told us he had previously decided to give us a Final Rejection, but after an explanation at the interview of the examples and the results thereof, he changed his mind and allowed the cases.

An interview is an opportunity to point out specific features of the invention. The Examiner's attention can be directed and focused to the most important parts. This is most effective when the interview is in person. Also, at a personal interview, questions can be answered which the Examiner may have, but was too embarrassed to put into writing.

IMPORTANCE

Taking the time to interview an application sends a message to the Examiner that the application is important. Just being there can tip the balance in your favor in a close case. It is easy for the Examiner to reject an

application on paper, but more difficult for him to look you in the eye and reject it. It is easier for him to allow it if you are there in person!

HOW TO CONDUCT AN INTERVIEW

A copy of the proposed amendment to the claims (without comments) should be given to the Examiner at the interview. Your comments should already prepared in your response to use as a "brief" in discussion with the Examiner. You should be persuasive, but not argumentative (this is for U.S. practitioners only, since Japanese practitioners are never argumentative).

EMPATHIZE

You should try to understand the Examiner's position. You may have to make further or different amendments. You should let the Examiner know you are willing to compromise and work out a mutually agreeable solution.

COST BENEFIT

If you can get the application allowed at the interview, you will save substantial time and money by obviating further prosecution. The Examiner will also benefit since you will have saved his time as well.

BETTER COVERAGE

I have had personal interviews in the USPTO when the Examiner suggested amendments less onerous than I had thought to propose. This never would have happened if I had not been there in person.

Also, on one occasion while interviewing an application in the JPO, the Examiner proposed several amendments to the claims. My technical person and I talked it over and looked sad at the possibility of having to make such amendments. We discussed how these amendments would not give us the protection we thought we were entitled to in order to fully protect our invention. After some further discussion with our Japanese representative, the Examiner allowed the case without any amendment at all. I do not think this would have happened if we had not been there in person.

A CASE STUDY

One attorney at my company makes it a practice to personally interview every application in the USPTO in which an interview would be useful. Many times he thought he knew exactly what amendment to make to get around the Examiner's rejection. In about 30% of the time, however, he found his proposed amendment was not what the examiner had in mind to make the claims allowable. However, by talking to the Examiner, he was able to come to an agreement on a different

amendment, and was thus still able to get the case allowed after only one amendment.

This attorney has been with my company for 30 years and has only had one appeal in that entire time! He also has never had to file a Continuation Application, used primarily in the U.S. to get the Examiner to consider a second amendment after a Final Rejection. He is also very inexperienced in filing amendments after a Final Rejection, since he has had very few of them as well.

The lack of "post-Final Rejection" prosecution has saved him a lot of time, and the company has also saved money in not paying fees for filing appeals, appeal briefs, Continuation Applications, extensions of time, etc. This attorney is then able to use the time saved in prosecution to file more applications than his associates do.

CONCLUSION

Interviews can be very time and cost-effective in reducing prosecution, especially if done in person, and should be taken advantage of more often.

APPENDIX A

Interviews in the JPO by Chemical Japanese Companies

% of Interviews Conducted			After Interview, Prosecution Was			
In Person	By Phone	Both	More Than Usual	Less Than Usual	Same As Usual	% of U. S. Applications Interviewed
50	40	30		X		60
10	20	5		X		30
0	0	10		X		60
40	0	0			X	20
3	5	3			X	5
1	3	1	X			30
8	5	10		X		50
5	0	0		X		5
3	4	4	X			50
0	0	10		X		5
0	0	0			X	35
100	0	0			X	-
15	0	0			X	35
80	10	10	X			10
5	0	0			X	30
0	2	3		X		50
0	0	33			--	--
0	0	25		X		5
10	5	0		X		35
10	0	0		X		---
0	0	0			X	35
0	0	0			X	20
40	0	0	X			30
15	30	10		X		10
0	0	0			X	30
0	0	10		X		60
0	100	0		X		30
60	10	10		X		10
0	5	0		X		40
2	5	1			X	8
10	15	10		X		65
22	0	0	X			45
5	0	10			X	50
2	0	0			X	20
5	5	5	X			20
50	20	0			X	3
8	1	1	X			90
5	5	0			X	5
TOTAL 564	TOTAL 290	TOTAL 201	TOTAL 7	TOTAL 16	TOTAL 14	TOTAL 1086
AVG. 15%	AVG. 8%	AVG. 5%	AVG. 18%	AVG. 42%	AVG. 37%	AVG. 29%

APPENDIX B

Interviews in the JPO by Non-Chemical Japanese Companies

% of Interviews Conducted			After Interview, Prosecution Was			
In Person	By Phone	Both	More Than Usual	Less Than Usual	Same As Usual	% of U. S. Applications Interviewed
0	0	5		X		50
30	30	40			X	--
1	0	0		X		5
50	90	40	X			20
100	0	0	X			10
99	0	1	X			10
0	0	50	X			--
0	100	0			X	5
10	10	10		X		--
2	2	5			X	15
10	20	70		X		30
10	1	10		X		10
0	0	0			X	60
50	0	0		X		20
53	0	0			X	30
10	5	5		X		50
0	0	0			X	0
4	0	1		X		50
10	80	10		X		60
5	5	2	X			10
5	5	5		X		20
0	0	100			X	20
0	30	10		X		50
0	1	2		X		20
8	4	8	X			10
20	10	70		X		10
10	0	5		X		20
TOTAL 487	TOTAL 393	TOTAL 449	TOTAL 6	TOTAL 14	TOTAL 7	TOTAL 585
AVG. 18%	AVG. 15 %	AVG. 17 %	AVG. 22%	AVG. 52%	AVG. 26%	AVG. 22%

APPENDIX C

Interviews in the USPO by Chemical U.S. Companies

% of Interviews Conducted			After Interview, Prosecution Was		
In Person	By Phone	Both	More Than Usual	Less Than Usual	Same As Usual
100	100	100		X	
20	50	10		X	
50	100	50		X	
30	80	80			X
100	0	0		X	
100	100	100		X	
25	100	25		X	
75	100	75			X
50	20	30		X	
TOTAL 550	TOTAL 650	TOTAL 470	TOTAL 0	TOTAL 7	TOTAL 2
AVG. 61%	AVG. 72%	AVG. 52%	AVG. 0%	AVG. 78%	AVG. 22%

Interviews in the USPO by Non-Chemical U.S. Companies

% of Interviews Conducted			After Interview, Prosecution Was		
In Person	By Phone	Both	More Than Usual	Less Than Usual	Same As Usual
5	30	5			X
50	100			X	
100	100	100		X	
50	100	50		X	
TOTAL 205	TOTAL 330	TOTAL 155	TOTAL 0	TOTAL 3	TOTAL 1
AVG. 51%	AVG. 83%	AVG. 39%	AVG. 0%	AVG. 75%	AVG. 25%

APPENDIX D

SURVEY QUESTIONS FOR U.S. PIPA COMPANIES

An interview with a Patent Examiner means an oral discussion of a pending patent application, either by telephone or in person, between the Patent Attorney and the Patent Examiner.

1) What percentage of patent attorneys in your company interviewed cases in the USPTO last year
   a) over the phone
   b) in person
   c) both.
2) For those patent attorneys who interviewed cases, what is the percentage of the cases that were
   a) in the chemical field
   b) in the mechanical/electrical field.
3) For those patent attorneys who interviewed a particular case, after the interview, did they have
   a) less prosecution than usual
   b) more prosecution than usual
   c) about the usual.

SURVEY QUESTIONS FOR JAPANESE PIPA COMPANIES

An interview with a Patent Examiner means an oral discussion of a pending patent application, either by telephone or in person, between the Patent Attorney and the Patent Examiner.

1) What percentage of patent attorneys in your company interviewed cases in the JPO last year
   a) over the phone
   b) in person
   c) both
2) For those patent attorneys who interviewed cases, what is the percentage of the cases that were
   a) in the chemical field or
   b) in the mechanical/electrical field
3) For those patent attorneys who interviewed a particular case, after the interview, did they have
   a) less prosecution than usual
   b) more prosecution than usual
   c) about the usual.
4) What percentage of your U.S cases did your U.S. patent attorney interview in the USPTO?

(1) Subject:

Summary of Revised Law and Its Practices

(2) Date and Place:

October 1995 (26th San Francisco Conference)

(3) Committee and Others:

Japanese Group

No. 1 Committee

(4) Writers:

Tetsuo Okamoto, TEIJIN LTD.
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(5) Key Words:

TRIPS Agreement, U.S./Japan Framework Talks, Patent Harmonization Agreement, Requirements for Specification Description, Original-Language Patent Application, Expansion of Priority Claim Application, Period for Amendment, Accelerated Examination, and Functional Description

(6) Provisions:

(Revised) Patent Law, Section 2, Section 17, Section 17bis, Section 29bis, Section 32, Section 36, Section 36bis, Section 43bis, Section 44, Section 49, Section 65bis, Section 67, Section 70, Section 90, Section 94, Section 101, Section 112bis, Section 112ter, Section 126, Section 184quater(4), Section 184duodecimo(12)

(7) Summary:

Along with a movement seeking international harmonization of intellectual property systems, the Japanese Patent Law has been revised effective as from July 1, 1995 (except for the provisions concerning post-grant opposition system and accelerated examination system, which separately enter into force on January 1, 1996). According to a revision concerning a method of description for specification and implementing guidelines for requirements of description for specification in the Patent Office's examination guidelines accordingly reviewed, for example, description of claims for a patent can be wider in scope with a fairly high degree of flexibility allowed as compared with the conventionally accepted description. Particularly significant for foreign applicants is the introduction of a system accepting English-language

applications.

This paper outlines the revised Japanese Patent Law, including the above revisions, and explains the contents of revisions concerning application procedures with their effects significantly affecting applicants, divided into procedures at and after the time of filing of an application and covering a whole process from the stage of an application to the grant of patent.

INDEX

1 PREFACE

1-1 Foreword

On December 8, 1994, the amendment of industrial property laws (Law No. 116 of 1994) was passed into law at the 131st extraordinary Diet session and promulgated on December 14, 1994.

The revisions included in the amendment will enter into force on July 1, 1995 except for the provisions concerning post-grant opposition system (which will separately enter into force on January 1, 1996).

This paper outlines the revision except for the post-grant opposition system and studies their major points from a practical viewpoint, covering the filing of an application to the grant of patent.

1-2 Background behind Revision of Law

The revised law due to be enforced as from July 1, 1995 was prepared based on a recommendation concluded by the Intellectual Property Council in September 1994 to establish environment inductive to the promotion of creative business activities in the Japanese industry and cope with international movements as recognized in the TRIPS Agreement of the "Marrakech Agreement to Establish A World Trade Organization (WTO Agreement)," U.S./Japan Framework Talks and the Patent Harmonization Agreement to promote international harmonization of the industrial property systems.

1-2-1 TRIPS Agreement

(1) History

The Uruguay Round of GATT talks started at the Punta des Esta Ministerial Meeting in September 1986, with industrial property as one of its subjects. Seven years of negotiations that followed were put to an end when the so-called Dankel paper was issued. In December 1993, an agreement was reached to conclude the "Marrakech Agreement to Establish A World Trade Organization (WTO Agreement)." On April 15, 1994, final documents on the agreement were signed by ministers from countries participating in the negotiations.

The WTO Agreement came into effect on January 1, 1995, requiring the enforcement of the TRIPS Agreement concerning intellectual property enforced through its ratification and domestic legal procedures, including revisions of the existing laws. The enforcement of domestic legal procedures is provided a grace period of one year after the agreement's taking effect.

The TRIPS Agreement, while setting a minimum of legal protection signatory countries accord to intellectual property, obligates the observation of the existing intellectual property agreements, treaties and conventions, including the Paris

Convention. Having 80 countries or more as signatories to it, the agreement can be recognized as one substantially setting internationally common rules on intellectual property.

(2) Revised Law and Related Provisions

Following the ratification of the TRIPS Agreement, the revised law incorporates the following revisions in correspondence with the provisions of the TRIPS Agreement.

① Extension of Patent Term

Based on Article 33 of the TRIPS Agreement, the term of a patent is set at 20 years from the date of filing.

(Article 33 of the TRIPS Agreement - The term of protection shall not expire before a lapse of 20 years from the date of filing.)

② Addition of Patentable Subject Matter

"Inventions of substances manufactured by the transformation of the atom" were deleted from the list of unpatentable subject matters. Inventions of substances manufactured by the transformation of the atom are now patentable.

(Article 27 of the TRIPS Agreement - A patent shall be granted in all technical areas wherever its novelty, inventiveness and industrial applicability are recognized.)

③ Expansion of Scope of Patent Right

"Offering for sale" is included as an act of working or infringement of an invention.

(Article 28 of the TRIPS Agreement - Exclusive rights shall be granted to an article invention with respect to the manufacturing, use, offering for sale, sale and exportation for the purpose of sale of the article and to a method invention with respect to the use, offering for sale, sale and exportation for the purpose of sale of an article obtained from the method.)

④ Terms and Conditions for Transfer and Invalidation of Compulsory License

Terms and conditions for the transfer and invalidation of compulsory license are revised in favor of a patentee.

(Article 31 of the TRIPS Agreement -

(e) Adjudicated license shall not be assigned without part of permitted business or sale.

(g) Adjudicated license may be invalidated on the condition that it protects due interests of a licensee when and if it becomes not satisfactory with requirements for the adjudication.)

⑤ Allowance of Priority Right to Application from Signatories to TRIPS Agreement

Priority right may be applicable to TRIPS member countries which are not

members of the Paris Convention.

(Article 2 of the TRIPS Agreement - Member countries are obligated to abide by Articles 1 to 12 and Article 19 of the Paris Convention and recognize claim of priority right based on an application filed in member countries.)

1-2-2 U.S./Japan Framework Talks

(1) History

In October 1993, the Intellectual Property Working Group was set up as part of the U.S./Japan Framework Talks and negotiations started on the intellectual property systems of the two countries and their practices.

Marking the first agreement coming out of such negotiations in January 1994, Japan agreed to introduce an English-language patent application system and the United States agreed to change the date of a patent's taking effect.

The second agreement came in August 1994 when Japan agreed to modify its post-grant opposition system, improve the operation of its examination system to facilitate and expedite examination and restrictively grant compulsory license with respect to dependent invention and the United States agreed to introduce an early laid-open system, improve its reexamination system and restrict grant of compulsory license with respect to dependent invention.

These agreements are included in the TRIPS Agreement and the Patent Harmonization Agreement and are advance steps partly taking in a later-intensifying movement seeking the international harmonization of intellectual property systems.

(2) Concrete Measures Incorporated into the 1994 Revision of Law

Following the agreements mentioned above, the 1994 Revision of Law is concretely calling for:

⑥ Introduction of Original-Language Patent Application system

The Japanese Patent Office is to start accepting application in the English language by July 1, 1995.

⑦ Shift to Post-Grant Opposition System

The Japanese Patent Office is to shift from the present before-grant opposition system to a post-grant opposition system by January 1, 1996.

⑧ New Accelerated Examination System

The Japanese Patent Office is to improve and accelerate its examination with respect to applications also filed outside Japan.

⑨ Restrictive Grant of Compulsory License of Dependent Invention

The Japanese Patent Office is to restrictively practice an adjudication system for the grant of compulsory license with respect to dependent inventions as from July 1,

1995.

Following the introduction of the English-language patent application system, the period for amendment and description requirements for specifications are alleviated as explained below:

⑩ Alleviation of Period for Amendment and Division

An applicant is allowed to amend a specification and drawings at any time from the filing of an application to the notification of a first substantive communication from the Patent Office (before the delivery of notification of a decision on publication (a decision on the grant of patent as from January 1, 1996) and up to a time allowed for a reply to the first substantive communication from the Patent Office).

⑪ Revision for Description Requirements for Specification

An applicant is required to state in a claim all the necessary matters to define an invention for which a patent is sought. A detailed explanation of an invention shall be made clear to a degree to allow a person with ordinary skill in the art to exercise it.

Item ⑪ above in particular results from a review of the present description requirements for specifications which are different from those provided in laws and ordinances in the United States and Europe, the TRIPS Agreement and a draft Patent Harmonization Agreement and required to be modified to be internationally compatible.

1-2-3 Patent Harmonization Agreement

(1) History

A draft Patent Harmonization Agreement of WIPO proposed in December 1990 has been left pending without substantial study conducted on it with views split in the United States over a proposed shift to the first-application rules.

When U.S. Secretary of Commerce Brown announced in 1994 that the United States would keep its first-invention rules for the time being, the agreement was substantially shelved off.

In May 1994, however, Secretary Director Bogsh of WIPO, calling for the resumption of diplomatic level talks, proposed to:

(a) delete from the draft agreement the first-application rules, a grace period and time limitations on examination,

(b) delete from Proposal (a) patentability requirements and provisions concerning application amendments, and

(c) further delete from Proposal (b) substantive requirements only to keep procedural requirements.

He called for a revised draft to be adopted at a general assembly in September after studying these three options.

This proposal was followed by active debates between the United States, Europe and Japan. However, a final conclusion reached at the general assembly in September was a compromise that called for a council meeting to be convened to review the draft agreement and its handling, possibly including a political decision, in the first half of 1995, with results to be reported to the WIPO general assembly.

With Japan remaining opposed to the deletion of the first-application rules as sought in the proposal and private organizations in the United States objecting to the new proposal, the Patent Harmonization Agreement is not likely to be concluded in the near future.

(2) Provisions Relating to 1994 Revision of Law

As described above, there is no clear prospect for the conclusion of the Patent Harmonization Agreement which include in its draft the following provisions relating to the 1994 Revision of Law.

- Disclosure of Invention and Specification (Section 3, Article 2 of Implementing Rules)
- Description Formality of Claim (Section 4, Article 3 of Implementing Rules)
- Original-Language Patent Application (Section 8, Article 7 of Implementing Rules)
- Period for Amendment (Section 14)
- Correction of Mistranslation (Section 17, Article 9 of Implementing Rules)
- Post-Grant Opposition System (Section 18)
- Interpretation of Claim (Section 21)

The 1994 Revision of Law, which followed the ratification of the TRIPS Agreement and intellectual property-related agreements between the United States and Japan, has its major purpose to achieve the international harmonization of intellectual property systems and provide quick and enough protection to technical achievements made in Japan.

Table 1 shows outline of the 1994 Revision of Law and its relationship with movements seeking to promote the international harmonization of intellectual property systems which have led to it. Besides measures required by the above-described TRIPS Agreement and intellectual property-related agreements between the United States and Japan, the following measures are to be taken.

⑫ Restoration of Patent Right Lapsed Due to Non-Payment of Patent Fee

⑬ Revocation of Reservation of PCT Provisions

- Alleviation of Language Requirements for International Application
- Alleviation of Requirements for Translation of Claim to be Submitted

This paper now will discuss the concrete contents of the 1994 Revision of Law

and Points in Practice.

2 APPLICATION PROCEDURES AND THEIR PRACTICES AFTER REVISION OF LAW

2-1 Application Procedures

2-1-1 Addition of Patentable Subject Matter

(1) Contents of Revision

"Inventions of substances manufactured by the transformation of the atom" were deleted from the list of unpatentable subject matters, substances manufactured by the transformation of the atom are patentable.

(2) Purport of Revision

In Japan, inventions of substances manufactured by the transformation of the atom were made unpatentable to protect the domestic industry when the 1959 Patent Law was introduced. In the 1975 Revised Patent Law (introducing substance patents), the inclusion of such substances was carried over with consideration to the level of technical development in the field which still remained low.

However, the TRIPS Agreement recently concluded stipulates in its Article 27 that "a patent shall be granted for all kinds of technology, whether they are for a substance or a method, where they satisfy novelty, inventiveness and industrial use." It is thus not allowed to keep such substances unpatentable from the viewpoint of industrial protection. As the nuclear industry in our country has advanced, reaching at a level comparable with its counterparts in major industrial countries, there does not exist any solid ground to justify unpatentability from the viewpoint of industrial protection.

Therefore, "inventions of substances manufactured by the transformation of the atom" were deleted from Section 32 of the Patent Law, allowing substances manufactured by the transformation of the atom to be patented.

(3) Points

(a) This applies not only to applications filed on and after July 1, 1995 but to applications pending at the Japanese Patent Office on that date with the inclusion of a substance manufactured by the transformation of the atom described in an application specification and drawings (Appendix 3, Paragraph 1).

In the latter case, however, an amendment needs to be made by January 1996 (Appendix 3, Paragraph 1). Even an application which has been published is allowed to amend its claims so as to include atom-transformed substances described in its specification and drawings (Appendix 3, Paragraph 2).

(b) In amendment procedures, it is necessary to specify an amendment in a form

provided in Appendix 3 of the Implementing Rules (Appendix Form 2) as "an amendment under the provisions of Appendix 3, Paragraph 1 of the 1994 Revised Patent Law."

2-1-2 Description Requirements for Specification

Description requirements as specified in Section 36 of the Patent Law have not changed in essence since they were first specified in the 1959 Patent Law and have become required to be reviewed in light of diversification of inventions and technologies brought about by recent technical renovation and development and the international harmonization of description requirements for specification.

Thus, description requirements for specifications have been changed to cope with technical diversification with their international compatibility ensured. New description requirements for specification are to apply to applications filed on and after July 1, 1995. In accordance with the Revision of Law, also the Working Guidelines of description requirements for specifications in the Examination Guidelines of the Japanese Patent Office have been changed.

2-1-2.1 Description of Claim

(1) Outline of Revision

In Section 36, Paragraph 5, a claim is defined as a section where all necessary matters to specify an invention for which an applicant seeks to obtain a patent are to be described. As description requirements, Section 36, Paragraph 6 stipulates that an invention for which a patent is sought should be clear and concise.

(2) Purport of Revision

Section 36, Paragraph 5, Item 2 of the old Patent Law stipulated that "only features indispensable for the constitution of an invention for which a patent is sought" should be described in a claim. Then description of a claim does not allow the inclusion of functional and operational description of technical means. However, there are many cases where such description is more adequate to describe an invention.

What to claim is also a matter an applicant should decide on its own responsibility. Although the revised Examination Guidelines makes it clear to "respect claim description expressed by an applicant at its own will," the above-described provision still remains in force, leading to the rejection of an application citing functional and operational description as its ground. In such a case, an applicant in many cases is forced to change its conceptual description into limited description of concrete means.

Furthermore, the above provision is peculiar as seen from an international viewpoint (under EPC, US, etc.). The provision, thus serving as an additional requirement (Table 2) is difficult to maintain, since the Patent Harmonization Agreement

prohibits imposing on an applicant requirements other than those set forth in the agreement.

Description requirements for a claim have been reviewed to align themselves with those required under the provisions of the TRIPS Agreement and the Patent Harmonization Agreement and revised into Section 36, Paragraphs 5 and 6.

(3) Contents of Revision and Points

① Section 36, Paragraph 5 provides that "an applicant shall state in a claim all matters necessary to define an invention for which a patent is sought."

i) Contents of Revision

This paragraph, providing for description of "all matters necessary to define an invention," calls for essential and fully enough description of matters defining an invention, without allowing the inclusion of completely inadequate and unnecessary matters or without omitting description of necessary matters.

By further defining claim description as including "all matters necessary to define an invention for which a patent is sought," the paragraph makes it clear that it is up to an applicant to judge for what invention it is seeking a patent and calls for an applicant to describe all matters it considers necessary to define an invention.

ii) Points

(a) Description requirements for a claim are not cited as a reason for rejection, opposition or trial for invalidation. Once a description is made by an applicant at its own will, however, an argument that there are essential matters other than those described or part of described matters are not essential cannot be accepted as before the revision.

(b) In practice, it is possible to describe concrete means of an embodiment more conceptually with functional and operational expressions.

② Section 36, Paragraph 6, Item 1 provides that "an invention shall be an invention described in Detailed Explanation of the Invention."

This item, designed to prevent an invention not described in Detailed Explanation of the Invention from being described in a claim with a patent granted for an invention not described, essentially maintains the provision of Section 36, Paragraph 5, Item 1 of the old Patent Law.

A judgment under this item is made as to whether subject matters in a claim are described in detailed description of an invention.

③ Section 36, Paragraph 6, Item 2 provides that "an invention for which a patent is sought shall be clear."

i) Contents of Revision

This item calls for a claim to be described in a manner to allow an invention to be clearly understood from the claim.

To judge whether an invention is clear or not, a judgment under this item is not only based on description in a claim but takes into account a specification, drawings and known technologies other than the claim.

When description in a claim itself is clear, for example, it is judged whether the description is not unclear from the definition and explanation of terms in a specification and drawings. If there is a clear definition completely contrary to that in a specification and drawings or there is a definition given a wider meaning than usually accepted, the description is judged as unclear as it is not clear which is the case.

When description in a claim itself is not clear, it is studied whether terms are defined or explained in a specification or drawings. From this study coupled with known technologies, terms used in a claim are interpreted to judge whether the claim description can be called clear or not.

However, this consideration is limited to interpret "matters to specify an invention described in a claim under the provision of Section 36, Paragraph 5" but not extended to "Matters (Term)" not described in a claim.

Cases listed in the Examination Guidelines as violating this item are shown in Table 3.

ii) Points

(a) Recently, flexibility has become practiced as for claim description, including functional and operational expressions. As a result of the Revision of Law, it has become clear that with the phrases "only features indispensable for the constitution of an invention" deleted, a claim can be described with operations, functions, nature, characteristics, a method, applications, intended uses and various other matters. Under the revised Patent Law, a simple inclusion of such description is not subject to rejection, a great advantage.

However, a caution is needed as the conceptual scope of an invention, when including operations, functions, nature and other specific matters in its description, is liable to become unclear (Table 3, ③).

(b) In practice, it is advisable to use, in principle, widely accepted terms such as JIS, ISO and IEC in describing operations, functions, nature and other specific matters.

When there is a need to express any matter which is not a standard use, a caution is needed to ensure that such a matter is commonly used by a person with ordinary skill in the art or, if it is not, its definition, experiment and measuring method should be understandable to a person with ordinary skill in the art.

(c) As for a product-by-process claim, a concrete item is considered to be included in products produced by its manufacturing process. Even when its concrete constitution cannot be determined, an invention is not considered as unclear.

However, a caution is required as such a description is liable to make the conceptual scope of an invention unclear (Table 3, ③).

(d) As for a use invention, a claim with general description not limited to any concrete use such as "medicine (cure or fertilizer) comprising ..." instead of "medicine (cure or fertilizer) for X disease comprising ...," is not rejected under this item merely on the grounds that description of an invention includes a general expression of use.

(e) As for a compositional invention, a claim without limiting the use or property of an invention is not rejected under this item merely on the grounds that an invention relating to a composition is not defined by its use or property.

④ Section 36, Paragraph 6, Item 3 provides that "a description of each claim shall be concise."

i) Contents of Revision

This paragraph is to legally clarify a practice already exercised to recognize a redundant description in a claim as violating Paragraph 5, Item 2 of the same section in the old Patent Law.

A judgment based on this item is made as to whether a description of each claim is concise. This applies where there are more than a single claim with each claim being judged with respect to its conciseness.

Cases listed in the Examination Guidelines as violating this item are shown in Table 4.

ii) Points

When substituting description in a claim with other description such as in the detailed explanation of an invention, a caution is needed in practice to prevent the claim description and the detailed explanation of an invention or the corresponding description of drawings combined from becoming redundant in all.

Matters described in a claim to specify an invention are not considered redundant simply because their definition is too obvious to a person with ordinary skill in the art.

⑤ Section 36, Paragraph 6, Item 4 provides that "description of a claim shall be made as provided for in a ministerial ordinance issued by the Ministry of International Trade and Industry."

This item, carrying over Section 36, Paragraph 5, Item 3 of the old Patent Law as it was, leaves technical criteria concerning the description of a claim to the ministerial

ordinance.

2-1-2.2 Description of Detailed Explanation of Invention

Section 36, Paragraph 4 provides that "detailed explanation of an invention shall be made clear and fully enough to an extent to allow a person with ordinary skill in the art to exercise the invention in accordance with a ministerial ordinance issued by the Ministry of International Trade and Industry."

(1) Outline of Revision

Section 36, Paragraph 4 provides for a enabling requirement and a ministrial ordinance requirement.

As provided for in the same section, Paragraph 4 of the old Patent Law, "the purpose, constitution and effects of an invention" have been deleted. However, the "enabling requirement" calling for a description allowing an invention to be carried out is kept with a provision made, requiring a clear and fully enough description which allows an invention to be carried out. Incidentally, the word "readily" was omitted, but with no practical effects changed. Cases listed in the Examination Guidelines as violating this item are shown in Table 6.

The description of matters necessary to understand technical contribution made to an invention by a person with ordinary skill in the art as conventionally required through the description of "the purpose, constitution and effects of an invention" is now provided for as a ministrial ordinance requirement.

(2) Purport of Revision

An invention born out of a completely innovative idea or found through a trial and error process is not adequately described within the framework of "the purpose, constitution and effects of an invention." In many cases, such an invention has its purpose understood from a general description of its operational manners and other aspects even when not clearly described. So are its effects which can be understood from the description of its purpose and operational manners, among other things.

Corresponding provisions in the TRIPS Agreement and the Patent Harmonization Agreement (See Table 5) have come to be internationally accepted, making it necessary to make this provision compatible with them. With description requirements for the detailed explanation of an invention being different from those in the United States and European countries (See Table 5), applications, however adequate in the United States and European countries, were required to have their specifications changed, something against the spirit behind the introduction of an original-language patent application system.

Since the additional description of a purpose, a constitution and effects poses

the high possibility of constituting a new matter, furthermore, it is difficult to ensure all inventions have their purposes, constitution and effects clearly described. The same problem is also expected with the division of an application which is used as a last resort instead of an amendment to a claim after the final rejection is served.

Since an invention needs to be described in a manner to allow a third party to readily understand its contents, a certain degree of freedom and flexibility needs to be allowed to describe a variety of technical achievements to be readily understood by a third party.

From the above viewpoint, the description requirements for the detailed explanation of an invention have been reviewed and revised in the form of Section 36, Paragraph 4 of the Revised Patent Law.

(3) Contents of Revision and Points

① Enabling Requirement

i) Contents of Revision

(a) This requirement calls for the description of, in addition to "matters to define an invention," other necessary matters to enable the invention to be carried out. There has been no substantial change in what has been conventionally required in this respect.

(b) The revised Examination Guidelines have adopted the new concept of "mode for carrying out an invention" at least one of which needs to be described.

(c) To satisfy its qualification as describing "mode for carrying out an invention," the description of an invention needs to include its concrete manufacturing method, ways of its use and areas of its applications to allow a person with ordinary skill in the art to manufacture, use and industrially utilize the invention, except in case they are readily understood by a person with ordinary skill in the art. Such description also needs to include how matters defining an invention each works (operates).

ii) Points

(a) All lower concepts or their options which fall within the conceptual scope of an invention relating to a claim need not be indicated. It needs to be kept in mind that if embodiments already described are justifiably considered not extendible by a person with ordinary skill in the art to the full extent of its conceptual scope, invention-employing manners filling in that part need to be described.

(b) When a claim is made, including the description of the operation, function, nature or characteristics of an invention, it needs to be kept in mind that an experimental method and measuring method to quantitatively determine the described operation, function and effects need to be indicated except in case they are readily understood by a person with ordinary skill in the art.

(c) As for an invention relating to a chemical compounds, at least a manufacturing process, use and substance-identifying data as well as at least one example are usually required as in the past.

(d) For an invention relating to a manufacturing process, raw materials, their processing steps and resulting items need to be concretely described in principle except in case they are readily understood by a person with ordinary skill in the art, a newly included requirement which needs attention. Any concrete description of a product is not needed if it is understandable to a person with ordinary skill in the art from raw materials and a manufacturing process.

② Ministrial Ordinance Requirement

i) Contents of Revision

(a) This requirement is to make clear technical contribution brought about by an invention. In principle, it is necessary to describe, under respective headings, the technical field of an invention, problems an invention seeks to resolve and means to resolve the problems (Article 24bis of the Implementing Rules). An example of specification description is shown in Fig. 1.

(b) This requirement, clarifying technical contribution brought about by an invention and serving as a help for examination, search and other purposes, is not strictly applied. Therefore, lack of this description is considered violating the relevant ministerial ordinance only when it does not allow an invention to be adequately understood with respect to its technical contribution.

ii) Points

(a) There has been no change in that there needs to be descried at least a technical field of an invention relating to a claim.

Any concrete description of a technical field of an invention is not needed if it is understandable to a person with ordinary skill in the art. It needs to be kept in mind that when there has been no field conceived for industrial application of an invention like one achieved based on a new idea completely different from an existing technology, only a new field explored by the invention needs to be described without any existing field described.

(b) In a section "problems to be solved by the invention," at least one technical problem needs to be described. In a section "means to solve the problems," concrete measures which have been employed to solve the problems need to be described, including mode for carrying out an invention relating to a claim, together with an embodiment when necessary. This requirement has not changed in essence. In this case, the description needs its heading therebefore.

Any concrete description of problems to be solved is not needed if they are understandable to a person with ordinary skill in the art. It needs to be kept in mind that when means to solve problems are understood if an invention relating to a claim is judged, considering thus-understood problems from the description of an embodiment and others, description in the manner of "problems to be solved by the invention" and "means to solve the problems" is not required.

Since the description of purpose was a requirement before in this respect, it was necessary in practice to list up all conceivable purposes of an invention at the time of an application. Against this, if at least a purpose of an embodiment is described, it is considered to satisfy this requirement, lessening a burden on practical writing of a specification.

In case an invention based on a completely new concept or an invention born out of a trial and error process in particular has no conceivable problems to solve, the description of "problems to be solved by the invention" and "means to solve the problems" is naturally not required, allowing flexibility in the description of a specification.

(c) Description of "prior art" is not specifically required by the ministerial ordinance. It is different from the requirement in the past.

However, it is advisable to describe background technologies as much as possible as such description would substitute the description of problems to be solved when problems to be solved can be understood from the description of background technologies. In this respect, the inclusion of documents which can serve as a means to evaluate the patentability of an invention is desirable when there are available highly relevant documents.

In this case, such a description needs to be made under its heading before means to solve problems in principle as in the past.

(d) Description of "effects of the invention" is not specifically required by the ministerial ordinance. It is different from the requirement in the past.

However, it is practically desirable to describe effects of an invention which, when advantageous, are judged as a fact which serve to positively evaluate the presence of its inventiveness.

As before, this description needs its heading.

2-1-3 Introduction of Original-Language Patent Application System

(1) Contents of Revision

Original-language patent applications were made possible (this does not apply to utility model registration applications). Concretely, an original-language text

(corresponding to a specification and drawings) and an original-language summary should be filed together with a Japanese-language request (Section 36bis(1) of the Patent Law), followed by their translation which need to be submitted within two months from the filing date (Section 36bis(2)). An acceptable foreign language is English.

The submitted translation is deemed to be a formal specification and drawings which are subject to examination and the grant of a patent right. An amendment to the submitted translation together with a reason for amendment is acceptable before the transmittal of a decision to grant a patent or until the last day of the period for replying to a first notice for rejection (See 2-2-2 (1) Correction of Mistranslation).

As an original-language text is accepted as a formal application, its prior art effect and internal priority are recognized. It is also possible to divide the original application or convert it into another application. As these divisional applications, an alternate application and an internal priority-claimed application are not different from a normal application in requirements, an original-language application is acceptable as such.

(2) Purport of Revision

After January 1, 1994, it was not allowed to add matters not described in a specification or drawings attached to an application request (namely, a translated specification or drawings in case of an application from overseas) in the form of an amendment after the application, applicants, particularly overseas applicants, had the following disadvantages.

① When a patent application needs to be filed immediately before the lapse of a priority claim under the Paris Convention, a translation from an original language into Japanese needs to be done in a short period of time, liable to cause a mistranslation.

② Even when a mistranslation is found in a Japanese translation, it was not allowed to correct it with reference to the original-language text.

To solve these problems, it was decided to introduce an original-language patent application system with applications filed on and after July 1, 1995.

(3) Points

① An additional power of attorney needs not be submitted for an original-language patent application.

② With a patent attorney office required only to make an application request, it is possible to effect an application with the lapse of a priority claim near at hand.

③ The 【Special Note】 section in an application form needs to be filled in to specify that "Application under the provisions of Section 36bis(1) of the Patent Law."

④ Correspondence of Translation with Original-Language Text

A description not based on word-by-word translation is allowed only if it does not make its correspondence with an original language unclear and if it allows an easier understanding of technical matters in the original-language text. As naturally expected, a translation is limited to describe only matters described in its original-language text.

It is necessary to keep in mind that if matters not described in an original-language text is described in its translation, it constitutes a reason for rejection, opposition or trial for invalidation.

⑤ Handling of Original-Language Patent Application Not Followed up by Its Translation within Two-Month Period

- If a translation of its original-language text (corresponding to a specification) is not submitted, an application is deemed withdrawn.
- An original-language text (corresponding to drawings) as a whole needs to be submitted as a translation. Even if it is not submitted, an application is not deemed withdrawn but may need to be amended as a mistranslation.
- If a translation of its summary is not submitted, an order for an correction is issued. If it is not submitted against this order, the application is invalidated.

(4) Fees for Original-Language Patent Application

Fees for an original-language patent application are shown in a table presented below.

Patent Application with Original-Language Text	35,000 yen per case
Patent Application without Original-Language Text	21,000 yen per case
Amendment to Specification or Drawings through Submitting of Written Correction of Mistranslation	19,000 yen per case

As presented above, fees relating to an original-language patent application are slightly higher than those applicable to a Japanese-language application. It also needs to be kept in mind that a mistranslation, though it can be corrected through an amendment, is a cause for additional cost. The above fees are sums of money to be paid to the Japanese Patent Office. Fees to a patent attorney are separately charged.

(5) Languages Acceptable for U.S., EPC and PCT Applications and Their Systems

Languages acceptable for U.S., EPC and PCT applications are as follows.

Table 7: Comparison with Intellectual Property Systems in Other Countries

	Acceptable Language

U.S	English and Any Other Languages
EPC	English, German and French (A person with an address, residence or office in an EPC signatory country or a non-residence with the nationality of that country is allowed to make an application in an official language of that country, to be followed up by its translation which needs to be submitted later.)
PCT	12 Languages: English, German, Japanese, French, Swedish, Russian, Finnish, Danish, Dutch, Spanish, Norwegian and Chinese

A translation is handled as shown in a table presented below.

Table 8: Comparison of Handling of Translation in Different Intellectual Property System

	Handling of Translation
U.S.	An application filed in a language other than English requires its English translation which needs to be submitted within a designated period of time (usually two months).
EPC	A translation needs to be submitted within three months after the notification of the grant of a patent.
PCT	A translation needs to be submitted within 20 months after the filing of an application in case of a usual application (normally within 30 months when a preliminary international examination is requested).

As described above, Japan with the introduction of an original-language patent application system has moved closer to other countries in patent application system which is still different from one country to another. English-language patent applications in Japan are now accepted under two different systems, one for international applications and the other for domestic applications. In the future, which application system should be used will become a subject of study considering the number of countries where a patent is applied for, the period for the filing of a translation and cost involved.

2-1-4 Expansion of Priority Claim Application

(1) Contents of Revision

Besides signatories to the Paris Convention, priority right may be applied to applications from signatories to TRIPS Agreement. This is applicable to an application filed on and after July 1, 1995 with its original application filed on and after January 1, 1995.

Under the principle of reciprocity, priority right may also be applied to countries

and regions other than signatories to the TRIPS Agreement.

(2) Points

Since priority right is applied to the countries to which it has not been applied before, applications from such countries may be differently judged with respect to their novelty and inventiveness. Therefore, it is necessary to confirm a priority date without fail.

2-2 Procedures after Application

2-2-1 Alleviation of Period for Amendment and Division

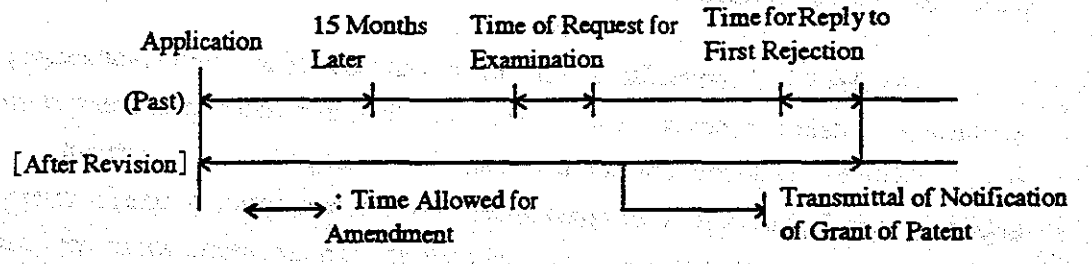
(1) Contents of Revision

Under the Revision of Law, the period for an amendment was alleviated and so the period for the division of an application.

Concretely, it is possible to amend a specification at any time from the filing of an application to the notification of a first substantive communication from the Patent Office (before the delivery of notification of a decision on publication (a decision on the grant of patent as from January 1, 1996) and up to a time allowed for a reply to the first substantive communication from the Patent Office).

Applicable are applications filed on and after July 1, 1995.

(Incidentally, a summary attached to an application request can be amended within a period of time limited to 15 months from the date of its application.)



(2) Purport of Revision

A period of time allowed for an amendment to a specification under the old Patent Law (present law) is 15 months from the date of an application and at the time of a request for examination.

In light of an expansion of a period allowed for the correction of a mistranslation concerning an original-language (English) patent application to a first substantive examination and the provisions of the Patent Harmonization Agreement (in principle, allowing an amendment to be made until the time when a patent is due to be granted (which can be limited up to a time allowed for a reply to the first substantive communication)), it is adequate to allow an amendment at any time until a time allowed for a reply to the first substantive communication, alleviating the period for an

amendment.

Under the old Patent Law, there may occur cases where applications claiming a priority right under the Paris Convention cannot be amended because of the time limit, a problem which needed to be solved.

In light of the period alleviated for an amendment, it is considered adequate to alleviate the period imposed on the division of an application as well.

(3) Points

When a specification fails to be amended at the time of a request for examination in the past, there needs to be awaited the issuance of the first substantive communication from the Patent Office, however a claim needs to be amended.

The Revision of Law makes it possible to amend a claim whenever its mistake is found (until the notification of the first substantive communication from the Patent Office) even when a claim fails to be amended at the time of a request for examination. Thus, it is possible to subject to examination a claim with its mistake amended if any.

From a third party viewpoint, an application needs to be watched as its claim can be changed (particularly, expanded) until the first substantive examination.

2-2-2 Amendment Procedure for Original-Language Patent Application

(1) Correction of Mistranslation

To make an amendment to an original-language patent application to correct a mistranslation, a written correction for mistranslation needs to be submitted instead of a written procedural amendment provided for in Section 17, Paragraph 4 of the Patent Law. (Section 17bis(2)).

A written correction for mistranslation requiring reference materials to allow a person with ordinary skill in the art to understand its contents and the adequacy of its reason needs to be accompanied by "reference materials necessary to explain reasons for correction" attached to it.

(2) Purport of Revision

In case of an original-language patent application, a specification and drawings can be amended (general amendment) through a normal written procedural amendment provided for in Section 17, Paragraph 4 of the Patent Law. This amendment is required to be made only with respect to matters described in a translated text (Section 17bis(3)), a violation of which may constitute a reason for rejection.

However, there may be a case with an original-language patent application where matters not described in a translated text need to be amended based on its original text and drawings. In such a case requiring an amendment exceeding the limit of matters described in a translated text and drawings, an amendment is required and

allowed to be made within the scope of its original text and drawings with the filing of a written correction for mistranslation different from a written amendment which is usually used.

The major purposes of an amendment to correct a mistranslation needing the filing of a written correction for mistranslation and explanation of reasons for a correction for mistranslation are to ensure that a correction for mistranslation is made based on description in its original-language text and drawings and to less the burden of a third party or an examiner to ascertain the adequacy of such a correction in comparison with its original text and drawings. Such a correction for mistranslation was made applicable to a PCT application along with the introduction of an original-language patent application system.

(3) Points

① Original-Language Documents Not Allowed to be Amended

It is stipulated not to allow an amendment to an original-language text and drawings and an original-language summary (Section 17bis of the Patent Law).

When translating an original-language text and drawings, therefore, it is necessary to study carefully whether there is any mistake in its original language and, when such a mistake is found, to urgently file a new application with its mistake corrected.

When a translation prepared with a mistake in its original language corrected is not considered to constitute new matters in an original language and a mistake is apparently a simple mistake or the like which is readily understandable from the context of its original language as a whole, a new application is considered unnecessary.

② New Matters in Original Language and New Matters in Translation

a) In case of an original-language patent application, matters not described in an original-language text and drawings submitted on the date of an application (new matters in an original language), if added through their translation after the application or later through an amended specification, may constitute a reason for rejection, opposition or trial for invalidation. (Section 49, Item 5 of the Patent Law, Section 113, Item 5 and Section 123, Paragraph 1, Item 5)

b) Matters not described in a translation of an original-language text and drawings (new matters in a translation), if added to an amended specification, may constitute a reason for rejection but not for opposition or trial for invalidation. (Section 17bis(3) of the Patent Law, Section 49, Item 1, Section 113, Item 1 and Section 123, Paragraph 1, Item 1)

③ Omission of Part of Original-Language Text and Drawings in Translation

Like Japanese applications having their part deleted through their amendment are not considered to constitute new matters in many cases, an original-language text and drawings having their part omitted in translation is not considered to constitute new matters. However, it needs to be borne in mind that there may be cases where depending on the part of description omitted in a translation, such an omission is considered to constitute new matters beyond the original-language text and drawings.

Example)

Against a description "rubber treated to be heat-resistant" in an original-language text and drawings, there is no description in the original text and drawings that can be interpreted to mean "rubber" in a generally-accepted concept. "Rubber" in a translation is considered as a new matter.

In this case, there is described in an original-language text and drawings only rubber treated to be heat-resistant, not including generally-accepted rubber within the scope of an original-language description. Describing generally-accepted rubber in its specification and others is interpreted to mean a new matter in an original language. (In this case, incidentally, a correction of mistranslation can avoid a rejection and other action having a new matter in an original language.)

④ Correction of Mistranslation After Notification of Final Rejection

It needs to be noted that a correction of mistranslation after the notification of the final rejection needs to satisfy requirements set forth in Section 17bis(4) and (5) (requirements for the deletion of a claim, the limitation of the scope of a claim and an independent patent). Furthermore, a correction of mistranslation as made in a trial hearing for correction and similar process is not allowed to substantially expand or change the scope of a claim.

As a correction of mistranslation after the notification of the final rejection is subject to many restrictions, it is important to ascertain whether there is a mistranslation and, if any, to correct it at a period from the date of an application to a time limit for a reply to the first substantive communication from the Patent Office.

⑤ Inclusion of General Amendment Matters in Written Correction for Mistranslation

When an amendment not requiring a correction of mistranslation (general amendment) is needed in addition to an amendment to correct a mistranslation, it is desirable to include in a written correction for mistranslation other matters which can be amended through a general amendment, making all amendments at one time. It needs to be noted that when a written correction for mistranslation is submitted after the notification for the final rejection in this case, the whole of a written correction for mistranslation is rejected if there are described in the written correction for mistranslation,

including amendment matters which can be amended through a general amendment, any matter which does not satisfy the provisions of Section 17bis(4) and (5) of the Patent Law.

2-2-3 New Accelerated Examination System

At present, an accelerated examination system is in force with its application limited to working-related applications. As from January 1996, however, this system will become applicable to foreign applications. For this purpose, the accelerated examination system is now under review (new accelerated examination system) as described below.

(1) Summary of New Accelerated Examination System

Applications eligible for the new accelerated examination system need to satisfy all the following requirements a) to c).

a) An application (working-related) relates to an invention carried out by an applicant or a person licensed by the applicant (licensee) (including exercise within two years from the filing of "Explanation of Reason for Accelerated Examination"); or an application relates to an invention for which a patent application has been filed with a patent office or a government organ other than the Japanese Patent Office (foreign application).

b) A request for examination has been made.

c) Examination by an examiner has not yet to be started.

Accelerated examination needs to be requested by filing "Explanation of Reason for Accelerated Examination" which can be filed after the date of a request for examination with no fee charged.

"Explanation of Reason for Accelerated Examination" is required to include results of a prior art search and explanation of an invention described in a claim and prior art in comparison.

The new accelerated examination system now will be described in comparison with the present accelerated examination system.

① New Accelerated Examination System Compared with Present System

Present System	New System	Reason for Revision
Accelerated examination applicable to working-related applications	Accelerated examination applicable to, in addition to working-related applications, foreign applications	International stabilization of patent right
"Exercise" including exercise within six months from the date of a request for accelerated examination	Exercise period extended to within two years from the date of a request for accelerated examination	Early grant of patent right to working-related applications

No target time limit for processing of applications eligible for accelerated examination	Target time limit (36 months from the date of a request for accelerated examination) set for processing of applications eligible for accelerated examination	U.S.-Japan agreement setting a target to promote early grant of patent right
	Definition of "Exercise" limited to a commercialization among those set forth in Section 2 of the Patent Law (to be specified in guidelines and other documentation)	Clarification of purport and definition of accelerated examination system

② Procedural Changes

Present System	New System	Reason for Revision
Applicable only to foreign applicants, substitution of a prior art search with results of a search by a foreign patent office allowed	Irrespective of applicants, Japanese or otherwise, substitution of a prior art search with results of a search by a foreign patent office allowed	To ensure equality of applications irrespective of their applicants, Japanese or otherwise
A request for accelerated examination on an application not yet laid open requiring the filing of a supplement describing results of a search as required under the provision of Section 29bis to be filed after it is laid open	A request for accelerated examination even on an application not yet laid open not requiring the filing of a supplement describing results of a search as required under the provision of Section 29bis	To make it possible to start examination without waiting for a supplement to be submitted, among others
Prior art documentation written in a language other than Japanese or English requiring its translation to be attached	Instead of an Japanese-language translation, the description of a patent family for Japanese-language documentation or English-language documentation accepted	To simplify application procedures
Prior art documentation even if concerning Japanese patents written in Japanese requiring its copy to be attached	Prior art documentation if concerning Japanese patents written in Japanese not requiring its copy to be attached	To Simplify application procedures and reduce a load on the Patent Office's electronic documentation-handling system
Result of screening for accelerated examination not notified to an applicant but left free for an applicant to inspect	Result of screening for accelerated examination notified to an applicant whose application is not eligible	To improve governmental services with consideration given to convenience for applicants
A request for accelerated examination if made after the start of examination not accepted	A request for accelerated examination accepted even after the start of examination and handled like other written statements since an applicant is not in a position to grasp the start of examination exactly	Results of a prior art search accompanying a request for accelerated examination helpful for examination and an explanation of reason for accelerated examination, similar to a written statement, not necessarily subjective to non-acceptance

(2) Points

Since most applications filed with the Japanese Patent Office by foreign

applicants concern an invention for which a patent application has already been filed overseas at the same time, most of applications are eligible for accelerated examination.

The Japanese Patent Office is planning to serve the notification of its first action on a request for accelerated examination within four to five months from the latter. This is expected to serve as an effective means to expedite the grant of a patent right.

Coupled with the extended duration of a patent effective under the Revision of Law, early grant of a patent right benefits an applicant who can enjoy a patented right for a longer period of time.

2-2-4 Rejection

2-2-4.1 Recognition of Invention Seeking Patent (Invention Relating to Claim)

In accordance with a revision of Article 36 of the Patent Law (review of description requirements for a specification), implementing guidelines have been prepared concerning "the judgment of novelty, inventiveness, etc." Important in the implementing guidelines is that guidelines for the judgment of an invention seeking a patent have been set because a description specifying an object in a claim with operational and functional expressions has become allowed.

This point will be further explained in detail below.

(1) Consideration to Claim and Detailed Explanation of Invention and Drawings

As in the past, an invention is recognized per a claim based on description in a claim with due respect for the scope of a claim and consideration is given to description in a specification and drawings other than the claim to interpret the meanings of matters (terms) described in the claim to specify the invention.

Concrete manners to give consideration to a specification and drawings other than a claim are explained below.

① When description in a claim is clear, an invention is recognized as described in the claim. In this case, the meanings of terms in a claim is interpreted as meanings the terms usually have.

② When description in a claim is clear but terms described in the claim (matters to specify an invention) have meanings defined or explained in a specification and drawings other than the claim, consideration is given to such definition or explanation to interpret the terms.

When description in a claim is not clear and not easy to understand but can be clarified if terms in the claim are interpreted based on a judgment from a specification and drawings other than the claim and common technology, all these are taken into consideration to interpret the terms.

When an invention relating to a claim is not clear even based on a judgment

from a specification and drawings other than the claim with technical knowledge, an invention relating to the claim is not recognized.

③ A step ② above only warrants consideration to a specification and drawings other than a claim and common technology to interpret the meanings of terms described in the claim.

In other words, an invention is recognized concerning a claim, excluding matters not described in the claim even if they are described in a specification or drawings other than the claim. Matters described in a claim need to be subject to a judgment but not to be handled as matters not described.

(2) Recognition of Invention in Claim with Specific Expression

i) Description of Operation, Function, Nature or Characteristics to Specify Object

① In case where a description to specify an object from a viewpoint of an operation, function, nature or characteristics it has, except in case where it should be interpreted as different in meaning according to (1) ② above, it is interpreted to mean every object performing such operation or function or everything having such nature or characteristics.

② In an exceptional case where such operation and others are particular to the object such operation and others are seeking to specify, the description of such operation and others is not useful to specify the object and what such operation and others are seeking to specify means that object itself.

Example) Claim for "Compound X having anti-cancer characteristics"

Whether compound X having anti-cancer characteristics is known or not, anti-cancer characteristics are particular to compound X which thus naturally has anti-cancer characteristics. In a case like this, "compound X having anti-cancer characteristics" means nothing other than "compound X." If compound X has already been known, furthermore, an invention relating to a claim is rejected because of lack of novelty.

ii) Description of Application and Use to Specify Object (Limited Use)

With consideration given to description in a specification and drawings and common technology, an invention relating to a claim is recognized to have its use limited (limited use) in either of the following cases:

a) an object suitable for such use,

b) an object exclusively used for such application, and

c) an object adequate and exclusively used for such application.

When a "compound Z for killing insects" does not have a constitution particularly suitable for the use to kill insects, have the constitution of a "compound Z" itself with no difference at all recognized in constitution and is not interpreted from a

specification and drawings and commonly-known technology to mean a product which can be used exclusively for killing insects (except cases a) to c)), for example, the invention relating to that claim is deemed lacking in novelty if "compound Z" is well known.

iii) Description to Specify Product by Production Process (Product-by-Process Claim)

A product-by-process claim can be judged to specify a product from its whole. Except when an object described should be interpreted to mean a different object according to (1) ② above, the claim is judged to mean a product finally obtained irrespective of a production process. When an identical product can be produced from a production process different from a production process described in the claim and that product is well known, in other words, the invention relating to the claim is deemed lacking in novelty.

[Same as examination practice exercised at USPTO and EPO]

(3) Points

In the United States, since the Donaldson ruling over a means + function claim, a means + function claim has become considered in examination as indicating a constitution, substance or function and their equivalents described in a specification. It needs to be borne in mind that in Japan, such a claim is handled as it was in the United States before the Donaldson ruling.

2-2-4.2 Violation of Section 36 of Patent Law

With the description requirements for a specification reviewed in light of the Revision of Law, a reason for rejection as provided for in Section 36 of the Patent Law have also been reviewed.

(1) Contents of Revision

① Description Requirements for Claim

Non-observance of Section 36, Paragraph 5 of the Patent Law does not constitute a reason for rejection but non-observance of Section 36, Paragraph 6 of the Patent Law does constitute a reason for rejection.

② Description Requirements for Detailed Explanation of Invention

Non-observance of Section 36, Paragraph 4 constitutes a reason for rejection (opposition or trial for invalidation) as in the past.

(2) Purport of Revision

Section 36, Paragraph 5, stipulating that an applicant should describe in a claim all matters deemed necessary to specify "an invention for which it seeks a patent right," clarifies the positioning of a claim where an applicant should describe an invention for which it is seeking a patent, among "an invention" disclosed in the detailed description.

Therefore, it should be an applicant's responsibility to judge whether matters described in a claim are enough to specify an invention seeking a patent. In this respect, it is not adequate for an examiner to say, with respect to matters which have been judged by an applicant as enough, that some of the described matters are redundant and unnecessary or there should be added some other matters. It is for this reason why non-observance of Section 36, Paragraph 5 constitutes no reason for rejection (opposition or trial for invalidation).

In Table 9, reasons for rejection, opposition and trial for invalidation are shown in comparison.

2-2-4.3 Reason for Rejection Particular to Original-Language Patent Application

In case of an original-language patent application, matters described in a specification and drawings exceeding the scope of matters described in its original text and drawings constitute a reason for rejection (opposition or trial for invalidation). (Section 49, Item 5 of the Patent Law)

(1) Purport of Revision

In case of a Japanese patent application, matters described in a specification and drawings exceeding the scope of matters described in its original specification and drawings as a result of its amendment constitute a reason for rejection. (Section 49, Item 1) Like in this case, an original-language patent application for which a translation including matters not described in its original-language text and drawings (new matters in an original language) submitted on the date of its application is submitted is subject to rejection. A later addition of new matters through an amendment is also judged to constitute a reason for rejection. (The same is applicable to a PCT application.)

(2) Points

In case of an original-language patent application, new matters in an original language constitute a reason for rejection, opposition or trial for invalidation. New matters in a translation constitute a reason for rejection but do not constitute a reason for opposition or trial for invalidation. (See 2-2-2.3 ②)

2-2-4.4 Effects of Original-Language Patent Application as Prior Art

An original-language text and drawings are open to public later, serving as prior art against other applications filed on the same invention after that application under the provision of Section 29bis.

For your reference, comparative relationship between an original text and drawings and their translated versions in case of an original-language patent application is shown in Fig. 3.

3 CONCLUSION

This paper has been introducing the outlines and purports of the Revised 1994 Patent Law, marking their points where a caution is needed for practitioners filing applications.

In preparing this paper, we have collected necessary information and data as much as possible but there are still left many areas we should study, particularly practical details. Therefore, our efforts need to be further made concerning practices exercised under the revised Patent Law.

Lastly, we would like you express our hope that this paper could be useful and helpful for all PIPA members.

[Materials for Reference]

1. International Division, Japanese Patent Office, "TRIPS Agreement," *Hatsumei (Invention)* vol. 91, No. 10, 1994, pp. 9-17.
2. Sumihiro Maeda, "Trend of Intellectual Property," *Hatsumei (Invention)* vol. 92, No. 1, 1995, pp. 24-29.
3. General Administration Division, General Administration Department, Japanese Patent Office, "Details of 1994 Revision of Intellectual Property Laws Compiled by Intellectual Property System Revision Council"
4. Japanese Patent Office, "Examination Guidelines under Revision of Section 36 of the Patent Law"
5. —— "Examination Guidelines Concerning Original-Language Patent Applications"
6. —— "Accelerated Examination and Examination Guidelines"
7. —— "Outlines of 1994 Revision of Patent and Other Laws and Their Practices"

Table 1: Summary of Revised Patent Law

No.	Item	Summary	Enforcement Date
①	Extension of Patent Term (§ 67)	Term of patent lapsing 20 years after the date of filing	July 1, 1995
②	Addition of Patentable Subject Matter (§ 32)	"Substance manufactured by the transformation of the atom" excluded from unpatentable matters	Ditto
③	Expansion of Scope of Patent Right (§ 2, 101)	"Offering for sale" included as an act infringing on an invention	Ditto
④	Compulsory License (§ 90, 94)	① Terms and conditions for assigning and canceling compulsory license revised in a patentee's favor ② Arbitrated license concerning semiconductors strictly regulated	Ditto
⑤	Allowance of Priority Right to Application from Signatories to TRIPS Agreement (§ 43bis)	① Priority right under Paris Convention applicable to applications from signatories to TRIPS Agreement ② Priority right applicable to applications from Taiwan and Thailand	Ditto
⑥	Introduction of Original-Language Patent Application System (§ 36bis)	① Original-language (English) patent applications acceptable ② Applications with a translation not submitted within two months from the date of their application to be deemed withdrawn ③ A translation including matters not described in its original specification to be judged to constitute a reason for rejection and trial for invalidation ④ A mistranslation allowed to be corrected until a period for a reply to the first substantive communication from the Patent Office ⑤ A mistranslation allowed to be corrected under certain conditions after the grant of a patent	Ditto
⑦	Shift to Post-Grant Opposition System (§ 113, 114, 115, 120 bis, 120 quater, 178)	① Requirement for filing an opposition: An opposition allowed to be filed by any party within six months from the publication of a patent ② Opposition procedure: Decision made by an examiner	January 1, 1996
⑧	New Accelerated Examination System (Implementing Guidelines)	① An applicant with his application filed with a foreign patent office allowed to request accelerated examination with respect to the corresponding Japanese application on the condition of filing a search report ② A decision to grant or reject a patent to be made within 36 months from the date of a request for accelerated examination	Ditto
⑨	Restrictive Grant of Compulsory License of Dependent Invention (Implementing Guidelines)	Requirements for compulsory license concerning dependent inventions limited to correction of practice judged as unfair through legal proceedings or through administrative procedures or public, and non-commercial use	July 1, 1995
⑩	Alleviation of Period for Amendment and	An amendment and a division allowed to be made freely until a time limit for a reply to the first substantive communication from	Ditto

	Division (§ 17bis, 44)	the Patent Office	
⑪	Revision for Description Requirements for Specification (§ 36)	① Detailed Explanation of the Invention: "An invention is described clearly and fully enough to allow a person with ordinary skill in the art to carry out the invention." ② Scope of Claim: "An invention for which a patent is sought is clear" and "description in each claim is concise."	Ditto
⑫	Restoration of Lapsed Patent Right (§ 112bis, 112ter)	Restoration allowed within the expiration of six-month grace period due to delay caused by reasons outside the control of the patentee	Ditto
⑬	Revocation of Reservation of PCT Provisions (§ 184quater)	① Language requirements for international applications alleviated ② Filing of a translation for an amendment under Section 19 unrequited	Ditto

Table 2: Comparison of Description Requirements for Claim

	Old Section →	Revised Section 36
Japan	· Only matters indispensable to constitute an invention for which a patent is sought need to be described. · An invention relating to a claim is described in Detailed Explanation of the Invention.	· An invention needs to be clear. · Per-claim description is clear. · An invention relating to a claim is described in Detailed Explanation of the Invention.
Patent Harmonization Agreement	Article 4: · Matters of which the protection is sought are described. · A claim is clear and concise. · A claim is supported by Detailed Explanation of the Invention.	
United States	Article 112: · A technology identifying an applicant's own invention is specified. · A claim is made clearly. · Constituents of a combined article are allowed to be described as means or process to perform their specific functions.	
EPC	Article 84: · Matters of which the protection is sought are clearly identified. · Description is made clear and concise. · Supporting information is provided in a specification.	

Table 3: Examples of Non-Observance of Section 36, Paragraph 6, Item 2

①	With a claim itself unclear, an invention for which a patent is sought is not clear. (Example): Mistake in claim description, unclear description, etc.
②	With a technical fault in matters to specify an invention, an invention as a technical concept is not specified and unclear from a technical viewpoint. (Example 1): Technically incorrect description is included: "An alloy composed of 40 to 60 weight percent of component A, 30 to 50 weight percent of component B and 20 to 30 weight percent of component C" (A total weight percentage point with component A, component B and component C added exceeds 100 percent.) (Example 2): With matters to specify an invention being incompatible with each other in relationship,

	an invention is not defined correctly and unclear from a technical viewpoint: "A production method for producing a final product (d) comprising a first process of producing an intermediate product (b) from a starting material (a) and a second process of producing the final product (d) from a starting material (c)." (A product in the first process and a starting material in the second process are different. Interpreting the meaning of the first process and the second process from description in a specification and drawings and common technology, their relationship cannot be clarified.)
③	An invention as a technical concept is unclear in scope. (Example): ・ Negative expressions (except, excluding, not ... , etc.) ・ A range of values with either an upper limit or a lower limit specified (more than, less than) ・ Expressions unclear in comparison or degree (slightly greater in gravity, far greater, high temperature, low temperature, etc.) ・ Expressions offering optional choice or selection of described matters (as required, as necessary) ・ Inclusion of a range of values in claim description, including 0 (0 to 10 percent, etc.) ・ Claim description substituted with description in Detailed Explanation of the Invention or drawings ※ A caution is needed in a case as presented below as it is now considered as a violation of the provision under the revised Patent Law. ◎ A claim specifying an article with its operation, function, nature or characteristics: i) In case such matters as functions as described in a claim are not known to a person with ordinary skill in the art and cannot be understood by a person with ordinary skill in the art from description in a specification, drawings and technology known at the time of an application, other than the claim. (Example): "An adhesive containing a compound with its weight reduction measuring five percent or less when boiled for 10 minutes in a specific solution according to an X research laboratory experiment method" (The X research laboratory experiment method is, not defined in Detailed Explanation of the Invention with its experiment process not clarified, not a technique known at the time of its application.) ii) In case a claim specifying an article with its functions and other characteristics is described in an expression showing a degree which is, furthermore, unclear and cannot be determined by a person with ordinary skill in the art from description in a specification, drawing and technology known at the time of an application, other than the claim: (Example 1): "A container with a hand-fit handle" (There is not defined in Detailed Explanation of the Invention how it fits a hand.) (Example 2): "A film capable of keeping shining without a blur for at least a day" (Any quantitative definition of an expression "without a blur" is not included in Detailed Description of the Invention and does not represent technology known at the time of its application.) ◎ A product-by-process claim: In case a production process described in a claim is unclear and cannot be understood by a person with ordinary skill in the art from description in a specification, drawings and technology known at the time of an application, other than the claim: (Example): "A substance produced from processing with an organic solvent" (A concrete method of processing is not described in Detailed Explanation of the Invention or, if it is, nothing more than an example with a word "processing" neither defined nor explained.)
④	The category of an invention for which a patent is sought is unclear or its description cannot clearly define its category. (Example): "A method or apparatus for ...." "A method and an apparatus for ..." and "Anti-cancer effects of a chemical substance"
⑤	With an option provided for matters to define an invention, such optional matters do not have similar characteristics or functions.

	(Example): "Specific components or a device incorporating these components" and "A Transmitter or a receiver having a specific power source"

Table 4: Examples of Non-Observance of Section 36, Paragraph 6, Item 3

①	Claim description is unjustifiably redundant with the same matters duplicately described. From the purpose of Paragraph 5, however, such description is judged as unjustifiably redundant only when such duplication is too excessive.
②	In a claim description such as the Markush claim containing an optional selection of matters, its conciseness is extremely damaged by the inclusion of too many optional matters. A degree of damage to the conciseness of a claim is judged based on: i) in case optional matters have important elements of chemical construction they do not share in common, the less number of optional matters is judged to be big as compared with a case where they have important elements of chemical construction they share in common, and ii) in case such an option is conditional and complicated in expression, the less number of matters is judged to be big as compared with a case where it is not.

Table 5: Comparison of Description Requirements for Detailed Explanation of Invention

	Old Section 36	Revised Section 36
Japan	· Description to a degree to allow a person with ordinary skill in the art to carry out an invention (Enabling requirement) · Description of Purpose, Constitution and Effects of Invention (Description of Purpose, Constitution and Effects: Essential)	· Description clear and fully enough to allow a person with ordinary skill in the art to carry out an invention (Enabling requirement) · Description complying with a ministerial ordinance issued by the Ministry of International Trade and Industry (Understandable-patent requirement)
TRIPS Agreement	Article 29 · Clear and full description to allow a person with ordinary skill in the art to carry out an invention · Description in the best manner an inventor knows to carry out an invention, as may be required	
Patent Harmonization Agreement	Article 3 · Invention disclosed clearly and fully enough to allow a person with ordinary skill in the art to carry it out Rule 2 · Advantageous effects allowed to be described if any (Voluntary inclusion of effects) · No explicit description of problems considered essential if such problems and means for their solution are described in an understandable manner · Other manner of description allowed if considered adequate to allow easier understanding of the invention Imposing on other requirements prohibited	
United States	Article 112 · Invention clearly identified to be distinguishable from other technologies (Identifying	

	requirement) · Description including concrete measures and methods to a full extent to allow a person with ordinary skill in the art to exploit and use an invention (Enabling requirement) · Description in a manner an inventor considers the best (Best-mode requirement)
EPC	Article 83 · Invention disclosed clearly and fully enough to allow a person with ordinary skill in the art to carry it out Rule 27 · Description of as much conceivable technical background as possible · Invention disclosed in a manner to understand technical problems (not possibly describable) and means and method for their solution · Description of effects relative to technical background · At least one form to carry out an invention or description with an embodiment

Table 6: Examples of Non-Observance of Enabling Requirement

A. Stemming from incomplete description in Detailed Explanation of the Invention	
①	In case an embodiment needs to be described as a form of an invention carried out, (a) technical means corresponding to matters defining an invention are simply abstractive and functionally described, without any materials, devices or processes made clear to allow a person with ordinary skill in the art to carry out the invention, or (b) in the absence of concrete values as manufacturing conditions, a person with ordinary skill in the art cannot carry it out.
②	In the description of an embodiment of an invention, relationship of technical means specifying the invention is not clear, so that a person with *ordinary* skill in the art cannot carry it out.
B. Stemming from difference between a claim and Detailed Explanation of the Invention	
①	Claim: Conceptually upper invention Detailed Explanation of the Invention: Conceptually lower invention executed with respect to part of a lower concept included in a conceptually upper invention → in case where there is recognized enough ground that the description of an execution with respect to part of a lower concept included in a conceptually upper invention is not clear and full description of an invention to allow a person with ordinary skill in the art to carry it out with respect to the whole of the lower concept of the conceptually upper invention based on description in Detailed Explanation of the Invention, drawings and known technology.
②	Claim: Invention with optional matters Detailed Explanation of the Invention: Matters of execution with only part of operational matters → in case where there is recognized enough ground that the description of an execution with respect to part of optional matters of an invention is not clear and full description of the invention to allow a person with ordinary skill in the art to carry it out with respect to the remainder of the optional matters based on description in Detailed Explanation of the Invention, drawings and known technology.
③	In case where a specific manner of execution of an invention as described in Detailed Explanation of the Invention and drawings is a specific feature outside the conceptual scope of the invention, and → in case where there is recognized enough ground that the specific manner of execution of the invention cannot be extended to allow a person with ordinary skill in the art to execute other parts of the conceptual scope of the invention based on description in Detailed Explanation of the Invention, drawings and technology known at the time of its application.

Table 9: Comparison of Reasons for Rejection, Opposition and Trial for Invalidation

<table>
<tr><td rowspan="3">Reason for Rejection</td><td rowspan="2">Reason for trial for invalidation</td><td>Reason for Opposition</td><td>● Concerning public interests
· Violation of rights of foreigners (Section 25)
· Non-compliance with patentability requirement (Section 29, Section 29bis)
· Non-patentable invention (Section 32)
· Invention not representing prior application (Section 39, Paragraphs 1 to 4)
· Invention violating treaties or conventions
· Amendment adding new matters (except original-language patent applications) (Section 17bis(3))
· Specification and others exceeding the scope of matters described in an original-language text and drawings
· Non-compliance with description requirements (Section 36, Paragraphs 4 and 6 (excl. Item 4))</td></tr>
<tr><td colspan="2">● Concerning proprietary
· Misappropriated application
· Violation of joint application (Section 38)</td></tr>
<tr><td colspan="3">● Concerning formality mistake
· Violation of uniformity of inventions (Section 37)
· Non-compliance with description requirements (Non-observance of a ministerial ordinance) (Section 36, Paragraph 6, Item 4)
· In case of an original-language patent application, the addition of matters not described in an original-language text and drawings to a translation through a general amendment</td></tr>
</table>

【Document Name】 Specification
【Title of the Invention】 ○○○○○○○○○○○○○○○○
【Claims】
【Claim 1】 ○○○○○○○○○○○○○○○○
【Claim 2】 ○○○○○○○○○○○○○○○○
【Detailed Explanation of the Invention】
【0001】
【Technical Field of the Invention】 ○○○○○○○○○○○○○○○○
【0002】
【Prior Art】 ○○○○○○○○○○○○○○○○
【0003】
【Problems to be Solved by the Invention】 ○○○○○○○○○○○○○○○○
【0004】
【Means to Solve the Problems】 ○○○○○○○○○○○○○○○○
【0005】
【Mode for Carrying out the Invention】 ○○○○○○○○○○○○○○○○
【0006】
【Embodiment】 ○○○○○○○○○○○○○○○○
【0007】
【Effects of the Invention】 ○○○○○○○○○○○○○○○○
【Brief Explanation of the Drawings】
【FIG. 1】 ○○○○○○○○○○○○○○○○
【FIG. 2】 ○○○○○○○○○○○○○○○○

Fig. 1: Example of Description in Specification

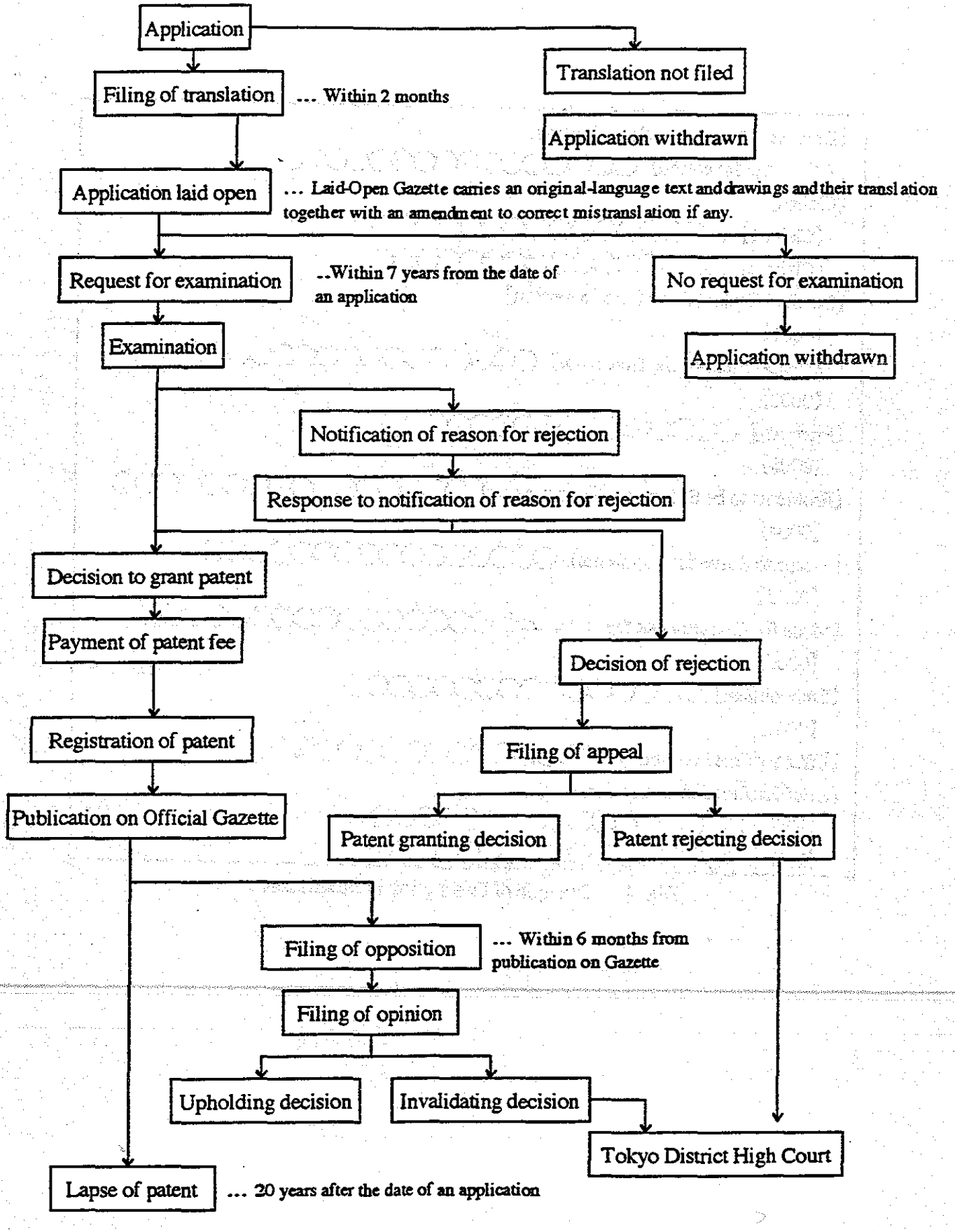
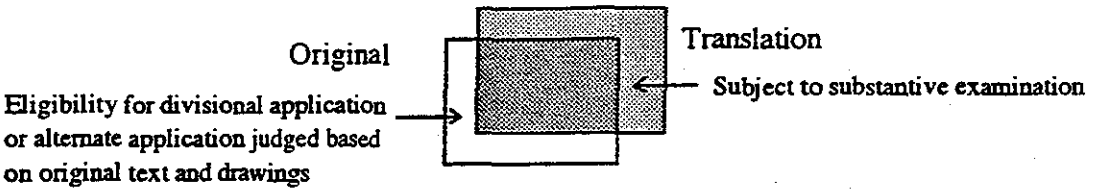
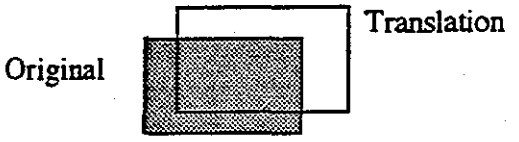


Fig. 2: Original-Language Patent Application from Filing to Registration



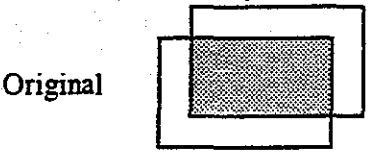
①. Prior-Art Effect (under Section 29bis of the Patent Law)
[Applicable to PCT applications after the Revision of Law]

→ Scope of description in original language counted into the consideration of prior art under the provisions of Section 29bis of the Patent Law

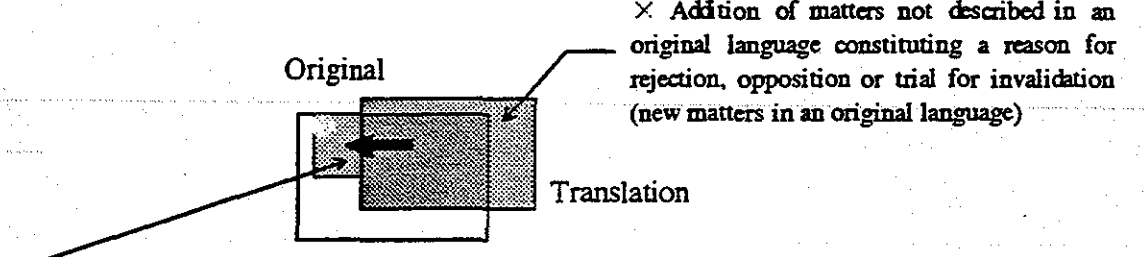


(Reference)

In the past, PCT applications having only their parts duplicated in an original language and its translation counted into the consideration of prior art under the provisions of Section 29bis of the Patent Law



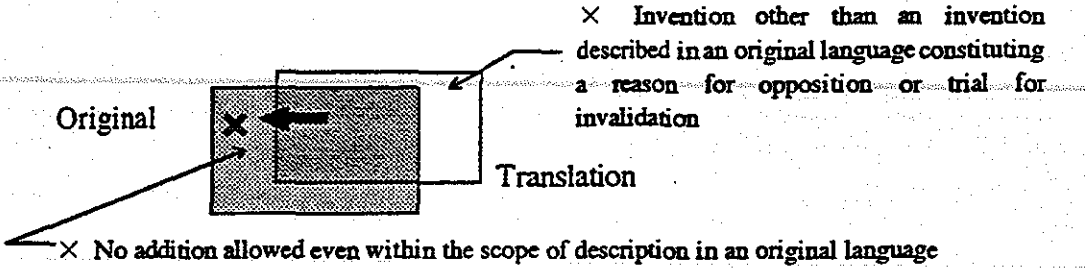
②. Scope Allowed for Amendment and Reason for Rejection, Etc.
[Applicable to PCT applications after the Revision of Law]



○ Addition allowed through a correction of mistranslation within the scope of description in an original language

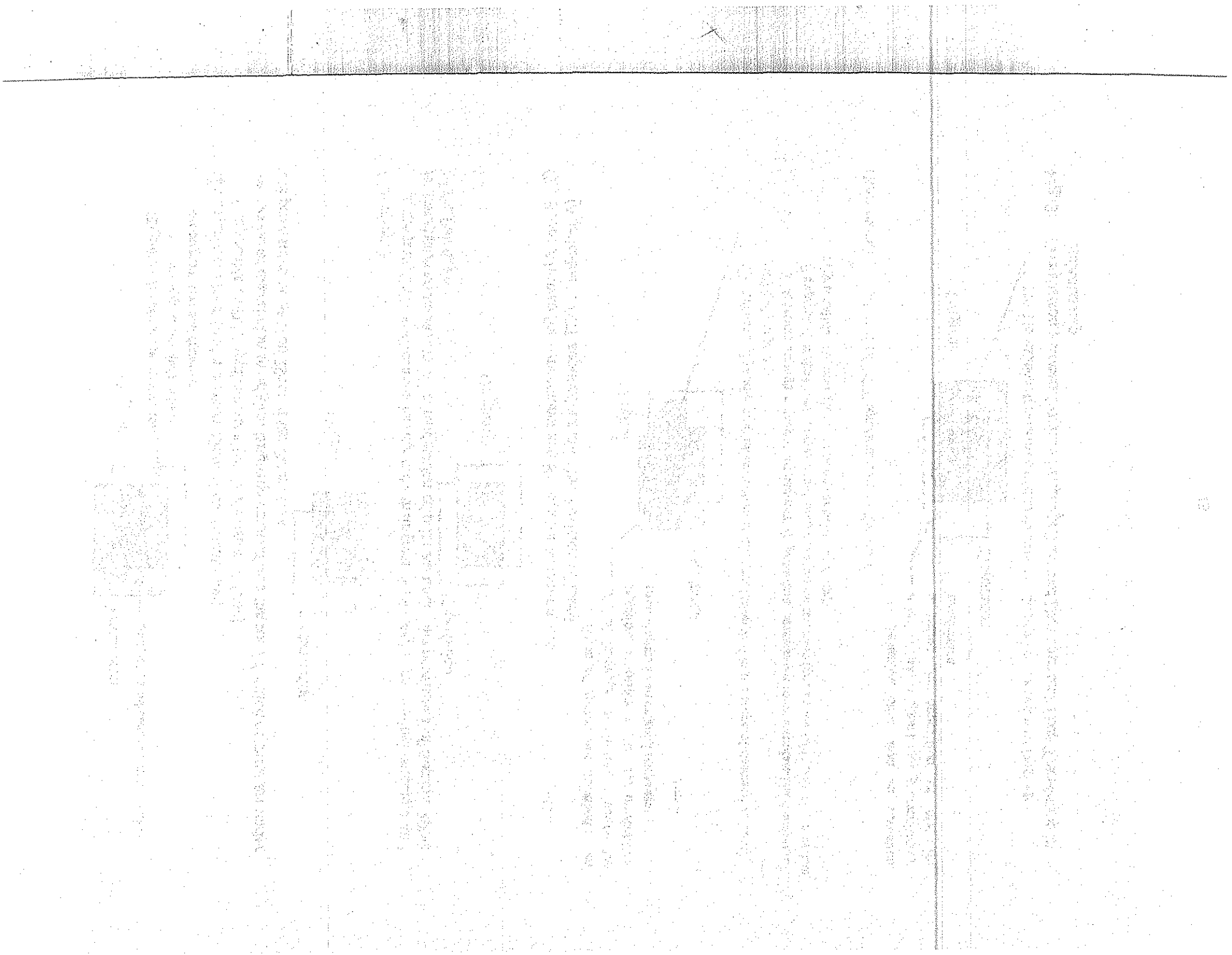
△ Addition through a general amendment (a procedural amendment form stipulated in Section 17, Paragraph 4 of the Patent Law) constituting a reason for rejection (not a reason for opposition or trial for invalidation, because it is only a formality mistake)

(Reference) In case of PCT applications in the past



× No addition allowed even within the scope of description in an original language

Fig. 3: Comparison between Original-Language Text and Drawings and Their Translation in Relationship



(1) Title: Accommodation to Reformed System of Opposition

(2) Date: October, 1995 (the 26th Plenary Session in San Francisco)

(3) Source: 1. Group: PIPA Group in Japan
2. Committee: First Committee

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(5) Keywords: Opposition, granting of a patent, system of publication, public inspection, harmonization, trial for invalidation, correction, trial for correction, right of temporary protection, cancellation, intervention in opposition, and appeal of dissatisfaction

(6) Abstract: Conventionally, the system of opposition has formed an integral part of the system of public inspection together with the system of publication. However, it has also presented a problem in terms of international harmonization due to its disadvantage of delaying the process of granting of a patent. To solve this problem, therefore, a partial amendment to the Japanese Patent Law will be enforced in January 1, 1996, whereby the system of opposition is to be reformed in such a manner as to accept an opposition made to a granted patent. Accordingly, an opposition made to a granted patent (or an examined patent application) will be intended not as public inspection but as judgment of the propriety of the administrative act of granting a patent for early correction, and further intended to cancel a granted patent should such act prove to be improper. Thus, the reformed system of opposition differs greatly from the conventional one in not adopting the scheme of confrontation among parties concerned. The present paper reports the findings of the study of the reformed system of opposition in terms of its objectives, features, practical considerations, etc.

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1. Subject: Accommodation to Reformed System of Opposition

2. Preface

In January 1, 1996, a partial amendment to the Japanese Patent Law will be enforced, whereby the system of opposition is to be reformed in such a manner as to accept an opposition made to a granted patent.

The planned reform of the system of opposition is reportedly based on the Japanese commitments to the United States in the second package of Japan-U.S. agreement reached in the middle of 1994. Table 1 below lists those commitments which concern the system of opposition.

The reform was already considered, however, in the report submitted by the Deliberative Council on Industrial Property Rights earlier on December 18, 1992. Table 2 below lists the requests presented in the report.

Both the agreement and the report mentioned above make allowance for the necessity to promote the the process of granting a patent as well as the international trend toward harmonization as reflected in the process of negotiation on Article 18 of the WIPO Harmonization Treaty (providing for prohibition of opposition prior to the granting of a patent).

Thus, the planned amendment to the Japanese Patent Law fails to reflect the recent changes in the equilibrium between applicants and patentees in rights and between third parties and general citizens in interests and therefore leaves some points difficult to understand in contrast with the conventional amendments made in consideration of the peculiar Japanese situation surrounding the domestic industries, the Patent Office, and the existing proceedings. In fact, there has been confirmed almost no report or document describing or discussing this amendment.

In the present paper, we will make an analysis of the planned reform of the system of opposition to study the resulting changes in the rights of parties concerned, as well as possible changes in the practical significance of the system of opposition, and appropriate accommodation to the reform.

Table 1

Japanese Commitments to the United States
in the Second Package of Japan-U.S. Agreement

(1)	To present a reform proposal by April 1, 1995 with the aim of implementing the reform of the system of opposition on or after January 1, 1996.
(2)	To ensure that only an opposition made to a granted patent is accepted in the reformed system of opposition.
(3)	To ensure that examinations can be combined for two or more oppositions for the purpose of minimizing the period for the process of opposition.

Table 2

Requests in the Report Submitted
by the Deliberative Council on Industrial Property Rights

①	To ensure that the system of opposition is reformed in such a manner as to accept only an opposition made to a granted patent.
②	To ensure that any person is entitled to make an opposition within 6 months after the publication of a granted patent.
③	To ensure that an opposition can be made on a claim-by-claim basis.
④	To ensure that grounds for opposition include lack of novelty or inventive steps, indefinite description in patent specifications, and other factors causing public disadvantages.
⑤	To ensure that examinations can be combined for two or more oppositions.
⑥	To ensure that a correction may be made to a granted patent in the process of opposition.
⑦	To ensure that a collegial body of trial examiners may ex officio examine other grounds for opposition than are pleaded by an opponent.
⑧	To ensure that a collegial body of trial examiners conducts a examination for an opponent.
⑨	To ensure that a patentee is permitted to institute an action to the Tokyo High Court of Justice to make an an appeal of dissatisfaction with a decision on cancellation of a granted patent as a result of a examination for an opposition.
⑩	To ensure that a trial for invalidation may be demanded even during the period for opposition or during the pendency of opposition.
⑪	To ensure that a patent is of twenty years' duration after its filing date.

3. Significance of Reform of System of Opposition.

Conventionally, the system of opposition has formed an integral part of the system of public inspection together with the system of publication. Namely, a patent application which an examiner judges to be worthy of patenting is opened to public inspection in the system of publication, and then subjected to opposition from any opponents who present relevant information and opinions on that application in the system of opposition, thereby achieving the purpose of improving the accuracy and objectivity of examination and the stability of patents.

Public inspection requires providing the fixed period for opposition in which a patent application examined by an examiner and opened to public inspection is checked for problems by general citizens and the period for submission of a written reply to such opposition by an applicant. Consequently, public inspection takes so much time as to hinder the reduction of the time required for granting of a patent. In an extreme case, the 1919 amendment to the Japanese Patent Law provided for the system of intervention in opposition for receiving opinions from all interested parties in opposition. However, this system led to many cases where an application was made for intervention in opposition after the lapse of the period for opposition in an attempt to extend the period for assessment, and was therefore abolished in the current 1959 amendment for the reduction of the time required for granting of a patent. Meanwhile, the process of examination by examiners came to take more time as patent applications became more sophisticated and complicated. Opponents also took much time in making necessary preparations such as search for proof and decision making on opposition. This is particularly true of opponents of foreign origin, who needed more time in making extra preparations such as translation of the Official Gazette or a written opposition. To solve these problems, there was no other alternative left than to extend the period for opposition after publication from 2 months to 3 months in the 1987 partial amendment.

Further in the forthcoming amendment, it has been decided that the system of publication should be abolished so that a patent may be granted subject only to examination by an examiner. This eliminates the period for opposition and the time required for a examination on an opposition, thus leading to a substantial reduction of the period between requesting of examination and granting of a patent.

The fact remains, however, that a patent application not opened to public inspection in the reformed system of opposition is subjected to less thorough validation than a patent application opened to public inspection in the conventional system of opposition, thus arousing a fear for an increasing number

of cases where a patent is granted to a patent application which should otherwise be rejected. With the objective of enhancing the reliability of the patent system on the whole, therefore, it has been decided that a granted patent should be opened to public inspection during a fixed period, thus affording general citizens an opportunity to check that application for cancellation. Hence the reformed system of opposition, which is intended to judge the propriety of the administrative act of granting a patent for early correction in consideration of the opinions of general citizens and to cancel a granted patent at an early stage should such act prove to be improper.

In the reformed system of opposition, abolition of the system of publication eliminates the right of temporary protection, thus freeing a patent from no-fault liability for compensation even during the period for opposition or during the pendency of opposition.

Further, while an amendment may be made to a granted patent during the period for submission of a written reply to opposition in the conventional system of opposition, no such amendment may be made even during the period for submission of a written argument against cancellation of that patent in the reformed system of opposition. In practice, no major problem will result from prohibition of amendment, which, in itself, will be offset by permission of correction. It should be noted, however, that a divisional application made during the period for amendment, which has been permitted conventionally, will be prohibited after the reform.

In addition, it should also be noted that acceptance of an opposition made to a granted patent means completion of empowerment to an ordinary patent agent and requires direct transmittal of a duplicate copy of a written opposition, a notice of cancellation, an attested copy of a written decision, and other papers relating to opposition to a patentee in the absence of a patent administrator.

4. Details of Reform of System of Opposition

The reformed system of opposition is scheduled to come into force on January 1, 1996. Any patent application made on or after this date will be granted a patent directly without any decision on publication in the reformed system of opposition. It should be noted here that any patent application for which an attested copy of a decision on publication is issued or which is not published in or before December, 1995 will be published even in or after January ,1996 in the conventional system of opposition.

In this section, we will study the details and grounds of the reformed system of opposition in comparison with the conventional system of opposition.

Figure 1 shows the procedure of opposition in the reformed system of opposition.

Further, Table 3 shows comparisons between the reformed system of opposition and the conventional system of opposition.

The parenthesized numbers (e.g. ②, ③, and ④) marked at the end of the headlines in the paragraphs below indicate the corresponding numbers for the eleven requests presented in the report submitted by the Deliberative Council on Industrial Property Rights (listed in Table 2). It should be noted that no reference is made in this section to Request (1), which has already been described in Section 3, and to Request (11), which was already fulfilled on July 1, 1995 as a request irrelevant to the system of opposition.

(1) The period for opposition has been extended to 6 months after the publication of a granted patent. (②)

In the conventional system of opposition, the period for opposition is stipulated as 3 months after the publication of an unexamined patent, allowing for 30 days as the period for supplementing grounds for opposition and 60 days as the period for extension for opponents of foreign origin. In the reformed system of opposition, it can be presumed, the period for opposition has been extended to 6 months after the publication of a granted patent (more specifically, issue of the Official Gazette disclosing a granted patent), taking account of the increasing amount of time required for preparation for opposition due to sophistication of patent applications, no influence exerted by extension of the period for opposition to a granted patent upon the reform object of early granting of a patent, and the demand for judgment of the propriety of the administrative act of granting a patent for early correction.

In the reformed system of opposition, the procedure of opposition starts with submission of a written opposition to the Commissioner of the Patent Office during the period for opposition, but given neither the period for supplementing grounds for opposition nor the option of amendments to the written opposition thus submitted after the lapse of the period for opposition unlike the conventional system of opposition. More specifically, there is no making any addition or alteration of evidential statutory provisions or facts. Consequently, the conventional practice of so-called "temporary opposition" has become meaningless.

In this connection, it should also be noted that the period for inspection of papers relating to opposition has been extended to 5 months after the publication of a granted patent.

(2) An opposition should be made on a claim-by-claim basis. (③)

In the conventional system of opposition, an opposition should be made to a patent application on the whole on the basis of the conventional practice of conducting a examination for an opposition as part of examination, which accepts

or rejects a patent application. The fact remains, however, that an opposition made to a granted patent is intended to judge the propriety of the administrative act of granting a patent for early correction, thus making it desirable to minimize necessary amendments to any granted patent. To meet this need, it can be presumed, provision has been made for making an opposition on a claim-by-claim basis in the reformed system of opposition.

(3) Reasons for opposition do not include those relating to possession of a patent right, such as derivation and violation of joint application provisions. (④)

In the conventional system of opposition, whereby an opposition is made for examination as part of examination of a patent application, a ground for opposition is substantially identical with a ground for rejection. In the reformed system of opposition, whereby an opposition is accepted only when made to a granted patent, a trial for invalidation may be demanded during the period for opposition. Basically a point of dispute between interested parties, a question of possession of a patent right seems not suited for an opposition and should therefore be handled by those parties through a trial for invalidation based on the scheme of contestation between parties concerned.

In the conventional system of opposition, grounds for opposition do not include those relating to formal defects, such as unity of invention, in view of the fact that rejection of any patent application published and vested with the right of temporary protection for the ground of formal defects alone would only lead to sheer confusion and should not therefore be desired. Neither is it desirable to cancel any granted patent in the reformed system of opposition. Accordingly, formal defects have been excluded from grounds for opposition as in the conventional system of opposition.

(4) A response is needed not to a duplicate copy of a written opposition but to a notice of cancellation.

In the reformed system of opposition, it is preferable to conduct a examination for an opposition with accuracy in a short time in order to correct the administrative act of granting a patent should such act prove improper. In view of this, it can be presumed, measures have been taken to reduce a period for instability of a patent right by establishing a practice of sending a patentee a notice of cancellation pointing out conceivable problems as grounds for alleged invalidity of a granted patent on the basis of a written opposition, making a request to the patentee for submission of a written argument and other papers relating to opposition, examining such grounds in terms of whether they can be ignored, and refraining from sending the patentee a notice of cancellation and making a decision on maintenance of the granted

patent in the event that a trial examiner-in-chief decides that such grounds should be ignored.

Thus, the reformed system of opposition represents the pseudo scheme of examination or assessment-based examination in which opposition in itself approximates to an act of provision of information in examination in contrast with the conventional system of opposition based on the scheme of contestation between parties concerned.

While a duplicate copy of a written opposition is delivered to a patentee in the conventional system of opposition, a written opposition is transmitted simply to a patentee to whom a notice of cancellation carries more weight in the reformed system of opposition. Further, for the purpose of a rapid examination or in view of non-correspondence between a written argument and a written opposition, a duplicate copy of a written opposition is no longer transmitted to an opponent in a similar manner to a written reply as in the conventional system to provide the opponent with an opportunity to submit a written refutation (provided that the opponent may be afforded an opportunity to offer his opinion in an inquiry if so requested by a collegial body of trial examiners).

As has already been mentioned above, acceptance of an opposition made to a granted patent requires direct transmittal of a duplicate copy of a written opposition, a notice of cancellation, an attested copy of decision, and other papers relating to opposition to a patentee in the absence of a patent administrator.

(5) In principle, examinations can be combined for two or more oppositions. (⑤)

In the conventional system of opposition, in the event that two or more oppositions are made, a granted patent, once canceled as a result of a examination for one opposition, requires no decision to be made on any their opposition, but conversely requires a decision to be made on every one of oppositions if found to supply no ground for cancellation as a result of examinations of all oppositions. This situation involves a great deal of labor spent by a patentee in submitting a written reply to each opposition as well as much time spent in completing examinations of all oppositions. To solve this problem, it can be presumed, permission has been given in the reformed system of opposition to combine examinations for two or more oppositions as a general rule for the purpose of promoting the process of examination and minimizing the labor of a patentee.

More specifically, a patentee is requested to submit a written argument during a specified period only in response to a notice of cancellation transmitted from a trial examiner-in-chief with the intention of making a

decision on cancellation.

Incidentally, an examination is conducted for an opposition in principle by a documentary examination, which may be replaced by a verbal examination depending on the nature of proof. However, it is normally difficult to combine a documentary examination with a verbal examination. An exception to this rule, therefore, is to refrain from combining documentary and verbal examinations and separate combined documentary and verbal examinations if necessary.

(6) A correction may be made to a granted patent during the period for argument in the process of opposition. (⑥)

In the conventional system of opposition, a certain extent of amendment may be made to a granted patent during the period for submission of a written reply for the purpose of circumventing grounds for opposition. In the reformed system of opposition, too, a certain extent of correction may be made to a granted patent during the period for argument for the same purpose. Unlike an amendment, a correction to a granted patent greatly affects the scope of a patent right and requires propriety judgment in a trial for correction as a general rule. If a trial for correction is demanded and followed by a decision on opposition subject to a decision, the process of examination will be delayed, leaving a granted patent in an unstable state open to cancellation for a long time, which may, in turn, result in reduced reliability of the patent system on.

To avoid this, therefore, permission has been given to make a correction to a granted patent in the process of opposition without demanding a trial for correction. Incidentally, there exists a precedent case demonstrating permission for correction in a trial for invalidation.

The permitted extent of correction is confined to reduction of claims, correction of erroneous entries, and explication of unclear descriptions in consideration of the fact that alteration of the scope of a granted patent greatly affects the equilibrium between patentees and general citizens in interests. This extent of correction coincides with the permitted extent of amendment in the process of opposition to a patent application vested with the right of temporary protection as a result of publication in the conventional system of opposition.

In the process of examination, when a patentee submits a written demand for correction during the period for submission of a written argument against a notice of cancellation, a collegial body of trial examiners examines the demand for correction to check conformity to requirements for correction. In the case of conformity, a collegial body of trial examiners examines whether to cancel a granted patent on the basis of the demanded correction. In the case of non-conformity, a collegial body of trial examiners transmits a notice of rejection

of correction to a patentee, who opts to make an amendment to the demanded correction to such an extent as not to change its purport. Then, a collegial body of trial examiners examines whether to cancel the granted patent on the basis of the demanded correction in the case of conformity to requirements for correction or on the basis of the non-demanded correction in the case of non-conformity.

In addition, prohibition has been laid on demanding a trial for correction during the pendency of opposition. It can be presumed that this prohibition is intended to simplify the procedure of opposition in view of the fact that a correction may be made as part of the procedure of opposition during the pendency of an opposition in the same manner as in the previous case demonstrating prohibition on demanding a trial for correction during the pendency of a trial for invalidation.

(7) A examination is conducted for an opposition by a collegial body of 3 or 5 trial examiners. (⑧)

In the conventional system of opposition, an opposition is made for examination by an examiner as part of examination of a patent application. In the reformed system of opposition, however, such a examination is conducted to judge the propriety of the administrative act of granting a patent, a process of great consequence which may lead to cancellation of a granted patent and the resulting divestiture of a patentee of his exclusive industrial property right or to alteration of the scope of patent right through correction to the granted patent. In view of this, it can be presumed, a practice has been established, whereby a examination is conducted for an opposition by a collegial body of trial examiners each with excellent impartiality, independence, and accuracy as in the case of the existing system of trial.

(8) A collegial body of trial examiners may ex officio make a examination on alleged claims in terms of other grounds for opposition than are pleaded by a opponent, patentee, and other parties interested. (⑦)

In view of the fact that the reformed system of opposition is intended to enhance the reliability of the patent system on the whole through judgment of the propriety of the administrative act of granting a patent and cancellation of a granted patent should such act prove to be improper, it seems only natural that the Patent Office should be willing to make all necessary corrections and examine other grounds for opposition than are pleaded by an opponent, patentee, and other parties interested. More specifically, a collegial body of trial examiners should examine grounds for cancellation, such as a changed combination of proofs for invalidation (e.g. a combination of proofs presented by different opponents), citation of other prior art literature than is presented as proof

for invalidation, and application of non-applicable statutory provisions as grounds for opposition (e.g. application of Subsection (2) of Section 29 instead of Subsection (1) of Section 29 as a ground for opposition).

In the conventional system of opposition, too, it should be noted, a collegial body of trial examiners may ex officio examine other grounds for opposition than are pleaded before transmitting a notice of rejection to an applicant. To clarify this exceptional case, it can be presumed, advantage has been taken of the reform as a good opportunity.

Incidentally, it should also be remembered that provision has been made for making an opposition on a claim-by-claim basis as has already been mentioned above. It will go too far, therefore, to examine non-alleged claims as well ex officio. To avoid this, it can be presumed, provision has been made for examining only alleged claims.

(9) Any interested party may make intervention in opposition in support of a patentee.

As has already been described in Section 3, the 1919 amendment to the Japanese Patent Law provided for permission of intervention in opposition in contrast with provision to the contrary in the current 1959 amendment. On the other hand, the reformed system of opposition involves a process of great consequence which may lead to cancellation of a granted patent and the resulting divestiture of a patentee but also an exclusive or non-exclusive licensee of their exclusive industrial property right. As such, the reform faces the important task of maintaining a granted task. In view of this, it can be presumed, permission has been given to intervention in opposition in support of a patentee.

On the contrary, no permission has been given to intervention in opposition in support of an opponent. This can be attributed to the fact that there is no point in giving permission for intervention in opposition to an opponent, who needs no other particular act than receiving an attested copy of a decision on opposition after having submitted a written opposition and may make a request for cancellation directly on his own and not indirectly through intervention.

(10) Only a patentee or an intervener is permitted to institute an action to the Tokyo High Court of Justice to make an appeal of dissatisfaction with a decision on an opposition. (⑨)

In the conventional system of opposition, neither an applicant nor an opponent is permitted to make an appeal of dissatisfaction with any decision made on an opposition. In practice, however, both an applicant and an opponent may make virtually the same appeal by making an appeal of dissatisfaction with rejection and a trial for invalidation following registration, respectively.

In the reformed system of opposition, whereby an opponent is still permitted to demand a trial for invalidation, there seems to be no need to permit the opponent to institute an action to make an appeal of dissatisfaction.

On the contrary, it can be presumed, permission for such an appeal of dissatisfaction has been given to a patentee or an intervener, who may be divested of their exclusive industrial property right as a result of cancellation of a granted patent.

Further, it can also be presumed, a practice has been established, whereby an action may be instituted directly to the Tokyo High Court of Justice to make an appeal of dissatisfaction by skipping the first trial in the same manner as the existing system of trial, in consideration of the fact that such an appeal of dissatisfaction is directed at the results of a examination conducted by a collegial body of trial examiners each with excellent impartiality, independence , and accuracy.

(11) A trial for invalidation may be demanded even during the period for opposition or during the pendency of an opposition at the Patent Office. (⑩)

In the conventional system of opposition, an opposition is made for examination as part of examination of a patent application and therefore free from overlapping in time with a trial for invalidation of a granted patent.

In the reformed system of opposition, both an opposition and a trial for invalidation alike are directed at a granted patent and have the effect of invalidating it. Such coexistence of these different proceedings may complicate procedures involved. As will be discussed in the next section, however, both these proceedings, differing from each other in nature, should be used for different applications. Subject to a proper distinction between the two, it can be presumed, permission has been given for their simultaneous pendency.

Even in the case of simultaneous pendency, it should be noted, examinations cannot be combined for the two proceedings, which differ from each other in nature. Neither is it possible to conduct examinations for them in parallel. Both these approaches should be avoided as undesirable in view of the complexity resulting from the need to resume one proceeding upon acceptance of a request for correction in another proceeding, the probability of wasting one proceeding as a result of a decision on cancellation or a trial decision of invalidation in another proceeding, the difficulty in simultaneous attendance to the both proceedings by a patentee, and the possibility of producing different results from the same ground or proof.

In the case of simultaneous pendency, therefore, a examination is conducted for an opposition in preference to a trial for invalidation as a general rule.

However, a trial for invalidation takes precedence of an opposition in cases where the examination admits of early decision or if so determined by a collegial body of trial examiners in the presence of a patent dispute. This principle in priority order has been established in consideration of many cases where a examination for an opposition proceeds so rapidly as to allow an immediate decision on maintenance of a granted patent in the absence of any ground for cancellation while a trial for invalidation often takes much time in making a trial decision due to such steps as reply, refutation, repeated reply.

5. Comparison between Reformed System of Opposition and System of Trial for Invalidation.

Table 3 also shows comparisons between the reformed system of opposition and the system of trial for invalidation.

The reformed system of opposition resembles the system of trial for invalidation in that approval of an opposition may lead to invalidation of a granted patent.

Nevertheless, an opposition and a trial for invalidation, despite their possible simultaneous pendency, are independent of and therefore greatly different from each other in the points listed below.

(1)' A trial for invalidation may be demanded by only interested parties while an opposition may be made by any person.

The system of trial for invalidation is intended to judge the propriety of the administrative act of granting a patent as a solution to a patent dispute as can be seen from a case of litigation over a patent infringement in which a trial for invalidation is demanded as a measure to avoid an allegation of infringement of a patent in dispute. As such, a trial for invalidation is prohibited for any other party than interested parties in conformance with the Civil Proceedings Act.

On the contrary, the reformed system of opposition is intended to enhance the reliability of the patent system on the whole as has already been mentioned above. To this end, it should be ensured with propriety that an opposition may be made by any person whether interested or not, thereby providing as many third parties as possible with an opportunity to make a request for cancellation.

(2)' A trial for invalidation may be demanded at any given time while an opposition must be made within 6 months after the publication of a granted patent.

For the purpose of the system of trial for invalidation, it must be ensured that a trial for invalidation may be demanded immediately upon occurrence of a patent dispute. To meet this need, therefore, it is permitted to demand a trial

for invalidation at any time after the granting of a patent in dispute or even after its expiration instead of restricting the period for demanding such a trial.

In the reformed system of opposition, by contrast, a granted patent subjected to opposition may be considered as valid while that not subjected to opposition fails to confirm the propriety of judgment by an examiner, which may result in reduced reliability of the patent system on the whole. To avoid this, it can be presumed, the period for opposition has been specified so as to confirm the validity of a granted patent found to supply no ground for cancellation by any third party subject to receiving no opposition during this period. The significance of the period for opposition has already been mentioned in Paragraph (1) of Section 4.

(3)' Reasons for invalidation include those relating to possession of a patent right, such as derivation and violation of joint application provisions while they are excluded from grounds for opposition.

This question has already been outlined in Paragraph (3) of Section 4. Incidentally, violation of possession of a patent right, violation of treaties, and violation correction requirements by foreign residents for grounds accruing after the granting of a patent are included in grounds for invalidation but excluded from grounds for opposition. Considering that the reformed system of opposition is intended to judge the propriety of granting a patent, it is only natural that grounds accruing after the granting of a patent should not be examined as grounds for opposition.

(4)' The system of trial for invalidation permits intervention in support of both a patentee and an appellant while the reformed system of opposition permits intervention in support of only a patentee.

Based on the scheme of contestation between parties concerned, in which both these parties are supposed to be on an equal footing, the system of trial for invalidation permits intervention of interested parties in such contestation in support of their associated parties concerned.

By contrast, not based on the scheme of contestation between parties concerned, the reformed system of opposition permits intervention of only a patentee and not an opponent for the reason mentioned in Paragraph (9) of Section 4.

(5)' In principle, the system of trial for invalidation adopts verbal examination while the reformed system of opposition adopts documentary examination.

Based on the scheme of contestation between parties concerned, the system

of trial for invalidation adopts verbal examination in principle in view of the fact that verbal examination promotes procedures involved, such as organization of points in dispute and identification of evidential facts. In practice, however, there seems to be many cases where documentary examination takes the place of verbal examination, which requires the attendance of parties concerned to the Patent Office.

By contrast, not based on the scheme of contestation between parties concerned, it can be presumed, the reformed system of opposition adopts documentary examination for the purpose of simplification of procedures involved.

(6)' The system of trial for invalidation adopts the principle of double jeopardy in making a decision while the reformed system of opposition does not.

In the system of trial for invalidation, whereby the period for trial is not restricted as has already been mentioned in (2)' above, a trial for invalidation may be demanded any number of times. On one hand, there is the possibility of repeating a trial for invalidation based on the same ground and producing different trial decisions, resulting in reduced reliability of trial examination. On the other hand, there is also the possibility of repeating a trial for invalidation based on the same ground and producing the same trial decision, costing a patentee and the Patent Office a great deal of labor. To avoid these possibilities, the principle of double jeopardy is adopted in making a trial decision.

By contrast, in the reformed system of opposition, whereby the period for opposition is restricted, a general rule is to make an opposition only once and consequently combine examinations for two or more oppositions. Hence no need to adopt the principle of double jeopardy.

Incidentally, there seems to be no problem in demanding a trial for invalidation of a granted patent based on the same ground as for an opposition against which a decision has been made on maintenance of that patent. No restriction is laid on such a examination, it can be presumed, to allow for the following: Firstly, an opposition is examined by a collegial body of trial examiners, as distinct from a trial for invalidation under the principle of double jeopardy. Secondly, once an opponent has submitted a written opposition, the subsequent proceedings center around negotiations between a patentee and a collegial body of trial examiners, with the opponent afforded no opportunity for refutation. Finally, given a decision on maintenance of a granted patent against an opposition, an opponent (or an appellant) is likely to suffer huge losses unless permitted to demand a trial for invalidation based on the same

ground as for opposition.

(7)' In principle, the system of trial for invalidation imposes all charges involved on a loser while the reformed system of opposition imposes such charges on an opponent.

Based on the scheme of contestation between parties concerned, the system of trial for invalidation makes it a principle that a loser should bear all charges involved in conformance with the Civil Proceedings Act.

By contrast, not based on the scheme of contestation between parties concerned, it can be presumed, the reformed system of opposition makes it a rule that an opponent should bear all charges involved in consideration of the cases where a trial examiner-in-chief makes a decision on maintenance of a granted patent regardless of an opposition without ascertaining the intention of a patentee and the fact that an opponent is supposed to bear all charges involved in the conventional system of opposition, too.

(8)' The system of trial for invalidation permits both a patentee and an appellant to institute an action to make an appeal of dissatisfaction while the reformed system of opposition permits only a patentee to do so.

Both the system of trial for invalidation and the reformed system of opposition permit a patentee to institute an action to make an appeal of dissatisfaction, it can be presumed, to allow for possible divestiture of the patentee of his exclusive industrial property right (see Paragraph (10) of Section 4). In the system of trial for invalidation, it can also be presumed, an appellant needs to be permitted to institute an action to make an appeal of dissatisfaction in consideration of his inability to repeat a trial for invalidation based on the same ground under the principle of double jeopardy. By contrast, in the reformed system of opposition, it can further be presumed, an opponent need not be permitted to make an appeal of dissatisfaction because of his ability to repeat a trial for invalidation based on the same ground (see Paragraph (10) of Section 4 and Paragraph (6)' in this section).

The difference between the system of trial for invalidation and the reformed system of opposition are derived from their different objectives. In the reformed system of opposition, not based on the scheme of contestation between parties concerned, there occurs a problem to the disadvantage of an opponent, who may face rejection of his grounds for opposition and cannot make a counter opposition to a written argument submitted by a patentee as refutation. At the same time, when two or more oppositions are made, there also arises a situation against a patentee, who may face an unevadable ground for cancellation as a result of combination of proofs presented by one opponent and proof presented by another opponent.

With these differences between the two systems in mind, we will discuss how to use them for different applications in Section 8.

6. Comparisons between Reformed System of Protest and Foreign Systems of Opposition

Table 3 also shows comparisons between the reformed system of opposition and the foreign equivalents to the system of opposition (i.e. the system of re-examination under the United States Patent Law and the system of opposition under the German Patent Law and the European Patent Convention (EPC)).

As has already been mentioned above, the forthcoming amendment to the Japanese Patent Law is intended partly to establish international harmony among patent systems of different countries. To this end, it has not a few features in common with the German Patent Law and the European Patent Treaty, both of which adopt the system of opposition to a granted patent. Further, a similar objective is reflected in the system of re-examination in the United States.

Since its enforcement on October 7, 1977, the European Patent Convention has been abiding by the system of opposition to a granted patent. According to one understanding, this system has been adopted with the aim of harmonizing differences among patent systems of different countries, such as the system of opposition integrated with the system of publication in the then Germany and the system of registration without examination in France. In this system, a patent granted after examined by an examiner is registered in a member country of application, where it is later maintained, canceled, interpreted, or exercised in principle in conformance with the governing law. In practice, a granted patent may be canceled by two methods: a written opposition submitted to the European Patent Office (exercising the effect of cancellation in all member countries of application) and a procedure of cancellation taken in each member country of application (involving a trial for invalidation and exercising the effect of cancellation in only that country). A written opposition submitted to the European Patent Office is handled exceptionally by the European Patent Office itself after registration of a granted patent in question with a view to early correction of errors in its examination. It had been generally believed that a patentee could make an opposition on his own to make a correction to a patent specification until 1994 when a trial decision was made to the contrary. Meanwhile, a procedure of cancellation taken in each member country of application may or may not be in a state of simultaneous pendency with a written opposition submitted to the European Patent Office depending on the governing law in that country.

In West Germany, the system of opposition to a granted patent was introduced in the wake of abolition of the system of publication in 1981 to form

the basis of the German Patent Law as a consequence of integration of West Germany with East Germany in 1991. In the system of opposition under the German Patent Law, whereby an amendment (correction) may be made to a registered patent, there is no permitting a patentee to make an opposition. Neither is it possible to permit simultaneous pendency of an opposition and an action for invalidation.

The system of opposition under the German Patent Law and the European Patent Convention is similar to the reformed system of opposition under the Japanese Patent Law in providing for making an opposition to a granted patent. However, they are widely different from each other in that the former is based on the scheme of contestation between parties concerned while the latter is not based on that scheme and rather characteristic of assessment-based examination (e.g. provision for submission of a written argument in response to a notice of cancellation from a collegial body of trial examiners and not to a written opposition from an opponent).

The system of re-examination under the United States Patent Law is similar to the reformed system of opposition under the Japanese Patent Law in many oints such as re-examination and correction of a granted patent as well as in not adopting the scheme of contestation between parties concerned. However, the former is widely different from the latter in not restricting the period for re-examination, not aiming at enhancing the reliability of the patent system on the whole through judgment of the propriety of the administrative act of granting a patent for early correction, and permitting a patentee to make a request for re-examination on his own for the purpose of correction. In this connection, it is worthy of note that the former is likely to differ further from the latter in the event of passage of a bill now under congressional deliberation calling for adoption of the scheme of contestation between parties concerned in the process of re-examination to prohibit a patentee from making a request for re-examination on his own.

7. Advantages and Disadvantages of Reform of System of Opposition to Patentee and Opponent

Table 4 lists the advantages and disadvantages of the reform of the system of opposition to a patentee and an opponent.

The parenthesized numbers (e.g. (1), (2), and (6)') marked at the end of the items in Table 4 indicate the corresponding numbers for the headlines in Sections 4 and 5.

Listed in Table 4 are 10 advantages and 7 disadvantages to a patentee and 6 advantages and 8 disadvantages to an opponent. Although there is no making a sweeping generalization of these advantages and disadvantages varying in

significance and interchanging in nature depending on their interpretation, it seems safe to say that they are well balanced with each other taken all together. It should also be noted that some disadvantages, though marked as such, are far from being decisive disadvantages to either one party, considering their underlying grounds.

To a licensee, the reform of the system of opposition also has an advantage of permitting intervention in opposition and a disadvantage of leading to divestiture of an exclusive industrial property right as a result of cancellation of a granted patent (e.g. a great disadvantage resulting from cancellation of a granted patent in which an investment is made in expectation of vestiture of an exclusive industrial property right as compared with a disadvantage resulting from failure of registration of a patent application to which an opposition is made).

Preventive measures to be taken for these disadvantages are described in Section 8.

8. Practical Considerations in Forthcoming Amendment to Japanese Patent Law

In this section, we will study practical considerations in accommodating to the reform of the system of opposition under the forthcoming amendment to the Japanese Patent Law on the basis of the advantages and disadvantages listed in Table 4.

Such practical considerations may differ depending on whether a patentee or an opponent (and interested parties intervening in opposition) is concerned, and can also be classified according to how to accommodate to the planned amendment by making active use of the advantages of the amendment or taking a preventive measure for the disadvantages of the amendment.

Patentee

Making Active Use of Advantages of Amendment

(Active use can be made of 2 out of the 10 advantages of the amendment.)

(A) Taking advantage of absence of no-fault liability for compensation

Despite the pendency of opposition and the possibility of cancellation of a granted patent, the fact remains that the patent is still valid, enabling a patentee to improve his relative position by giving a warning to an infringer or a potential infringer. It should be noted, however, that a patentee is well advised to take such legal actions as seizure after a decision is made on maintenance of the granted patent, lest any trouble should result from a trial decision to the contrary.

(B) Taking advantage of correction made in opposition

In the reformed system of opposition, a patentee is given permission to make a correction to a granted patent which is not relevant to a ground for opposition or cancellation, and recommended to take advantage of such permission as a good opportunity for making a correction without demanding a trial for correction.

As has already been mentioned in Paragraph (6) of Section 4, when a patentee makes a non-conforming request for correction, a collegial body of trial examiners transmits a notice of rejection of correction to the patentee, who opts to make an amendment to the requested correction. Thus, the patentee can make a request for correction even when judgment of its conformity to requirements for correction is a question of extreme delicacy.

Making Preventive Measures for Disadvantages of Amendment
(Preventive measures can be taken for 2 out of the 7 disadvantages.)

(C) Evaluating the necessity of divisional application at any other time than the time of submission of an amendment

In the conventional system of opposition, whereby an opposition is made to a patent application prior to registration, it is possible to file a divisional application during the period for submission of a written reply.

In the reformed system of opposition, however, whereby an opposition is made to a granted patent, it is impossible to file a divisional application during the period for submission of a written argument against a notice of rejection.

Thus, any necessary divisional application must be filed prior to granting of a patent. This, in turn, seems to require additional action to evaluate the necessity for such divisional application at any other time than the time of application, say, at the time of making a request for examination.

It should be noted in this connection that grounds for divisional application cannot be supplied for any patent application for which a request for examination has been made at this time, for which a decision on publication will not be made until the last day of December, 1995, and for which a patent will be granted on or after January 1, 1996, subject to receiving no notice of rejection.

(D) Giving an agent a separate commission to handle an opposition to a granted patent

In the event that a patent is granted by giving an agent a commission to file a patent application, that commission is supposed to complete upon registration of that patent except where the agent is a patent administrator.

As a result, a duplicate copy of a written opposition and other papers relating to opposition to a granted patent are normally transmitted directly to a patentee at a subsequent date.

After receiving the duplicate copy of a written opposition, the patentee must give an agent another commission to handle the opposition if he opts to do so.

In the conventional system of opposition, too, similar inconvenience is caused to a patentee, to whom a trial for invalidation is demanded. It will be advisable, therefore, to determine whether to commission an agent to handle an opposition to a granted patent by referring to previous cases where a trial for invalidation was demanded.

Opponent

Making Active Use of Advantages of Amendment

(Active use can be made of 4 out of the 6 advantages of the amendment.)

(a) Searching for sufficient proof for opposition within the extended period for opposition

In the reformed system of opposition, the period for opposition is extended from 3 months to 6 months, which means extension of the period for prior art search. An opponent is well advised to take advantage of such extension to search for sufficient prior art for use as proof for opposition.

(b) Alleging cancellation based on combination of proofs

In the reformed system of opposition, whereby a collegial body of trial examiners may combine examinations and render an ex officio ruling on other grounds for opposition than pleaded, there is a possibility that a combination of proofs presented by different opponents may constitute an unevadable ground for cancellation in spite of rejection of an allegation made by any opponent. It would therefore be advisable for an opponent to cite as much pertinent prior art as possible for use as proof for opposition. However, there is also a danger that a combination of too many proofs may create difficulty in identifying their interrelation, thus making against the advantage of opponents.

(c) Demanding a trial for invalidation immediately upon derivation, violation of joint application provisions, and other events supplying no ground for opposition

As has already been mentioned in Paragraph (11) of Section 4, an opposition is examined in preference to a trial for invalidation as general rule in the case of their simultaneous pendency. However, a trial for invalidation may take precedence of an opposition in such cases as where it can be considered that

the examination admits of earlier decision. For example, when two or more examinations are combined and left pending until the expiration of the period for opposition, priority may be given to any trial for invalidation that may be demanded based on a simple and clear ground and proof. As will be described in (d) below, permission for the simultaneous pendency of opposition and a trial for invalidation can be interpreted as a suggestion that a trial for invalidation should be demanded as required after a decision on opposition is made. In particular, interested parties would be well advised to consider a trial for invalidation immediately upon derivation, violation of joint application provisions, and other events supplying no ground for opposition.

(d) Demanding a trial for invalidation by supplementing grounds for opposition after a decision on maintenance of a granted patent

As has already been mentioned in Paragraph (11) of Section 4, an opposition is examined in preference to a trial for invalidation as a general rule in the case of their simultaneous pendency. Thus, there is not much point in demanding a trial for invalidation during the pendency of opposition. Rather, it would be more appropriate to consider a trial for invalidation as an alternative to an appeal of dissatisfaction with a decision on maintenance of a granted patent to which an opposition is made. In this connection, while admitting that the principle of double jeopardy is not adopted in the interval between opposition and trial for invalidation, it would be problematic if a collegial body of trial examiners were to make different decisions on an opposition and a trial for invalidation despite examinations based on the same ground and proof. In this case, there is much probability that a decision on the former affects that on the latter. To avoid this, it would be advised to make an adequate analysis of rejection of an allegation made in opposition and then demand a trial for invalidation on a completely different allegation, such as an allegation based on different grounds, an allegation based on more proofs, and an allegation based on a combination of proofs. Thanks to the abstention from adoption of the principle of double jeopardy, even where a retrial for invalidation is demanded after a decision has been made, a collegial body of trial examiners is most likely to accept the re-examination, which would otherwise be dismissed for being based on substantially the same ground as the trial.

Making Preventive Measures for Disadvantages of Amendment
(Preventive measures can be taken for 4 out of the 7 disadvantages.)

(e) Making active use of the system of information provision

Once a patent is granted, it lasts from the time of registration to the time of cancellation in the form of an exclusive industrial property right

vested in a patentee. It is desirable, therefore, that an opponent should make an allegation of unpatentability prior to granting of a patent. In the reformed system of opposition, however, whereby an opposition is made to a granted patent, an opponent should make active use of the system of information provision as the only means for making an allegation of unpatentability. It should be noted here that the system of information provision will also be reformed on January 1, 1996, for enforcement to patent applications handled in the system of reformed system of opposition. The planned reform of the system of information provision is intended to address the need for more precise examination in the reformed system of opposition, whereby a patent is granted without being subjected to public inspection. The reformed system of information provision differs from the conventional one in giving permission for provision of documents and other forms of information giving proof of public use. More specifically, these documents include publications or their duplicate copies, and duplicate copies of patent specifications, as well as lecture manuscripts giving proof of public knowledge, documents describing embodiments of apparatus or equipment in situations allowing public knowledge and giving proof of public use, and certificates of experiment records giving proof of imperfect description. In the reformed system of information provision, it should also be noted, no search is required for proofs outside the scope of search ex officio; neither is any opportunity afforded for vindication or interviewing by an information provider. An examiner accepts provided information as proof only when he can form a conviction that it is an actual fact.

(f) Considering making an opposition to as many claims as possible

An opposition made to only a specific claim may make a patentee aware of what an opponent is interested in, thus making to his advantage from the viewpoint of a business strategy. To avoid this, an opponent should be recommended to consider making an opposition to as many claims as possible if so required.

(g) Making use of a written report

In the reformed system of opposition, once an opponent has submitted a written opposition, it is examined on the basis of negotiations between a patentee and a collegial body of trial examiners, with the opponent afforded no other opportunity for refutation except in an inquiry in which he may offer his opinion if so requested by the collegial body. With this being the situation, an opponent should be recommended to consider demanding an opportunity to offer his opinion by such means as a written report for insisting on the need for an inquiry.

Interested Parties

In the reformed system of opposition, interested parties are permitted to make an intervention in opposition in support of a patentee. An example of such interested parties is a licensee for a granted patent.

Making Active Use of Advantages of Amendment

(*) Making an active application for intervention in opposition whenever possible

Parties permitted to make an intervention in opposition are those who are likely to suffer some form of loss as a result of cancellation of a granted patent in which they are interested, and naturally required to support a patentee in an effort to prevent cancellation of the patent. Further, even where a patentee abandons his patent as a result of its cancellation, any applicants for such intervention (including rejected applicants) may opt to institute an action for making an appeal of dissatisfaction as a means of last resort for defending their own right. Thus, interested parties should be encouraged to make an active application for intervention whenever possible.

While registered interested parties, such as licensees, receive a notice of opposition from the trial examiner-in-chief, unregistered interested parties receive no such notice. Accordingly, such unregistered interested parties, e.g. non-exclusive licensees, need to make preliminary arrangements for ensuring their intervention in opposition, such as making provisions for immediate notification of opposition by a patentee in a license agreement and other pertinent papers.

9. Conclusion

As has already been mentioned in Section 2, the forthcoming reform of the system of opposition under the Japanese Patent Law is intended not to reflect the recent domestic situation but to make allowance for the international trend toward harmonization. Not being a direct extension of the conventional system of opposition featuring public inspection, the reformed system of opposition appears to involve a multitude of problems when viewed from the standpoint of the previously conceived purposes of opposition. The fact of the matter is, however, that the reformed system of opposition aims at achieving newly envisioned objectives such as promoting the process of granting a patent and judging the propriety of the administrative act of grating a patent for early correction, and then balancing the advantages and disadvantages of all parties concerned by taking account of these objectives. Notwithstanding some disadvantages resulting from the reform, it is possible to take a preventive

measure for almost all of them, with the exception, for example, of the case of a plurality of oppositions, where a patentee may face an unevadable ground for cancellation as a result of a combination of proofs presented by different opponents. In fact, these disadvantages must be acceptable on a footing of equality.

All factors considered, the reformed system of opposition could safely be judged as a well-balanced one.

Reference Materials:

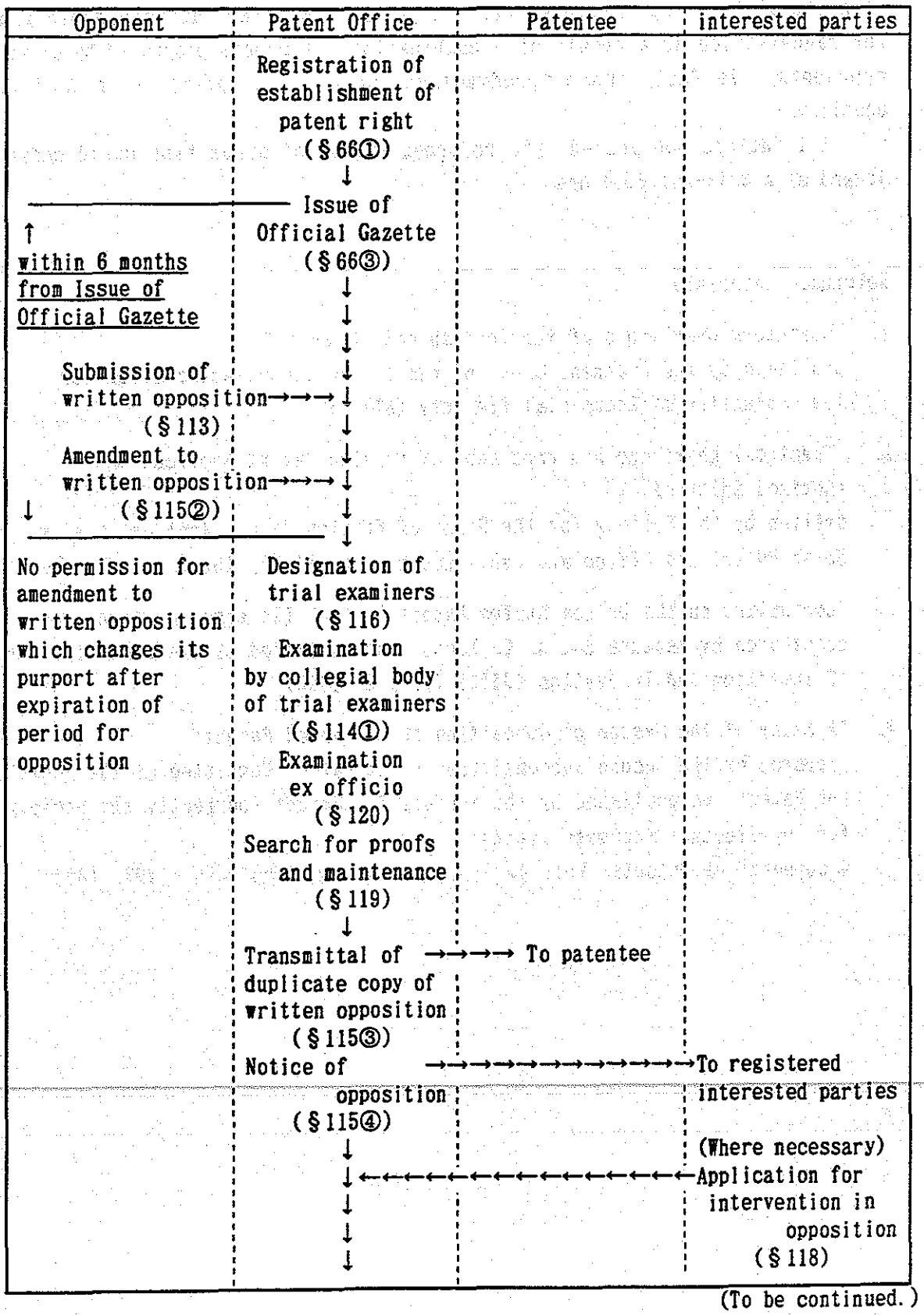
1. "Statutory provisions of the foreign patent acts"
   published by the Japanese Group of the International Association for the Protection of Industrial Property (AIPPI)

2. "Practical Knowledge and Procedure of Foreign Patent Applications" (Revised Edition)
   written by the Society for the Study of Foreign Patent Applications in Seiwa Patent Law Office and published by, (April 25, 1994)

3. "Commentary on the Unites States Patent System" (Enlarged Edition)
   coauthored by Asamura and H. C. Wegner and published by the Japan Institute of Invention and Innovation (JIII) (July 2, 1990)

4. "A Study of the System of Opposition to a Granted Patent"
   prepared by the Second Subcommittee of the Patent Committee of the Society for Patent and published by the Society for Patent (currently the Society for Intellectual Property Rights),
   Management of Patents, Vol. 42, pp. 309 - 317 and pp. 489 - 497, 1992

Figure 1 (1)
Procedure of Reformed System of Opposition



(To be continued.)

Figure 1 (2)

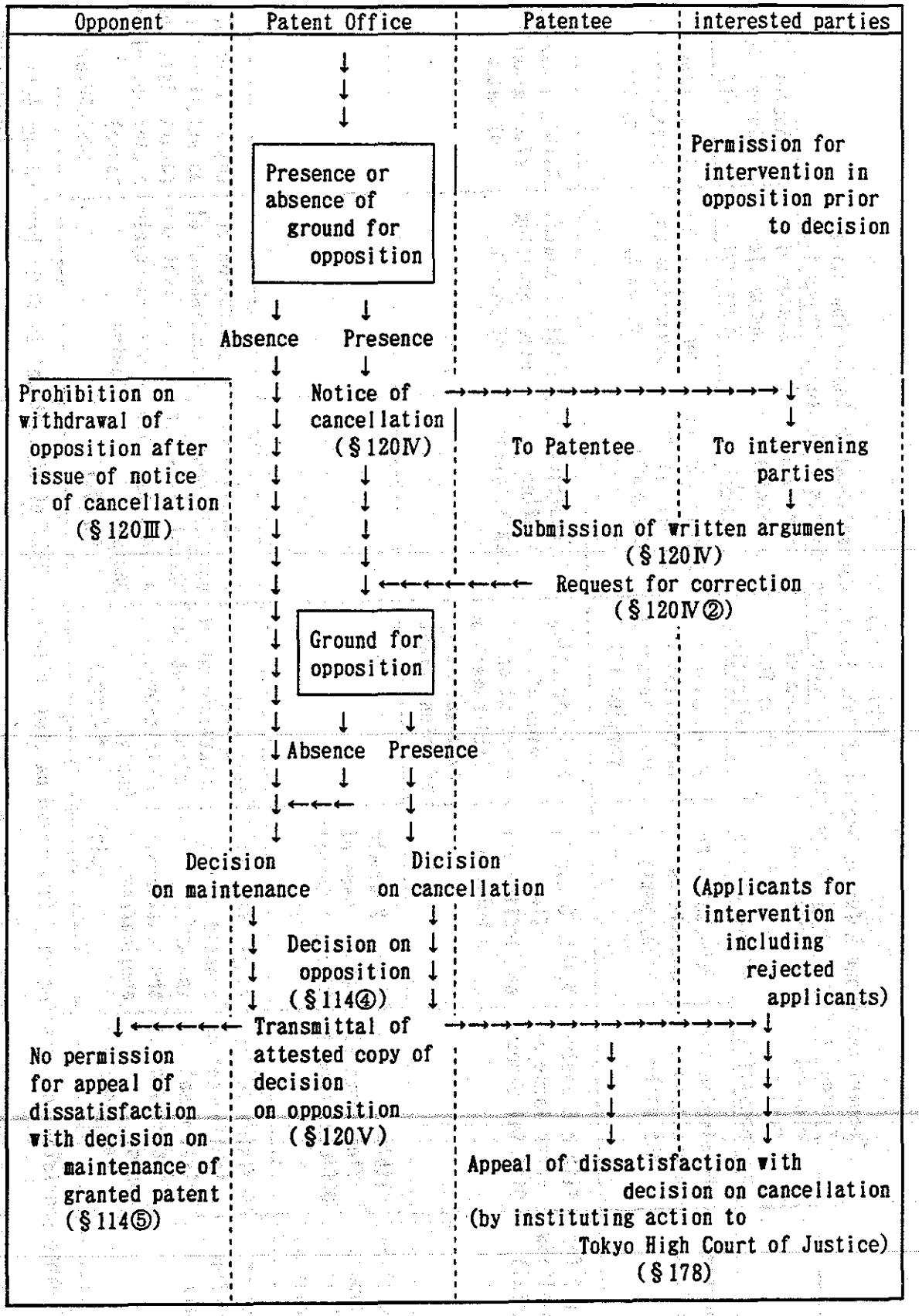

Opponent
Patent Office
Patentee
interested parties
Presence or absence of ground for opposition
Permission for intervention in opposition prior to decision
Absence
Presence
Prohibition on withdrawal of opposition after issue of notice of cancellation (§120Ⅲ)
Notice of cancellation (§120Ⅳ)
To Patentee
To intervening parties
Submission of written argument (§120Ⅳ)
Request for correction (§120Ⅳ②)
Ground for opposition
Absence
Presence
Decision on maintenance
Dicision on cancellation
(Applicants for intervention including rejected applicants)
Decision on opposition (§114④)
Transmittal of attested copy of decision on opposition (§120Ⅴ)
No permission for appeal of dissatisfaction with decision on maintenance of granted patent (§114⑤)
Appeal of dissatisfaction with decision on cancellation (by instituting action to Tokyo High Court of Justice) (§178)

Table 3 (1)

Comparisons among Reformed System of Opposition, Conventional System of Opposition, System of Trial for Invalidation, and Foreign Equivalents To System of Opposition

	Reformed System of Opposition	Conventional System of Opposition	System of Trial for Invalidation	System of Re-examination (US)	System of Opposition (Germany)	System of Opposition (EP)
Opponent (Appellant)	Permission for opposition to any party	Permission for opposition to any party	Permission for opposition to only interested parties (*)	Permission for opposition to any party	Permission for opposition to any party	Permission for opposition to any party
Period for opposition (trial)	Within 6 months after issue of Official Gazette	Within 3 months after publication for opposition	No restriction even after registration of establishment or extinguishment of patent right	No restriction after registration	Within 3 months after granting of patent	Within 9 months after granting of patent
Inspection of papers relating to opposition	Within 5 months after issue of Official Gazette	Within 2 months after issue of Official Gazette				
Object of opposition (trial)	Registration of establishment of patent right (on a claim-by-claim basis) (§113①)	Publication of granted patent (on an application-by-application basis)	Registration of establishment of patent right (on a claim-by-claim basis) (§123①)	Registration of establishment of patent right (on a claim-by-claim basis) (§302)	Registration of establishment of patent right (on a claim-by-claim basis)	Registration of establishment of patent right (on a claim-by-claim basis) (Rule55(c))

(*)Applicable provision for "vesting only interested parties with the right of litigation" in Civil Proceedings Act)

(To be continued.)

Table 3 (2)

	Reformed System of Opposition	Conventional System of Opposition	System of Trial for Invalidation	System of Re-examination (US)	System of Opposition (Germany)	System of Opposition (EP)
Ground for opposition (trial)	Same as ground for rejection in principle (excluding derivation, violation of joint application provision, violation of unity of invention, etc.)	Same as ground for rejection in in principle (excluding violation of unity of invention, etc.)	Same as ground for rejection in principle (excluding violation of unity of invention, etc.) and including subsequent ground for invalidation and violation of correction provision, etc.)	Novelty and inventive step in light of prior art literature	Same as ground for rejection in principle (excluding violation of unity of invention, etc.)	Same as ground for rejection in principle (excluding violation of unity of invention, etc.)
Method of opposition (trial)	Submission of written opposition	Submission of written opposition	Submission of written demand for trial	Submission of prior art literature (by appellant or any other party) Submission of written demand for re-examination)	Submission of written opposition	Submission of written opposition

(To be continued.)

Table 3 (3)

	Reformed System of Opposition	Conventional System of Opposition	System of Trial for Invalidation	System of Re-examination (US)	System of Opposition (Germany)	System of Opposition (EP)
Amendment to written opposition (written demand for trial)	No permission for amendment to written opposition to change its purport after expiration of period for opposition	No permission for amendment to ground or proof for opposition after lapse of 30 days after expiration of period for opposition	No permission for amendment to written demand for trial to change its purport excluding ground for demand for trial		Permission for supplementation of ground for opposition during period for opposition	Permission for supplementation of ground or proof for opposition after expiration of period for opposition at discretion of Opposition Department
Trial for invalidation	Permission for simultaneous pendency (No provision to the contrary)	No permission for simultaneous pendency (opposition to patent application before registration and trial for invalidation of granted patent after registration)		Acceptance of commencement of re-examination as justifiable ground for suspension of ruling on an action for invalidation (counter-action to an action for infringement)	No permission for appeal for invalidation to patent courts during period for opposition or during pendency of opposition	Permission for appeal for invalidation depending on member countries of application and permission for simultaneous pendency depending on governing law of member countries of application

(To be continued.)

Table 3 (4)

	Reformed System of Opposition	Conventional System of Opposition	System of Trial for Invalidation	System of Re-examination (US)	System of Opposition (Germany)	System of Opposition (EP)
Filing of two or more oppositions	Provision for combination of examinations in principle	No need for ruling on one opposition in the case of rejection based on another opposition	Permission for combination of trial examinations Permission for separation of trial examinations	Provision for combination of examinations	Provision for combination of examinations	Provision for notification of opposition, response, etc.
Intervention	Permission for intervention by interested parties in support of patentee	No provision for intervention in opposition	Permission for intervention by interested parties in support of patentee or appellant	No provision for intervention	Permission for intervention by alleged infringers within 3 months after commencement of an action for infringement or an action for confirmation of non-infringement	Permission for intervention by alleged infringers within 3 months after commencement of an action for infringement or an action for confirmation of non-infringement
Subject of examination	Collegial body of trial examiners	Examiners	Collegial body of trial examiners	Examiners	Collegial body	Collegial body

(To be continued.)

Table 3 (5)

	Reformed System of Opposition	Conventional System of Opposition	System of Trial for Invalidation	System of Re-examination (US)	System of Opposition (Germany)	System of Opposition (EP)
Method of examination	Provision for documentary examination in principle	Provision for documentary examination in principle	Provision for verbal trial examination in principle	Provision for documentary examination in principle	Provision for verbal examination in principle	Provision for verbal examination in principle
Examination ex officio	Examination ex officio (Only pleaded claims)	Examination ex officio	Examination ex officio (Only pleaded claims)	Examination ex officio	Examination ex officio	Examination ex officio
Appeal for correction (amendment)	Permission for request for correction during period for submission of written argument	Permission for amendment and divisional application during period for submission of written reply	Permission for request for correction during period for submission of written reply	Permission for amendment in written reply, etc.	Permission for amendment	Permission for amendment
Divisional application	No permission for divisional application		No permission for divisional application		Permission for divisional application	

(To be continued.)

Table 3 (6)

	Reformed System of Opposition	Conventional System of Opposition	System of Trial for Invalidation	System of Re-examination (US)	System of Opposition (Germany)	System of Opposition (EP)
Withdrawal	Permission for withdrawal (subject to no permission for withdrawal after notification of cancellation and permission for withdrawal on claim-by-claim basis)	Permission for withdrawal	Permission for withdrawal (subject to no permission for withdrawal after trial decision, need for approval of other party after submission of written reply and permission for withdrawal on claim-by-claim basis)	No permission for withdrawal	Permission for withdrawal subject to continuation of proceedings ex officio	Permission for withdrawal subject to continuation of proceedings ex officio
Outline process of examination (To be continued.)	Submission of written opposition Designation of trial examiners ↓	Submission of written opposition Transmittal of duplicate copy of written opposition ↓	Submission of written demand for trial Designation of trial examiners ↓	Citation of prior art Submission of appeal for re-examination ↓	Submission of written opposition Examination ↓	Submission of written opposition Examination ↓

(To be continued.)

Table 3 (7)

	Reformed System of Opposition	Conventional System of Opposition	System of Trial for Invalidation	System of Re-examination (US)	System of Opposition (Germany)	System of Opposition (EP)
Outline process of examination	Transmittal of duplicate copy of written opposition Transmittal of notice of cancellation Submission of written argument Decision	Submission of written reply Transmittal of duplicate copy of written reply (Submission of written refutation) (Notice of rejection) Decision	Transmittal of duplicate copy of written demand for trial Submission of written reply Transmittal of duplicate copy of written reply	Transmittal of duplicate copy of appeal for re-examination Decision on re-examination Transmittal of duplicate copy of decision on re-examination Submission of written reply Transmittal of duplicate copy of written reply (Submission of written refutation) Examination and trial decision	(Submission of written reply, submission of written amendment, and submission of written refutation over divisional application) Trial decision	(Submission of written reply, submission of written correction) Trial decision

(To be continued.)

Table 3 (8)

	Reformed System of Opposition	Conventional System of Opposition	System of Trial for Invalidation	System of Re-examination (US)	System of Opposition (Germany)	System of Opposition (EP)
Effect of decision	Valid continuation or pervasive extinction	Granting or rejection of patent	Valid continuation or pervasive extinction (subject to subsequent invalidation upon occurrence of ground for invalidation) Double jeopardy	Valid continuation or pervasive extinction	Valid continuation or pervasive extinction	Valid continuation or pervasive extinction
Burden of charges	Provision for burden of charges by opponent	Provision for burden of charges by opponent	Provision for burden of charges by trial loser in principle	Provision for burden of charges by opponent	Provision for burden of charges by parties concerned	Provision for burden of charges by parties concerned
Appeal of dis-satisfaction	Litigation only in case of decision on cancellation	Demand for trial in dissatisfaction with rejection	Litigation over cancellation of trial decision	Demand for trial Re-examination by courts	Permission for complaint to patent courts	Demand for trial to Complaint Department within 2 months

Table 4 (1)
Advantages and Disadvantages of Reform of System of Opposition

Patentee		Opponent	
Advantages of Reform	Disadvantages of Reform	Advantages of Reform	Disadvantages of Reform
The system of opposition is reformed in such a manner as to make an opposition to a granted patent (see Section 3).			
·There is less time required for establishment of a patent right. ·There is no provision for no-fault liability for compensation.	·There is no permission for filing a divisional application at the time of submission of a written reply. (C) ·A separate power of attorney is required to give an agent another commission to handle an opposition due to direct transmittal of a duplicate copy of a written opposition, a notice of cancellation, and other papers relating to opposition to a patentee. (D)	·There is no fear that a divisional application is filed in defense to an opposition.	·There are few opportunities to interrupt the establishment of a patent right. (e) ·There is no provision for no-fault liability for compensation, making opposition more liable to warning.
The period for opposition has been extended to 6 months after the publication of a granted patent. (1)			
	·There is a possibility that sufficient proof for opposition may be searched during the extended period for opposition.	·It is possible to search for sufficient proof for opposition during the extended period for opposition. (a)	·There is no time for replenishing a ground for opposition.

(To be continued.)

Table 4 (2)

Patentee		Opponent	
Advantages of Reform	Disadvantages of Reform	Advantages of Reform	Disadvantages of Reform
An opposition should be made on a claim-by-claim basis. (2)			
•There is no possibility that all claims are canceled should any one claim be canceled as a result of examination of an opposition made on a claim-by-claim basis. •There is a better understanding of points in dispute in a notice of cancellation.		•It is possible to made an opposition to only a claim sought to be canceled.	•There is much likelihood that an opposition made to only a specific claim makes a patentee aware of what an opponent is interested in. (f)
Grounds for opposition do not include those relating to the possession of a patent right, such as derivation and violat ion of joint application provisions. (3)			
•There is less difficulty in handling an opposition made on a reduced number of grounds.			•There is a reduction in the number of grounds for opposition.
A response is needed not to a duplicate copy of a written opposition but to a notice of cancellation. (4)			
•A response is required only to well-organized points in dispute. •A decision on maintenance of a granted patent is made in the absence of a notice of cancellation unless the trial examiner-in-chief has any intention of cancellation.	•There is much possibility that a ground for cancellation cannot be overcome if a response is made without correction to a notice of cancellation in which the trial examiner-in-chief expresses his intention of cancellation.		•There is possibility that a decision on maintenance of a granted patent may be made without taking note of a pleaded ground for opposition as a point in dispute. (g) •There is no procedure equivalent to the conventional written reply. (g)

(To be continued.)

Table 4 (3)

Patentee		Opponent	
Advantages of Reform	Disadvantages of Reform	Advantages of Reform	Disadvantages of Reform
In principle, examinations can be combined for two or more oppositions. (5)			
•There is no need to handle two or more oppositions.	•There is possibility that a combination of proofs presented in two or more oppositions as a result of an ex officio examination may constitute an unevasible ground for cancellation in spite of evasiveness of each proof.	•There is possibility that a combination of proofs presented in two or more oppositions as a result of an ex officio examination may constitute an unevasible ground for cancellation in spite of evasiveness of each proof. (b)	
A correction may be made to a granted patent during the period for submission of a written argument in the process of opposition. (6)			
•There is no need for a trial for correction, leading to a simple procedure and rapid progress of examination. •It is possible to make a correction not relating to a ground for opposition. (B)	•High costs are required for making a correction.		

(To be continued.)

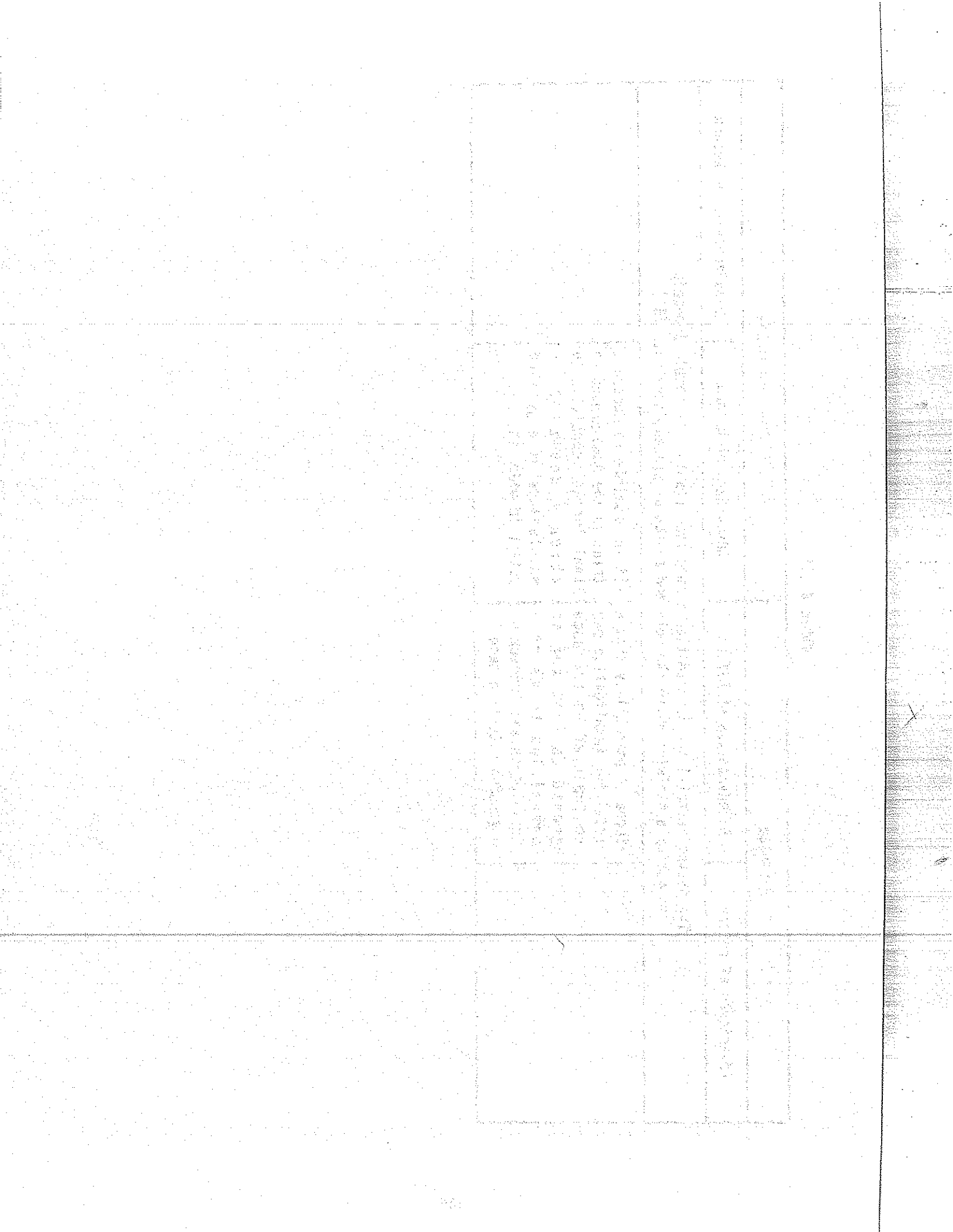
Table 4 (4)

Patentee		Opponent	
Advantages of Reform	Disadvantages of Reform	Advantages of Reform	Disadvantages of Reform
A collegial body of trial examiners may ex officio make a examination on alleged claims in terms of other grounds for opposition than are pleaded by a opponent, patentee, and other parties interested. (8)			
	•There is possibility that a combination of proofs presented in two or more oppositions as a result of an ex officio examination may constitute an unevasible ground for cancellation in spite of evasiveness of each proof.	•There is possibility that a combination of proofs presented in two or more oppositions as a result of an ex officio examination may constitute an unevasible ground for cancellation in spite of evasiveness of each proof. (b)	
Only a patentee or an intervener is permitted to institute an action to the Tokyo High Court of Justice to make an appeal of dissatisfaction with a decision on an opposition. (10)			
	•The only means for making an appeal of dissatisfaction is an action taking much cost and time.		•There is no means for making an appeal of dissatisfaction. (d)
A trial for invalidation may be demanded even during the period for protest or during the pendency of protest at the Patent Office. (11)			
		•It is possible to attempt invalidation of a patent through both an opposition and a trial for invalidation on such grounds as derivation and violation of joint application provision. (c)	

(To be continued.)

Table 4 (5)

Patentee		Opponent	
Advantages of Reform	Disadvantages of Reform	Advantages of Reform	Disadvantages of Reform
The system of trial for invalidation adopts the principle of double jeopardy in making a decision while the reformed system of protest does not. (6)'			
	・There is possibility that a trial for invalidation may be demanded on the same ground as that for an opposition to which a decision on maintenance of a granted patent is made.	・It is possible to demand a trial on the same ground as that for an opposition to which a decision on maintenance of a granted patent is made. (d)	



1-017

(1) Title : **Software Disclosure and Patentability in the United States**

(2) Date : **August 21, 1995**

(3) Source : 1) Source :PIPA
2) Group :US
3) Committee :No. 1

(4) Author : **Jack E. Haken, U.S. Philips Corporation**

(5) Keywords: **Software Patents, Patentable Subject Matter, Disclosure**

(6) Statutory Provisions: **35 U.S.C. 101, 35 U.S.C. 103, 35 U.S.C. 112**

(7) Abstract :

This report summarizes U.S. law with respect to patentability of software. Important case law is reviewed with emphasis on the effect of 1995 decisions. The Patent and Trademark Office's Proposed Examination Guidelines for Computer-Implemented Inventions are summarized, together with Patent Office policy with respect of inventions implemented on storage media.

Software Disclosure and Patentability in the United States

The statutory standards for patentability and disclosure of inventions in the United States, as set forth in Title 35 of the United States Code, were primarily enacted in 1952 when the computer industry was in its infancy. For more than forty years, the courts have struggled to apply these statutes to new technologies via a series of confused and often contradictory decisions.

During the past year, the Court of Appeals for the Federal Circuit had a number of opportunities to clarify the patent law as applied to computer-related inventions and software. Unfortunately, however, the court's decisions did little to dispel the confusion. It appears that in this area the judges of the Federal Circuit are strongly divided and the recent decisions seem to depend as much on the make-up of the individual panel hearing a case as on the particular fact pattern being reviewed.

Moreover, there still appear to be strong philosophical differences between the Patent Office and the Federal Circuit , and perhaps even between the Commissioner's Office and the heads of the relevant examination groups, all of which make it extremely difficult to predict the fate of claims in any individual patent application.

In the first part of this talk, I am going to briefly summarize and contrast the most important case holdings which affect software inventions and I will in particular, give my views of the impact of the recent decisions in *Trovato, and Lowery*.

On June 2, 1995 the Patent Office published *Proposed Examination Guidelines for Computer-Implemented Inventions* (60 FR 28778 - Appendix A) and the Federal Circuit appears to have deferred to this process. (*in re Trovato* US App. Lexis 20022 (Fed. Cir. July 25, 1995)). The second part of this talk will review and comment on the Proposed Guidelines with particular emphasis on the level of disclosure which is necessary to satisfy 35 U.S.C. 112 when inventions are implemented in software.

Finally, in the third part of this talk, I will comment on the current state of "record carrier" claims in the United States. In *Lowery* the Federal circuit held that a computer program fixed In a computer readable memory (for example on a magnetic disk) is an article of manufacture and thus statutory subject matter under 35 U.S.C. 101. However, it appears that the Patent Office intends to give this decision a narrow interpretation and to continue to reject many record carrier claims as obvious under 35 U.S.C. using reasoning analogous to that used in rejecting "printed matter".

PART 1 -- A GENERAL SUMMARY OF THE KEY CASE LAW

Gottshalk v. Benson, 409 U.S. 63, 155 U.S.P.Q. 673(1972) A claim which read on a digital computer doing mathematics was unpatentable because it also read on a person thinking (*even though a shift register was recited).*

in re de Castelet, 562 F. 2d 1236, 195 U.S.P.Q. 439 (CCPA 1977) A claim limitation reciting that software generates output *signals* was not sufficient to cause the software to be patentable.

Parker v. Flook, 437 U.S. 584,198 U.S.P.Q. 193 (1978) A mathematical method for updating an alarm limit (ie. a mathematical quantity) with no hardware or software recitation was not patentable. There was dicta to the effect that the competent draftsman could not make a claim patentable simply by adding insignificant post solution activity.

in re Freeman, 573 F. 2d 758, 205 U.S.P.Q. 397 (CCPA 1980) In order to fall within the prohibition against patenting mathematical algorithms, a *mathematical* algorithm must be claimed. *Non-mathematical algorithms* are just processes and presumably are statutory subject matter. For example, the Patent Office today seems to regularly allow claims directed to "genetic" algorithms, because they are not deemed to be mathematical.

in re Bradley, 600 F. 2d 807, 202 U.S.P.Q. 480 (CCPA 1979) *aff'd by an equally divided court sub nom. Diamond v. Bradley* 450 US 381, 209 U.S.P.Q. 97 (1981) A *data structure* is patentable where it is stored in a ROM and the claims recite that the data structure interacts with specific hardware elements of the computer.

Diamond v. Diehr, 450 US 175, 209 U.S.P.Q. 1 (1981) A rubber molding press is patentable subject matter even though the point of novelty is repeated application of a known formula by a programmed computer.

in re Pardo, 684 F. 2d 758, 214 U.S.P.Q. 673 (CCPA 1982) An optimizing compiler which reorders software code is not a mathematical algorithm, because reordering code is not mathematics.

in re Abele, 684 F. 2d 902, 214 U.S.P.Q. 682 (CCPA 1982) A mathematical algorithm is made patentable when the claim recites that the algorithm is implemented in an X-ray scanner. *(hard to reconcile with Parker v. Flook)*

in re Iwahashi, 888 F. 2d 1370, 12 U.S.P.Q. 2d 1908 (Fed. Cir. 1989) If the claim recites a piece of actual hardware, i.e. a ROM, it is patentable. *(appears to contradict Benson)*

in re Grams, 888 F. 2d 835, 12 U.S.P.Q. 2d 1824 (Fed. Cir. 1989) Claims recited a method for medical diagnosis. If the claim reads on a doctor thinking (ie. *no computer or software of any kind was recited*) it is not patentable subject matter.

Arrhythmia Research Technology Inc v. Corazonix Corp., 958 F. 2d 1050, 22 U.S.P.Q. 2d 1033 (Fed. Cir. 1992) Where a software claim recites taking signals from an EKG, there is patentable subject matter. Strong dicta to the effect that signals are patentable subject matter. *(appears to contradict in re de Castelet)*

in re Schrader, 30 U.S.P.Q. 2d 1455 (Fed Cir 1994) Very like *in re Grams*. A method for determining an optimal combination of bids was unpatentable mathematics. The only structure recited in the claim was entering data into a "record".

in re Alappat, 33 F. 3d 1526, 31 U.S.P.Q. 2d 1545 (Fed. Cir. 1994) (*in banc*) Where a hardware embodiment is disclosed, broad means plus function claims reading on software for smoothing a curve for an oscilloscope display recite patentable subject matter.

in re Warmerdam, 33 F. 3d 1354, 31 U.S.P.Q. 2d 1754 (Fed. Cir. 1994) A data structure *per se* is not patentable subject matter. However, a computer with a memory storing such a data structure is patentable subject matter.

in re Lowry, 32 F. 3d 1579, 32 U.S.P.Q. 2d 1400 (Fed. Cir. 1994) Differences between the organization of a stored data structure and the prior art must be considered when determining obviousness under 35 U.S.C. 103. Data structures stored in a memory are not analogous to printed matter.

in re Trovato, 42 F. 3d 137633 U.S.P.Q. 2d 1194 (Fed. Cir. 1994) *vacated and withdrawn* _____ F.3d _____, _____ U.S.P.Q. 2d _____, US App. Lexis 20022 (Fed. Cir. July 25, 1995) The patent application described a data structure and a computer program which operated on the data structure. There was no explicit disclosure of computer hardware, not even a block diagram of a computer. A three judge panel of the CAFC found that neither the data structure stored in a memory nor a method of path planning using such a data structure were patentable subject matter. On rehearing banc, the panel's decision was vacated and the case was remanded to the Patent office for consideration consistent with the as yet unpublished examination guidelines.

ex parte Dossel, (Appeal # 93-0094 Bd. Appls. 1995 *unpublished opinion* See Appendix A) If the function of the structure (i.e. a black box) is described only in terms of mathematics, and there are means plus function claims, then the claims are indefinite under 35 U.S.C. §112 ¶2.

PART 2 -- THE PROPOSED GUIDELINES

A complete copy of *the Proposed Examination Guidelines for Computer-Implemented Inventions* is contained in the Appendix B. The aspects which I believe are most relevant to the cases noted above are:

★ A computer or other programmable apparatus whose actions are directed by a computer program or other form of software is patentable as a "machine."

★ A computer-readable memory that can be used to direct a computer to function in a particular

manner is patentable as an "article of manufacture". Articles of manufacture encompassed by this definition consist of two elements: (1) a computer-readable storage medium, such as a memory device, a compact disc or a floppy disk, and (2) the specific physical configuration of the substrate of the computer-readable storage medium that represents data (e.g., a computer program), where the storage medium so configured causes a computer to operate in a specific and predefined manner The composite of the two elements is a storage medium with a particular physical structure and function (e.g., one that will impart the functionality represented by the data onto a computer).

★ A series of specific operational steps to be performed on or with the aid of a computer is patentable as a "process". The specific words or symbols that constitute a computer program represent the expression of the computer program and as such are a literary creation. A claim in this format should be rejected as being obvious over the known machine-readable storage medium standing alone.

★ a compilation or arrangement of data, independent of any physical element is not patentable subject matter.

★ a known machine-readable storage medium that is encoded with data representing creative or artistic expression (e.g., a work of music, art or literature) is not patentable subject matter.

★ a "data structure" independent of any physical element (i.e., not as implemented on a physical component of a computer such as a computer-readable memory to render that component capable of causing a computer to operate in a particular manner)is not patentable subject matter.

★ a process that does nothing more than manipulate abstract ideas or concepts (e.g., a process consisting solely of the steps one would follow in solving a mathematical problem is not patentable subject matter. Claims in this form are indistinguishable from abstract ideas, laws of nature and natural phenomena.

★ If elements of a claimed invention are defined using "means plus function" language, but it is unclear what structure, materials or acts are intended to correspond to those elements, the claim will be rejected under §112, second paragraph.

★ Computer program-related elements of a computer-implemented invention may serve as the specific structure, material or acts that correspond to an element of an invention defined using a means plus function limitation. For example, a series of operations performed by a computer under the direction of a computer program may serve as "specific acts" that correspond to a means element. Similarly, a computer-readable memory encoded with data representing a computer program that can cause a computer to function in a particular fashion, or a component of a computer that has been reconfigured with a computer program to operate in a particular fashion, can serve as the "specific structure" corresponding to a means element.

★ Claims must be defined using the English language. A computer programming language is not the English language, despite the fact that English words may be used in that language. Thus, an applicant

may not use computer program code, in either source or object format, to define the metes and bounds of a claim. A claim which attempts to define elements of an invention using computer program code, rather than the functional steps which are to be performed, will be rejected.

PART 3 -- SOME OBSERVATIONS AND COMMENTS

The recent cases have introduced a great deal of uncertainty as to the level of disclosure in software patent applications which is necessary to satisfy 35 U.S.C. 112. At this time the conservative draftsman will include a description of a preferred computer system (including, for example, mention of special hardware features or components) for executing the software to avoid rejections of the type described the vacated *Trovato* decision. If the software is embedded in a larger machine or system, it would be wise to describe the machine/system in the patent specification and at least in the preamble of some of the claims (per the *Abele* decision). If the invention is principally an algorithmic process, be sure to explicitly mention in the specification that it will be performed in/on computer software (to avoid rejection per the *Dossel* decision).

Many attorneys and commentators have characterized the *Lowry* and *Wamerdam* decision as ending "printed matter" rejections for computer software. It seems, however that these conclusions are premature. The Proposed Guidelines make clear that programs for controlling a computer or machine which are fixed in a memory or physical medium will be considered patentable subject matter while literary works (for example, the text of a book or composition of a musical work) will not be patentable even if they are fixed in physical form in a memory. The guidelines leave a middle ground uncertain. For example, they do not address the patentability of a data structure fixed on a disk. Would a novel data links between the text of a book and its index be patentable if fixed in a memory? Would novel copy protection code be patentable if it is incorporated into a literary work? Warmerdam and Lowry strongly suggest that these inventions should be patentable, but Patent Examiners appear to have been instructed at the examining group level that this is not patentable subject matter. We will have to wait for the cases to reach the Federal Circuit for definitive answers.

APPENDIX A

THIS OPINION WAS NOT WRITTEN FOR PUBLICATION

The opinion in support of the decision being entered today (1) was not written for publication in a law journal and (2) is not binding precedent of the Board.

Paper No. 27

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

MAILED

MAY 25 1995

PAT.&T.M. OFFICE
BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte OLAF H. DOSSEL
and WALTER H. KULLMANN

Appeal No. 93-0094
Application 07/543,600[1]

Before McCANDLISH, PENDEGRASS, and ABRAMS, Administrative Patent Judges.

McCANDLISH, Administrative Patent Judge.

ON REQUEST FOR RECONSIDERATION

Appellants have requested reconsideration and, in substance, reversal of certain new grounds of rejection made pursuant to 37 CFR § 1.196(b) in our decision dated January 11, 1995.

---

[1] Application for patent filed June 25, 1990.

In that decision we reversed the examiner's rejection of claims 5 and 7 through 9 under 35 U.S.C. § 102(b), reversed the examiner's rejection of claim 6 under 35 U.S.C. § 103, reversed the examiner's rejection of claims 8 and 9 under 35 U.S.C. § 101, affirmed the examiner's rejection of claim 5 under 35 U.S.C. § 101, and added new grounds of rejection against the appealed claims pursuant to 37 CFR § 1.196(b). Specifically, the new grounds of rejection involve a rejection of claims 5 through 9 under 35 U.S.C. § 112, ¶ 2, and a rejection of claim 7 under 35 U.S.C. § 101. In their request for reconsideration, appellants have taken issue with our new ground of rejection of only claims 8 and 9 and not our new grounds of rejection pertaining to claims 5 through 7.

On page 2 of their request for reconsideration, appellants argue that because the reconstruction unit 11 "mathematically determines a distribution of surface currents on specified surfaces" the function of unit 11 may be performed by a properly programmed computer. Appellants concede, however, that their specification as filed does not disclose that such a properly programmed computer may be employed for performing the functions of the reconstruction unit 11. They nevertheless argue that those of ordinary skill in the medical imaging art "would be quite aware of this given the extensive conventional use of

programmed computers in all sophisticated medical imaging equipment..." (request for reconsideration, page 2). As a result, appellants contend that the lack of disclosure of specific structure for the reconstruction unit "is not fatal under the enablement [requirement] of 35 U.S.C. § 112 ¶ 1,..." (request for consideration, page 2).

Appellants' argument regarding compliance with the enablement requirement in the first paragraph of § 112 is misplaced. The issue here is not whether appellants' specification is enabling. Rather, the issue here is whether appellants' specification discloses any specific structure or hardware that may be regarded as being "corresponding structure" under 35 U.S.C. § 112, ¶ 6. Compliance with the sixth paragraph of § 112 requires the disclosure of a corresponding structure in the specification. In In re Trovato, 42 F.3d 1376, 1382, 33 USPQ2d 1194, 1199 (Fed. Cir. 1994), the court focussed on the issue of what structure was disclosed in the Trovato specification. There, the court determined that the only disclosed means was software instructions which the court did not regard as structure as required under § 112, ¶ 6. Thus, according to its review of the Trovato specification, the court observed that it did not disclose a machine of any sort.

In the present case, appellants even failed to disclose any software instructions or flow charts, let alone specific hardware such as that found in In re Alappat, 33 F.2d 1526, 21 USPQ2d 1545 (Fed. Cir. 1945)(en banc). Accordingly, appellants' specification does not comport with the sixth paragraph of § 112 in that it lacks a disclosure of the corresponding structure required to make a determination of equivalents and hence a determination of the scope of the means plus function limitations in the appealed claims with regard to the reconstruction unit 11.

Furthermore, appellants' argument that the functions of the reconstruction unit may be carried out by a properly programmed computer is not supported by any evidence in the record before us. In this regard, it is well settled that arguments of counsel may not take the place of evidence. See In re De Blauwe, 736 F.2d 699, 222 USPQ 191 (Fed. Cir. 1984).

Accordingly, appellants' request for reconsideration has been granted to the extent that we have reviewed our prior decision with respect to the new ground of rejection of claims 8 and 9 under the second paragraph of § 112. It is, however, denied insofar as it seeks any change in that decision.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 CFR § 1.136(a).

DENIED

HARRISON E. MCCANDLISH)
Administrative Patent Judge)
)
)
VERLIN R. PENDEGRASS)
Administrative Patent Judge) BOARD OF PATENT
) APPEALS AND
) INTERFERENCES
)
NEAL E. ABRAMS)
Administrative Patent Judge)

APPENDIX B

FEDERAL REGISTER
Vol. 60, No. 106
Notices

DEPARTMENT OF COMMERCE (DOC)
Patent and Trademark Office (PTO)

[Docket No. 9505 31 44-5144-01]

Request for Comments on Proposed Examination Guidelines for Computer-Implemented Inventions

60 FR 28778

DATE: Friday, June 2, 1995

ACTION: Notice and request for public comments.

SUMMARY: The Patent and Trademark Office (PTO) requests comments from any interested member of the public on proposed internal guidelines to be used by Office personnel in their review of patent applications on computer-implemented inventions. Because these guidelines govern internal practices, they are exempt from notice and comment rulemaking under 5 U.S.C. 553(b)(A).

DATES: Written comments on the proposed guidelines will be accepted by the PTO until July 31, 1995.

ADDRESSES: Written comments should be addressed to the Commissioner of Patents and Trademarks, marked to the attention of Jeff Kushan. Comments submitted by mail should be sent to Commissioner of Patents and Trademarks, Box 4, Patent and Trademark Office, Washington, DC 20231. Comments may also be submitted by telefax at (703) 305-8885 and by electronic mail through the Internet to "comments-software@uspto.gov." Written comments should include the following information:

-name and affiliation of the individual responding;

-an indication of whether comments offered represent views of the respondent's organization or are the respondent's personal views; and

-if applicable, information on the respondent's organization, including the type of organization (e.g., business, trade group, university, non-profit organization) and general areas of interest.

Parties presenting written comments who wish to have their comments included in a publicly accessible electronic database of comments must provide their comments in machine-readable format. Such submissions may be provided in the form of an electronic mail message sent through the Internet, or on a 3.5" floppy disk formatted for use in either a Macintosh or MS-DOS based computer.

Machine-readable submissions must be provided as unformatted text (e.g., ASCII or plain text).

All written comments, whether submitted on paper or in machine-readable form, will be available for public inspection no later than August 18, 1995, in Room 902 of Crystal Park Two, 2121 Crystal Drive, Arlington, Virginia. in

addition, comments provided in machine-readable format will be available no later than August 18, 1995, through anonymous file transfer protocol (ftp) via the Internet (address: comments.uspto.gov) and through the World Wide Web (address: www.uspto.gov).

FOR FURTHER INFORMATION CONTACT:Jeff Kushan by telephone at (703) 305-9300, by fax at (703) 305-8885, by electronic mail at kushan@uspto.gov, or by mail marked to his attention addressed to the Commissioner of Patents and Trademarks, Box 4, Washington, DC 20231.

SUPPLEMENTARY INFORMATION

I. Guidelines for Examination of Computer-Implemented Inventions
A. General Considerations

The following guidelines have been developed to assist Office personnel in their review of applications drawn to computer-implemented inventions. These guidelines respond to recent changes in the law that governs the patentability of computer-implemented inventions, and set forth the official policy of the Office regarding inventions in this field of technology.

It is essential that patent applicants obtain a prompt yet complete examination of their applications. The Office can best achieve this goal by raising any issue that may affect patentability in the initial action on the merits. Under the principles of compact prosecution, each claim should be reviewed for compliance with every statutory requirement of patentability in the initial review of the application, even if one or more claims is found to be deficient with respect to one statutory requirement. Deficiencies should be explained clearly, particularly when they serve as a basis of a rejection. Where possible, examiners should indicate how rejections may be overcome and problems resolved. A failure to follow this approach can lead to unnecessary delays in the prosecution of the application.

B. Procedures To Be Followed When Evaluating Computer-Implemented Inventions
The following procedures should be used when reviewing applications drawn to computer-implemented inventions.

1. Determine what the applicant has invented by reviewing the written description and the claims.

(a) Identify any specific embodiments of the invention that have been disclosed, review the detailed description of the invention and note the specific utility that has been asserted for the invention.

(b) Analyze each claim carefully, correlating each claim element to the relevant portion of the written description that describes that element. Give claim elements their broadest reasonable interpretation that is consistent with the written description. If elements of a claimed invention are defined in means plus function format, review the written description to identify the specific structure, materials or acts that correspond to each such element.
(c) Considering each claim as a whole, classify the invention defined by each claim as to its statutory category (i.e., process, machine, manufacture or composition of matter). Rely on the following presumptions in making this classification.

(I) A computer or other programmable apparatus whose actions are directed by a computer program or other form of "software" is a statutory "machine."
(ii) A computer-readable memory that can be used to direct a computer to function in a particular manner when used by the computer [1] is a statutory "article of manufacture".

(iii) A series of specific operational steps to be performed on or with the aid of a computer is a statutory "process".

A claim that clearly defines a computer-implemented process but is not cast as an element of a computer-readable memory or as implemented on a computer should be classified as a statutory "process." [2] If an applicant responds to an action of the Office based on this classification by asserting that subject matter claimed in this format is a machine or an

article of manufacture, reject the claim under 35 U.S.C. 112, second paragraph, for failing to recite at least one physical element in the claims that would otherwise place the invention in either of these two "product" categories. The Examiner should also object to the specification under 37 C.F.R. 1.71(b) if such an assertion is made, as the complete invention contemplated by the applicant has not been cast precisely as being an invention within one of the statutory categories.

A claim that defines an invention as any of the following subject matter should be classified as non-statutory.

-a compilation or arrangement of data, independent of any physical element;
-a known machine-readable storage medium that is encoded with data representing creative or artistic expression (e.g., a work of music, art or literature) [3], [4];

-a "data structure" independent of any physical element (i.e., not as implemented on a physical component of a computer such as a computer-readable memory to render that component capable of causing a computer to operate in a particular manner); or

-a process that does nothing more than manipulate abstract ideas or concepts (e.g., a process consisting solely of the steps one would follow in solving a mathematical problem [5]).

Claims in this form are indistinguishable from abstract ideas, laws of nature and natural phenomena and may not be patented. Non-statutory claims should be handled in the manner described in section (2)(c) below.

2. Analyze each claim to determine if it complies with §112, second paragraph, and with §112, first paragraph.

(a) Determine if the claims particularly point out and distinctly claim the invention. To do this, compare the invention as claimed to the invention as it has been described in the specification. Pay particular attention to the specific utility contemplated for the invention-features or elements of the invention that are necessary to provide the specific utility contemplated for that invention must be reflected in the claims. If the claims fail to accurately define the invention, they should be rejected under §112, second paragraph. A failure to limit the claim to reflect features of the invention that are necessary to impart the specific utility contemplated may also create a deficiency under §112, first paragraph.

If elements of a claimed invention are defined using "means plus function" language, but it is unclear what structure, materials or acts are intended to correspond to those elements, reject the claim under §112, second paragraph. A rejection imposed on this basis shifts the burden to the applicant to describe the specific structure, material or acts that correspond to the means element in question, and to identify the precise location in the specification where a description of that means element can be found. Interpretation of means elements for §112, second paragraph purposes must be consistent with interpretation of such elements for §§ 102 and 103 purposes.

Computer program-related elements of a computer-implemented [6] invention may serve as the specific structure, material or acts that correspond to an element of an invention defined using a means plus function limitation. For example, a series of operations performed by a computer under the direction of a computer program may serve as "specific acts" that correspond to a means element. Similarly, a computer-readable memory encoded with data representing a computer program that can cause a computer to function in a particular fashion, or a component of a computer that has been reconfigured with a computer program to operate in a particular fashion, can serve as the "specific structure" corresponding to a means element.

Claims must be defined using the English language. See, 37 C.F.R. 1.52(a). A computer programming language is not the English language, despite the fact that English words may be used in that language. Thus, an applicant may not use computer program code, in either source or object format, to define the metes and bounds of a claim. A claim which attempts to define elements of an invention using computer program code, rather than the functional steps which are to be performed, should be rejected under §112, second paragraph, and should be objected to under 37 C.F.R. 1.52(a).

(b) Construe the scope of the claimed invention to determine if it is adequately supported by an enabling disclosure.

Construe any element defined in means plus function language to encompass all reasonable equivalents of the specific structure, material or acts disclosed in the specification corresponding to that means element. Special care should be taken to ensure that each claim complies with the written description and enablement requirements of 35 U.S.C. §112.

© A claim as a whole that defines non-statutory subject matter is deficient under §101, and under §112, second paragraph. Determining the scope of a claim as a whole requires a clear understanding of what the applicant regards as the invention. The review performed in step 1 should be used to gain this understanding.

(I) If the invention as disclosed in the written description is statutory, but the claims define subject matter that is not, the deficiency can be corrected by an appropriate claim amendment. Therefore, reject the claims under §§ 101 and 112, second paragraph, but identify the features of the invention that, if recited in the claim, would render the claimed subject matter statutory.

(ii) If the invention, both as disclosed and as claimed, is not statutory subject matter, reject the claims under § 101 for being drawn to non-statutory subject matter, and under § 112, second paragraph, for failing to particularly point out and distinctly claim an invention entitled to protection under U.S. patent law.

An invention is not statutory if it falls within any of the non-statutory claim categories outlined in section (1)(c) above. Also, in rare situations, a claim classified as a statutory machine or article of manufacture may define non-statutory subject matter. Non-statutory subject matter (i.e., abstract ideas, laws of nature and natural phenomena) does not become statutory merely through a different form of claim presentation. Such a claim will (a) define the "invention" not through characteristics of the machine or article of manufacture claimed but exclusively in terms of a non-statutory process that is to be performed on or using that machine or article of manufacture, and (b) encompass any product in the stated class (e.g., computer, computer-readable memory) configured in any manner to perform that process.

3. Determine if the claimed invention is novel and nonobvious under §§ 102 and 103. When evaluating claims defined using "means plus function" language, refer to the specific guidance provided in the in re Donaldson guidelines [1162 OG 59] and section (3)(a) above.

C. Notes on the Guidelines

[1] Articles of manufacture encompassed by this definition consist of two elements: (1) a computer-readable storage medium, such as a memory device, a compact disc or a floppy disk, and (2) the specific physical configuration of the substrate of the computer-readable storage medium that represents data (e.g., a computer program), where the storage medium so configured causes a computer to operate in a specific and predefined manner. The composite of the two elements is a storage medium with a particular physical structure and function (e.g., one that will impart the functionality represented by the data onto a computer).

[2] For example, a claim that is cast as "a computer program" but which then recites specific steps to be implemented on or using a computer should be classified as a "process." A claim to simply a "computer program" that does not define the invention in terms of specific steps to be performed on or using a computer should not be classified as a statutory process.

[3] The specific words or symbols that constitute a computer program represent the expression of the computer program and as such are a literary creation.

[4] A claim in this format should also be rejected under §103, as being obvious over the known machine-readable storage medium standing alone.

[5] A claim to a method consisting solely of the steps necessary to converting one set of numbers to another set of numbers without reciting any computer-implemented steps would be a non-statutory claim under this definition.

[6] This includes the software and any associated computer hardware that is necessary to perform the functions directed by the software.

II. Additional Information

An analysis of the law supporting the examination guidelines for computer-implemented inventions is being prepared. Interested members of the public are invited to comment on this legal analysis. Copies of the legal analysis can be obtained from Jeff Kushan on or after June 23, 1995, who can be reached using the information indicated above.

Dated: May 30, 1995.

Bruce A. Lehman,

Assistant Secretary of Commerce and Commissioner of Patents and Trademarks.

(1) Title: The Use Of Color Alone As A U.S. Trademark

(2) Date: October, 1995 (The 26th Convention in San Francisco)

(3) Source:

1. Source: PIPA
2. Group: U.S.
3. Committee: 1

(4) Author: Edward Blocker, U.S. Philips Corporation

(5) Key Words: "Color *per se*", "Secondary Meaning", "Functionality Doctrine", "Color Depletion", "Shade Confusion"

(6) Statutory Provisions:

15 U.S.C. §§1052, 1127
U.S. PTO Trademark Manual of Examining Procedure §1204.04 (e)

(7) Abstract:

The concern over registrability of a trademark which consists purely and simply of a color, long disputed among the Courts of Appeals, has been recently addressed by the U.S. Supreme Court in its *Qualitex Co. v. Jacobson Products Co., Inc.* decision. Special legal rules adopted by the Courts of Appeals, which in the past have precluded a color trademark from being entitled to registration and enforcement, are no longer applicable. Color *per se* is to be subjected to the same but no stricter legal requirements for registration than any other word, name, symbol or device or any combination thereof. Registering and maintaining a trademark based on color alone, however, remains a difficult task. This paper will explore the decisions by Courts of Appeals leading to the *Qualitex* decision, the decision itself and proposed guidelines in view of this decision for increasing the likelihood of obtaining and enforcing the use of color alone as a trademark.

THE USE OF COLOR ALONE AS A U.S. TRADEMARK AFTER QUALITEX

I. Introduction

The Supreme Court (hereinafter referred to as the "Court") in its *Qualitex Co. v. Jacobson Products Co., Inc.*[1] decision has settled the inconsistent positions taken by the Circuit Courts regarding the registration of color *per se* (color alone). The Court in ruling that the Lanham Act[2] permits the registration of color alone has both embraced and ratified the policy of the U.S. Patent and Trademark Office[3] which permits registration of color as a trademark.

The Court's decision, however, merely puts an end to the different approaches among the lower federal courts regarding the right of registration of color *per se* under the Lanham Act. Registering much less maintaining rights in a trademark which consists purely and simply of a color remains a difficult proposition. Color marks are rarely inherently distinctive and typically require substantial investment in their promotion to acquire secondary meaning. More importantly, the color trademark often serves a competitive need and therefore is not registrable.

This paper will briefly review by way of background the controversy over the registration of color *per se* among the Circuit Courts preceding the *Qualitex* decision followed by a discussion of the *Qualitex* decision itself and conclude with proposed guidelines for increasing the likelihood of obtaining and maintaining a trademark based on color alone in view of the *Qualitex* decision.

II. Background

Until the mid-1980's, a single color applied to an entire article could not serve as a trademark. The bar to registration of color *per se* had been supported among the

Circuit Courts primarily based on the problems associated with color depletion and/or shade confusion. The problem arising from color depletion assumes a limited number of colors being available for use as a trademark resulting in an anticompetitive monopoly of individual colors (including all shades of the individual color) to a limited number of competitors.[4] Shade confusion concerns the "uncertainty and unresolvable court disputes about the shades of a color a competitor may lawfully use."[5]

The Court of Appeals for the Federal Circuit in its *In re Owens-Corning Fiberglas Corp.*[6] decision was the first Circuit Court to break away from this general policy among the Circuit Courts of denying trademark registration to a single color applied to an entire article. The *Owens-Corning* decision held that the color pink for fiberglass insulation was entitled to registration under the Lanham Act. The Federal Circuit found nothing in the Lanham Act which barred registration of color marks and agreed that the color pink for fiberglass insulation had acquired secondary meaning. As pointed out by the Federal Circuit, "pink has no utilitarian purpose, does not deprive competitors of any reasonable right or competitive need and is not barred from registration on the basis of functionality."[7] In other words, the color pink met all of the legal requirements ordinarily applied in determining the registrability of a mark.

Decisions by the Circuit Courts since *Owens-Corning* have been inconsistent with respect to the registration of color *per se*. Aside from the Federal Circuit, the Eighth Circuit also has held color *per se* to be protectable.[8] The Seventh and Ninth Circuits, however, have been unwilling to enforce trademarks based on color alone.[9] Consequently, no great degree of comfort could be placed on registration of a single

color trademark in view of the split among the Circuit Courts regarding the enforceability of color *per se* as a trademark. The dispute among the Circuit Courts regarding registrability and protectability of color *per se* under the Lanham Act now has been resolved by the Court in favor of the policy adopted by the Federal Circuit and Eighth Circuit, that is, in recognizing that a mark based on color alone can be registrable under the Lanham Act.

III. The *Qualitex* Decision

A. District Court

Qualitex and Jacobson are both manufacturers of green-gold colored press pads for use on dry cleaning presses. Qualitex began the manufacture and sale of its green-gold colored press pads in about 1960, approximately 30 years earlier than Jacobson.[10]

Qualitex sued Jacobson in 1990 for infringement of Qualitex's trade dress and for passing off its goods as those of Qualitex in violation of Section 43(a) of the Lanham Act (15) U.S.C. § 1125(a)).[11] Subsequent to the filing of this lawsuit, Qualitex filed for and obtained registration of its green-gold color. The complaint in the lawsuit was amended to include a claim for infringement by Jacobson under Qualitex's federally registered trademark in violation of section 32(1) of the Lanham Act (15) U.S.C. § 1114(1)).[12]

The District Court held that Jacobson infringed Qualitex's registered trademark in the green-gold color and that Jacobson had failed to meet its burden in proving that the trademark was invalid. Jacobson was also held to have engaged in unfair competition by copying Qualitex's trade dress under Section 43(a) of the Lanham Act.[13]

B. Ninth Circuit

The Ninth Circuit affirmed the District Court's holding that Jacobson had infringed Qualitex's trade dress in violation of Section 43(a) of the Lanham Act. In view of having found Jacobson in violation of Section 43(a) for trade dress infringement, the claim of passing-off was not addressed -- the remedy for violation of Section 43(a) being the same regardless of the theory involved. The Ninth Circuit, however, reversed the District Court's decision regarding trademark infringement.[14] In holding that color alone cannot form the basis for a trademark, the Ninth Circuit relied on the problems associated with shade confusion and color depletion.

C. Supreme Court

(i) Color *per se* Can Qualify As A Trademark

The Court found no special reason to apply other than ordinary legal trademark requirements in determining the registrability of a trademark which consists, purely and simply, of a color. "Both the language of the [Lanham] Act and the basic underlying principles of trademark law . . . include color [*per se*] within the universe of things that can qualify as a trademark."[15] The trademark universe as defined under the Lanham Act includes "any word, name, symbol, or device, or any combination thereof".[16] Color *per se* can be viewed as a symbol[17] and therefore literally falls within the language of the Lanham Act as subject matter which can qualify as a trademark. Color *per se* also can serve the basic underlying principles of trademark law, that is, "to identify and distinguish his or her goods, including a unique product, from those manufactured or sold

by others and to indicate the source of goods, even if that source is unknown."[18] That is, color *per se* can be distinctive.

(ii) Registrability

(a) Color *per se* Can Be Distinctive

For a color mark to be distinctive it must be fanciful/arbitrary, suggestive or have acquired secondary meaning. "[A] product's color[, however,] is unlike 'fanciful,' 'arbitrary,' or 'suggestive' words or designs, which almost *automatically* tell a customer that they refer to a brand . . . [b]ut, over time customers may come to treat a particular color on a product or its packaging . . . as signifying a brand."(emphasis in original)[19] Once a particular color on a product or its packaging comes to signify a brand the color has then "come to identify and distinguish the goods -- i.e.'to indicate' their source -- much in the way that descriptive words on a product . . . can come to indicate a product's origin."[20] Color *per se* similar to a descriptive word therefore generally needs to attain secondary meaning in order to establish its distinctiveness.

(b) Functionality Doctrine

"The functionality doctrine . . . protects competitors against a disadvantage (unrelated to recognition or reputation) that trademark protection might otherwise impose, namely . . . [the competitors'] inability reasonably to replicate important non-reputation-related product features".[21] Color, however, can be associated with only the recognition or reputation of a product. "[T]his latter fact - the fact that sometimes color is not essential to a product's use or purpose and does not affect cost or quality - indicates that the doctrine of 'functionality' does not create an absolute bar to the use color alone as

a mark."[22] In other words, color alone can come to indicate the source of the goods without having a utilitarian function (i.e. without being needed in the operation of the goods) or an aesthetic function (i.e. without being aesthetically required by the consumer).[23]

(iii) Shade Confusion and Color Depletion

The problems associated with shade confusion and color depletion relied upon by the Seventh and Ninth Circuits for denying protection to color marks were also dismissed by the Court. In rejecting the problems arising from shade confusion, the Court reasoned that color is no more special than other subject matter suitable for trademark protection. "Court's traditionally decide quite difficult questions about whether two words or phrases or symbols are sufficiently similar, in context, to confuse buyers. . . Legal standards exist to guide courts in making such comparisons."[24] In rejecting the color depletion/color scarcity problem, the Court reasoned that "[w]hen a color serves as a mark, normally alternative colors will likely be available for similar use by others".[25] Furthermore, the functionality doctrine is always available to protect against anti-competitive concerns that might arise where alternative colors are scarce.[26]

(iv) Summary

The Court's decision can be summarized as follow:

1. A trademark based on a single color can be registrable under the Lanham Act.

2. The problem arising from shade confusion is no longer a bar to registration of a color trademark. The same requirements as are applied to other types of marks should

be used in determining whether different shades of a color trademark are confusingly similar.

3. The color depletion/color scarcity problem falls under the test for functionality. When competition will be hindered, the color in question is functional and therefore not registrable.

4. A trademark based on a single color is to be accorded the same right to protection under the Lanham Act as any other trademark.

IV. Guidelines For Increasing Likelihood Of Obtaining And Maintaining Enforceable Trademark Rights In Color *per se*

1. Color marks, as noted by the Court in *Qualitex*, are usually not inherently distinctive like some fanciful, arbitrary or suggestive words or designs. Accordingly, in seeking to obtain trademark rights in color *per se*, the color mark should be promoted as an identifier of the product until the mark has acquired secondary meaning. That is, similar to a descriptive word or sysmbol, color *per se* must attain secondary meaning in the minds of the consumer.

2. Achieving secondary meaning generally requires a substantial investment in advertising and can take many years. In *Owens-Corning*, consumer advertising for the color pink cost approximately $42M. An aggressive advertising campaign should be coordinated with use of the chosen color on as much of the product and product packaging as possible.

3. The color and use of the color alone as a trademark should be chosen so as to minimize and hopefully avoid the mark hindering competition. Where a color or

particular shade of a color on a product or its packaging serves a competitive need, the color mark is functional and therefore not registrable.

4. Where the color of the trademark can be considered important to a consumer, there is a competitive need (i.e. utilitarian purpose) for the color. Examples of where a single color trademark can be viewed as fulfilling a competitive need and is therefore not registrable as a trademark include:

a. Colors identifying the presence of an ingredient. *See, e.g., Nor-Am Chemical v. O. M. Scott*, 4 U.S.P.Q. 2d 1316 (E.D. Pa. 1987) (fertilizer's blue color indicating the presence of nitrogen).

b. Color making an object appear desirably different. *See, e.g., Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527 (Fed. Cir. 1984), *cert. denied,* 1995 U.S. LEXIS 2432 (1995) (all black color of outboard motors made motors appear smaller than when painted with lighter or brighter colors).

c. Color being compatible with a wide variety of colors typically used with the product. *See, e.g., Brunswick,* (all black color of outboard motors considered more desirable by prospective purchasers because of color compatibility with a wide variety of boat colors).

d. Color being aesthetically functional. *See, e.g., Deere & Co. v. Farmhand, Inc.,* 560 F. Supp. 85 (S.D. Iowa 1982), *aff'd,* 721 F.2d 253 (8th Cir. 1983) (customers wanting matching green colored farm equipment).

e. Color being associated by consumers with a kind of product. *See, e.g., Inwood Laboratories, Inc.*, 456 U.S. 844 (1982) (competitors free to copy color of a medical pill where color identifies kind of medication).

5. Obtaining trademark protection in a single color/shade of color is significantly improved where the market is small and there is no apparent need to use color on or in connection with the product.

6. Color should be chosen which avoids affecting the cost or quality of the product. *See, e.g., Inwood Laboratories, Inc.*

7. Depending on the nature of the product and the market for the product, it may be difficult to prevent the mark from becoming useful or aesthetically desirable and hence functional. The color mark should therefore be chosen that is as arbitrary as possible, that is, where the color would not normally be associated with the product.

V. Conclusion

The *Qualitex* decision by the Court has made it easier to protect and enforce color marks under the Lanham Act. Registration of a color mark is not subject to special rules. The same requirements of distinctiveness and non-functionality as are applied to other marks are to be used in determining the registrability of a color mark. Nevertheless, it will continue to be difficult to obtain and maintain rights in a trademark based on color alone because of the relatively wide latitude permitted by the Court in establishing and low standard required in demonstrating a competitive need for the color mark.

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Footnotes

1. 115 S.Ct. 1300 (1995).

2. The Lanham Act is the Federal Trademark Act of 1946 and is codified at 15 U.S.C. §§ 1051 - 1127.

3. *See* PTO Trademark Manual (TMEP) §1202.04 (e).

4. 115 S.Ct. at 1305-06.

5. 115 S.Ct. at 1305.

6. 774 F.2d 1116 (Fed. Cir. 1985).

7. *Id.* at 1122.

8. *Master Distributors, Inc. v. Pako Corp.*, 986 F.2d 219,221 (8th Cir. 1993) (declining to establish a *per se* prohibition against protecting color alone as a trademark)

9. *NutraSweet Co. v. Stadt Corp.*, 917 F.2d 1024, 1027 (7th Cir. 1990), *cert. denied*, 499 U.S. 983 (holding that the single color blue for the NutraSweet "Equal" package should not be accorded trade dress protection) and *Qualitex Co. v. Jacobson Products Co., Inc.*, 13 F.3d 1297, 1302 (9th Cir. 1994) (concluding that the better rule rejects the registrability of a trademark based on color alone).

10. 115 S.Ct. at 1302.

11. *Id.*

12. *Id.*

13. *Id.*

14. *Id.*

15. *Id.* at 1302.

16. 15 U.S.C.§1127.

17. 115 S.Ct. at 1304.

18. 15 U.S.C.§1127

19. 115 S.Ct. at 1303.

20. *Id.*

21. *Id.* at 1306.

22. *Id.* at 1304.

23. *Id.*

24. *Id.* at 1305.

25. *Id.* at 1306.

26. *Id.*

(1) Title: Trademark Infringement Measures in Japan

(2) Date: October 1995 (26th General Meeting in San Francisco)

(3) Source:

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

(4) Authors: Mizuno Emi, Sapporo Breweries Ltd.
Kishi Shigemi, Toshiba Corporation
Nishimura Akemi, Tosoh Corporation
Tanaka Hisako, Pfizer Pharmaceuticals Ltd.
Ueda Manato, Mitsubishi Electric Corporation
Nakayama Masakazu, Lion Corporation

(5) Key words: Trademark infringement action, unfair competition (action), right to demand prohibition, right to demand damage compensation, trademark not in use (unused trademark), infringement notice

(6) Statutory Provisions: (Only major sections; all Japanese Law)
Trademark Law, Article 2, Article 36, Article 37; Civil Law, Article 709; Unfair Competition Prevention Law, Articles 2 §1(i-iii), §3 and §4

(7) Abstract:

What laws protect trademarks and what taking action are possible in the advent of infringement within Japan shall be set forth.
Further, we have attempted to clearly show the current state of how person in charge of TM within Japan prevent and resolve infringements from an analysis of a questionnaire which was carried out on member companies of the PIPA Japan Meeting.

CONTENTS

(b) Infringement prevention measures (i) and (ii)

IV. Afterword

Attachment: Tables of assembled questionnaire results

I. Foreword

Studies are proceeding in every field starting with patents, in many organizations such as GATT, WIPO, OECD, etc. and in many regional organizations for the international harmonization of Intellectual Property (IP) protection. However, given a background of national interests, it is a fact that many problems accompany real harmonization.

This group researched how the business people responsible in enterprises in Japan deal with trademark infringement actions which they are faced with every day. This group also aims toward mutual understanding by throwing into relief Japanese responses and business sense to deepen overseas enterprises' understanding of Japan.

Hereunder, we will broadly explain the relevant laws and regulations concerning prevention/countermeasures against infringements. The questionnaire results will also be analyzed. The questionnaire is a collection of replies from 71 member companies of the PIPA Japan Committee.

II. Current State of Trademark Protection in Japan

Hereunder, we will explain the outline of the principal laws relating to trademark protection and clarify the current state of protection of trademarks in Japan.

1. Protection by Trademark Law

(a) Subjects of protection

The Trademark Law was established with the objective of realizing protection of the delivery of products and the profits of users. Specifically, "Trademark" means characters, figures or signs or any combination thereof, or any combination thereof with colors, which are used in respect of goods or services in the course of trade (Article 2). In other words, it is understood that under this law, flat marks are subject to protection (with some exceptions), and that three-dimensional trademarks (3-D TM) (e.g. containers themselves), colors only, sounds, light, smells, etc. are not subject to protection. However, an amendment is scheduled for

1997, and is intended to include 3-D TM among the subjects of protection.

(b) Methods of protection

The Trademark Law regulates the registration system. The owner of a trademark right obtains exclusive right on designated goods (designated service) by the registered trademark, and also a prohibitive right to prevent use of the same or similar trademarks on same or similar products (service) by others, aiming to support business trust between users of trademarks. The Trademark Law employs the examination system (Article 14). The examiner conducts examinations of absolute registrability and relative registrability (Article 3, 4). The fact of use is not a registration requirement. However, the intention of use has been stipulated as a registration requirement (Article 3, column 1).

Of course there are regulations for non-use registered trademarks. For example, trademarks which are registered but not in use shall not receive 10-yearly renewal (Article 19) and there is trial for cancellation system for demanding the cancellation of the registered trademarks which have not been in use for 3 years (Article 50).

Also, there is a protection regulation for unregistered trademarks. For example, unregistered trademarks which are well-known among consumers and which are used in respect of such goods or services shall be rejected (Article 4 §1(x)), and further where a well-known trademark is accidentally registered by another, the user of the well-known trademark has the right to continue using the trademark under certain conditions (Article 32). Although in Trademark Law the user of the well-known unregistered trademark may not prevent use, such regulation has been prepared in the Unfair Competition Prevention Law explained below.

(c) Contents of Protection

(i) Effectiveness of trademark rights

The Trademark Law specifies exclusive right and prohibitive right. Exclusive right is i) a right for exclusive possession of a registered trademark with respect to a designated product or designated

service (hereafter referred to as specific products) by the owner or owner of an exclusive right to use (hereafter referred to as owner of trademark right) (Article 25), ii) a right to prohibit use of the registered trademark by another person (Article 36). Prohibitive right is a right of the owner of trademark right to prohibit use of a trademark similar to the registered trademark by other party (Article 37 §1). This relationship is shown in Table 1 below.

Table 1

	Same Products	Similar Products
Same TM	O Article 36	o Article 37
Similar TM	o Article 37	o Article 37

A defensive mark registration may be obtained, when the registered trademark has become well-known, and it is recognized that confusion about the origin may occur in products other than those designated (Article 64). Use of the registered defensive mark in respect of the designated goods will be considered to be an infringement of the basic registered trademark (Article 67). The covered range of effectiveness expands, making the right stronger. However, the effects of trademark right shall not extend to the following (Article 26). For example, trademarks indicating, in a common way, portraits, names, famous pseudonyms, professional names or pen names, or a famous abbreviation thereof (Article 26 §1(i)). Also, where the use in a given manner of a registered trademark conflicts with another person's design right under a design application filed prior to the filing date of the trademark application concerned or with another person's copyright taking effect prior to that date, the owner of the trademark right shall not use the registered trademark in such a manner on the part of the designated goods or designated services which gave rise to the conflict (Article 29). Note that where

use of the trademark does not coincide with use as a business, the effectiveness of trademark right does not extend thereto (Article 2).

(ii)Actions which are infringements

Infringing of exclusive right and prohibitive right shall be considered infringement of trademark right. Specifically, using registered trademark for business with respect to the designated products without suitable source for their right (such as exclusive right, non-exclusive right, priority right, intermediate right or subsequent right to use), is regarded as an infringement of the exclusive right. Although use within the similarity range of the registered trademark is not an infringement of exclusive right, it is taken as an infringement by legal fiction (Article 37 §1). This is known as an infringement of prohibitive right or indirect infringement.

Further, the following acts shall be deemed to be an infringement: i) acts of holding products to which the trademark is attached, for the purpose of assignment or delivery, ii) acts of manufacturing or importing for use by other person, iii) acts of manufacturing, assigning, delivering or importing, in the course of trade, articles to be used exclusively for manufacturing goods bearing a reproduction of the registered trademark or a similar trademark are specified as infringements (Article 37 §2 to §8). Similar regulations are provided with respect to actual use or preparatory actions for displaying registered protected marks (Article 67 §1 to §7).

(iii) Relief of trademark owners

Here we will discuss, the relief recognized by the owners of trademark rights.

- Relief under civil court actions

The owner of a trademark right or of a right of exclusive use may require a person who is infringing or is likely to infringe the TM rights to discontinue or refrain from such infringement (Article 36 §1). Also, the owner of the trademark

right or of a right of exclusive use may demand the destruction of the articles by which the act of infringement was committed, the removal of the facilities used for the act of infringement, or other measures necessary to prevent the infringement (Article 36 §2).
Those infringing parties are considered at fault with respect to the action of infringement (application of the Patent Law, Article 103). This makes it easier for the owner of the trademark right, not having to bear the burden of proof.

When the infringer has gained profits from the action of infringement, the amount of compensation may be estimated based on the amount of such profit (Article 38 §1). Determining the amount of damages is made easier by this regulation, and returns the burden of proof of the amount of damages to the infringer. Consequently, this does not cover cases where the infringer has proven the amount of damage.

The owner of the trademark right may demand compensation of an amount which the owner should have gained a as royalty (Article 38 §2), but is not limited thereto. However, this is only to apply where there has been a direct infringement as indicated by ◎ in Table 1 and does not apply to infringements indicated by ○. (because this is not originally within the scope of an exclusive right). Also, with regard to the regulation (Article 38 §1), which takes "profits gained by the infringer by an infringement action" as the amount of damages by legal fiction, there has been criticism that this regulation is lacking in validity.

Concerning non-used registered trademarks, although application of Article 38(2) is recognized, 38(1) is not. For the owner of the trademark right etc. to demand more than a royalty amount (Article 38 §1), it is necessary for the owner of the trademark right to prove the

existence of the use of the trademark and damage to business by the act of infringement. When business confidence is damaged by the infringement, the owner has the right to request to the court that the infringer recover the confidence of the owner of the trademark right etc. (application of the Patent Law).

- Relief under criminal court actions (penalties to infringers)

Those who have infringed a trademark right or exclusive use right are subjected to a prison term of up to 5 years or a fine of up to 5 million yen (Article 78), (criminal penalties require [by the regulations of the general provisions of the Criminal Law Act] that the infringer had the intention of infringement). Because trademark infringement has the important aspect of disturbing the order of commercial society and public profits, it is not an offense subject to prosecution only upon complaint. Where the infringer is a legal entity, the person who has committed the action of infringement is also subjected to a penalty (Article 82). Changes are expected in the 1997 amendments regarding compound tax levied on legal entities and penalty amounts.

2. Protection by the Unfair Competition Prevention Law

This law is to contribute to the sound development of the national economy by providing measures for the prevention of, and compensation for damages from, unfair competition in order to ensure fair competition among business entities and the full implementation of international agreements related thereto (Article 1). As part of this objective, regulations related to trademarks etc. have been determined. This law was amended in 1993 regarding subjects of unfair competition, damage compensation regulations and penalties.

(a) Subjects of protection

The following actions are given as examples of unfair competition.

(i) The act of using indication which is identical or similar to indication of goods of another person,

which is widely known among consumers, or the act of assigning, delivering, displaying for the purpose of assignment or delivery, exporting, or importing of goods with such indication of goods, and thereby causing confusion with another person's goods or business (Article 2, §1(i)). An "indication of goods" is an indication such as a name, trade name, trademark, product content or packaging, and other products/businesses related thereto. However, it is necessary to provide a function of distinctive identification or display of origin to receive the protection of the unfair competition prevention law. When known within a certain region, it is considered widely recognized (well known) among users.

(ii) The act of using indication which is identical or similar to another person's well-known (Article 2 §1(ii)). "Well-known" indicates a state of being famous nationally, such displays being considered to have value in their trust and reliability. Consequently, unauthorized use of such displays is prohibited even where there is no confusion. Use of a well known display can be prohibited even in different products or services.

(iii) Article 2 §1(iii) prohibits transaction of products which imitate the form of other products (i.e. dead copies) (within 3 years of sale).

(b) Content of protection

(i) Civil compensation

The right to demand prohibition (Article 3), compensation for damages (Article 4) and measures for recovering good will (Article 7) are recognized for the owner. These rights have the same content as the rights specified in the Trademark Law, the regulation of estimation of the amount of damages (Article 5) also being the same as that of the Trademark Law. However, the penalty regulation is not applied to actions using descriptive trademarks relating to the product, and one's own name for products without an unfair purpose, etc. (Article 1 §1 to §6). In the case of negligent use it is the owner is has the right to demand labeling of their

products or services in order to render them distinct from those of others (Section 11 §2).

(ii) Criminal compensation (penalties to infringers)

Those who commit unfair competition with unfair purposes are liable to a prison term of up to 3 years or a penalty of up to 3 million yen (Article 13 §1). This is lighter than the penalty stipulated in the Trademark Law. Also, where a legal entity has committed unfair competition, there is a compound tax regulation which, as well as imposing a monetary penalty of up to 100 million yen on the legal entity, imposes the above-described penalty on the infringer (Article 14).

3. Protection of Trademarks by other Laws

(a) Civil Law

In civil law, with regard to damage resulting from unfair advantages, illegal actions, etc. "Those who infringe the right of another by intention or fault shall be responsible for compensation for damages incurred due thereto" (Article 709), "those who receive profits from the property/labor of others without legal precedent and thereby extend a loss to others, shall bear the obligation of repaying such within the limits in which such profits exist" (Article 703) and "those receiving profits of bad intention are required to repay such received profits with interest included therein. Where there are damages they shall be responsible for compensation" (Article 704). These should be adapted as general law where there is an infringement against a registered trademark.

(b) Commercial law/others

Regulations relating to trade names are provided in the Commercial Law Act, Chapter 4 (Articles 16 to 31). Registration of the same trade name in the same region is prohibited (Article 19). One who has a registered trade name can demand suspension of use and a damage compensation to those who use same or similar trade name for unfair purposes (Article 20 & 21) (restriction regulation (Article 22) also provided). In addition, where the trademark is recognized as a literary work, protection under the Copyright Law (Article 112) is assumed. Where it is 3-D trademark (package etc.), it

is protected as a design right by the Design Law. However, with the Copyright Law and the Design Law protection will be nullified in set period. The Customs Fixed Rate Act specifies prohibition, confiscation, disposal and reshipment of imports which infringe intellectual property right (Article 21).

III. Measures against Trademark Infringement in Business

In this chapter, we will explain how companies deal with infringement cases and materials which will become reference in the work of companies in carrying out instructions or studies of measures which should be taken at each stage, in the form of the processes followed from discovery of the infringement to the conclusion of the case. Concretely, we will describe these in the order of 1. Discovery of Infringement, 2. Study of Necessity to Exercise Right after Discovery of Infringement, 3. Exercise of Right, and 4. Settlement of Case. In this chapter the results of a questionnaire carried out on PIPA Japanese Committee member companies are cross-referenced with regard to part of the items described herein (number of respondents: 71).

1. Discovery of Infringement

(a) How to discover infringements

Firstly, how to obtain information relating to infringements will be described from the viewpoints of personal relationships, locations of discovery, etc.

(i) In-house sales division or technical division: mainly persons in charge of products competing with infringing products.

(ii) Associated companies or wholesalers (both cases are expected): direct to the division in charge/through affiliated divisions.

(iii) Persons in charge of trademark discoveries.

(iv) Agent (attorney/patent attorney): Inquiries about the necessity of oppositions with respect to misappropriate applications leads to discovery of infringements.

(v) Information from other companies: other companies in the same field of business and/or members of various associations of companies.

(vi) Exhibitions, store sales, distribution networks such as brochures etc. and advertising such as posters, etc.

(vii) Articles in newspapers, magazines, etc.

(viii) Complaints and/or requests for repairs to broken articles from customers/consumers who buy inferior products without realizing that they are copies.

(ix) Trademark Gazette (Publication).

(b) Positive countermeasures to discover infringements

In order to protect one's company's rights, rather than using passive methods such as simply responding to information on an infringement discovery, it is necessary to take positive actions for being able to discover an infringement whenever an infringement exists. Therefore, to reinforce the above-described means could be the most efficient and effective method.

(i) In-house education, communication with associated or subsidiary companies and representative offices, etc.

The probability of discovery of infringements would rise if understanding of the necessity of protection of trademarks rises as a result of education on trademark infringements. When being notified of an infringement, it is important to notify the person who reported the infringement of the results. Similarly, information from associated companies etc. must be positively gathered. With regard to any and all of the above, the person in charge of trademarks must be confirmed as the person to contact the other party and must be made known to all so that the discoverer does not handle the case independently.

(ii) Job assignment of trademarks

Since the person in charge of trademarks in the

company could have the highest sensitivity to infringements, it is necessary for the persons in charge of trademarks to check the media either at every opportunity or at fixed periods. Specifically, there are ways of scanning over a wide range such as collecting brochures etc., visiting stores, reviewing newspapers and magazines, etc. However, since there is a limitation of the capacity of the person in charge of trademarks (from the aspect of man-power), as well as the person in charge of trademarks taking the initiative in responding, it is preferable to coach someone by way of in-house education etc. to give support.

(iii) Collecting information from other companies in the same field of business and members of associations of companies

Trademark committees in the Japan Intellectual Property Association or various business associations deal with various matters relating to trademarks, and there would also be places to collect information. Although opinions are not always the same in each company, at least counterfeit matters are of common interest and such mutual support would lead to the encouragement of infringement discoveries.

(iv) Checking Gazettes

Checking gazettes is an important item because information relating to applications and registrations can lead to opportunities for discovering infringements. There are not a few companies which request searches by search companies especially with regard to important trademarks such as their company names. There are also companies which ask their agents for information on status in overseas countries, since they are unable to see a large part of such

information directly.

2. Study of Necessity to Exercise Right after Discovery of Infringement

At the second stage, it is thought that there are the two judgment requirements "certainty of own right" and "necessity of exercising right", such as by a warning letter, litigation, etc. We should make a comprehensive judgment by considering the specific circumstances of each case.

[Viewpoint of Certainty of Own Right]

(a) Confirmation of right

(i) Confirmation of own company's right

Firstly, what is needed is confirmation of one's own right to make what kind of assertion based on what kind of right. It is necessary to carry out checks as set out below.

Assertion of right based on trademark right

1) Confirmation of own trademark right by registry/gazettes (for publication).
2) Confirmation of current use: the existence of reasons for cancellation and the property value of the trademark can be known by checks on whether or not it is being used, the subject product, the specific conditions of use, the frequency/period of use, etc.
3) Generic terms, descriptive terms etc.: where there is a possibility that the use of the trademark may be covered by Article 26 which specifies limitations of trademark rights, such that an opposing party may counterclaim, this should be checked at this stage.
4) If a trademark is a device mark, it may also be necessary to confirm that no design right or copyright is owned by others (depends on case).
5) It is also necessary to confirm agreements and it should be known whether an authorized licensee exists or not. Also, with regard to imports, an

in-house system is needed for promptly confirming whether the product concerned is a legal parallel import or an imitation.

Note that special attention is required that a division which has no authority of allowance should not give licenses to customers. In-house education etc. is needed so that licenses are not given arbitrarily.

Assertion of right based on Unfair Competition Prevention Law

In the case of the Unfair Competition Prevention Law, the possibility of collecting as much material as possible to assert that the trademark is a well-known trademark is the most important matter. Specifically, it is necessary to present data such as the sales period of the product, numbers sold, sales amount, frequency of advertisements, etc. with such materials as products or catalogs, vouchers, etc.

Although there may be no difficulty in proving that the company's brand names have been used over many years (well-known or famous), it would be difficult to prove the well-knownness of trademarks other than those used as the company's main brands. If the Unfair Competition Prevention Law can be used in association with the Trademark Law, exercising this right can be easier. One may have to exercise one's right when using unregistered trademarks which have not yet become famous. However, this may not be said to be unfair from the content of the trademark registration system and the purpose of the Unfair Competition Prevention Law.

Advisability of protection under other laws (viewpoint other than trademark)

The following methods may also be examined.

1) Where the subject of protection is a character mark or such, there are cases where this corresponds to copyright. If the infringing

product is a dead copy, since this is a particularly unfair action, a double approach of attacking from a moral viewpoint and asserting one's own right can be taken.

2) Where the shape of the product also functions as a distinctive trademark, there may also be the possibility of becoming the subject of design right infringement if there is a design right. If the design functions as a distinctive trademark within 3 years from start of sale, the Unfair Competition Prevention Law, Article 2 §1(iii) can be applied to imitations of the product shape.

(ii) Confirmation of opposing party's right

It is necessary to confirm whether the opposing party is using the trademark without any right at all. From the viewpoint of the Trademark Law, even where one may think that it is similar to one's own trademark, there may be cases where the opposing party has another registration or has obtained a license from a third party. If this was filed before the filing date of the trademark registration of one's own company, this will most likely lead to a reversed situation between the owner of the right and the infringer due to an invalidation trial.

Further, it is necessary to confirm whether the trademark of the opposing party may receive protection under the Unfair Competition Prevention Law due to use. If the opposing party began using its trademark beforehand and if it is a well-known trademark, the opposing party can initiate a counteraction and demand an injunction based on the Unfair Competition Prevention Law. Also, if this brand was well-known prior to the application date of one's own registration, this can become a reason for invalidation of registration. Even if

it does not go as far as a counteraction or invalidation trial, there may also be a case where the opposing party poses a defense of right of prior use or right of intermediate use.

It may also be necessary, according to the situation, to confirm whether the opposing party has a right based on a copyright or design right, i.e. corresponding to the requisites of Article 29. Where the opposing party is a foreign company, there are cases where overseas use must be considered. For trademarks which have had substantial results overseas, especially those trademarks whose names are also known in Japan, it must be assumed that one's own company may be subjected to a counterattack of misappropriation or inappropriate assertion of right. However, since this is by no means reason for anyone who has a trademark which is used in their own country to unconditionally receive permission to use it in another country, it may ultimately be a comprehensive judgment.

(b) Confirmation of current use by opposing party

It is necessary to secure materials indicating the fact of infringement by the opposing party. Although it is acceptable for the information sent at the time of discovery to be obvious materials corresponding to "use" of the trademark such as the product itself or brochures, since newspaper and magazine articles are not sufficient as evidence of "use", it may be best to argue the existence of an infringement after confirming "use" through investigation of stores etc. Where one cannot collect enough materials to prove an infringement action by oneself, it is believed that materials should be acquired by using an investigative agency.

(c) Judgment of existence of infringement

(i) Judgment of similarity etc.

Similarity of trademarks is a point of contention common to both the Trademark Law and the Unfair Competition Prevention Law. In initiating an injunction under the Trademark Law, a study of the similarity of the trademarks and the similarity of the product/service will be carried out. Although the general criteria for judging similarity is indicated in examination standards etc., depending on the circumstances of each individual case there may be a range of judgment without uniformity. For example, in cases of company names which are already well-known to a certain extent and which have some connection with judgment of the necessity of exercising right, it is possible to exercise the right in a range wider than the normal range of similarity standards.

In the Unfair Competition Prevention Law, judgment of similarity of trademarks is related to the act of causing confusion as specified in Article 2 §1(i) and the act of using of a well-known indication of goods as specified in §1(ii) of the same article. On the issue of similarity, where necessary one should obtain the opinions or legal advice of patent attorneys and/or attorneys rather than relying solely on the judgment of the person in charge within the company.

(ii) Actual existence of confusion

Where not identical or very similar, there are cases where judgment of similarity differs between the owner and the infringer, so that the decision of similarity depends on a court. Normally in such cases exercise of one's right could be negative. If at that time actual confusion arises, it could be become one basis for positively exercise one's right.

When profitability is the main concern of exercising right, the existence of confusion would

be an important element. Regarding the act of causing confusion under the Unfair Competition Prevention Law, "likelihood of confusion" is certainly a requisite and if there is actual confusion, it may become a powerful basis for exercising one's right.

[Viewpoint of Necessity of Exercising Right]

[General items]

(d) Requirements for determining exercise of right

(Questionnaire section I)

In responding to an infringement case, provided there is a certain possibility of exercising one's right, whether or not the right will actually be exercised can then be decided by comprehensively regarding the various elements set forth below. With regard to this matter, a survey was carried out to investigate the elements which affect decision of the exercise of right, based upon which this matter shall be explained. The assembled results of the series of questions in the questionnaire referred to hereafter are included in full at the end of this article for your reference.

Among the items set forth for selection, whether each element was considered important or not considered at all was investigated (refer to Figure 1). A two-way answering method of ◎ and ○ was prepared for elements considered important, and according thereto the most important were "importance of trademark", "condition of use" and "scale of infringement". Most notably, "importance of trademark" was considered an important element by almost all of the companies.

All other items were considered important by half or more of the respondents, and since there were scarcely any negative answers it can be said that these items are subjects for investigation. Looking at the content of ◎ and ○, that approximately half of the answers to "condition of use" were ◎ and ○ in contrast to "importance of trademark" of which 80% of the answers

were ◎ can be considered as meaning that although "condition of use" is an important element, "importance of trademark" has priority over all else. It is thought that giving clear priority to the existence of use of each individual product or the scale thereof arises with regard to important trademarks such as company brand names etc.

However, an "important trademark" is one which originally amassed good will by its use over a long period of time and has extremely high property value. Also, in "extent of damage incurred" current use of the trademark and the scale of that use (numbers and unit value) may become prerequisites. Therefore, comprehensively, with the recognition of whether the trademark is being used and the value thereof as a prerequisite, the three elements of importance/condition of use/amount of damages incurred with respect to the trademark which have a mutually close relationship may be said to be results reflecting the most serious consideration. With regard to these three items, that the number of x answers was 0 supports this tendency.

What it very interesting here is that the number of answers of serious consideration of "relationship with opposing party" was large. Combining ◎ and O, in fact 80% of the companies answered that they would give this serious consideration, and so it seems to be an indispensable element.

[Individual elements]

(e) Importance of trademark

Questionnaire Section I indicated that the "importance of the trademark" is given the most serious consideration. Elements which determine the importance of the trademarks could be grades of trademarks such as company name, pet name and merit indication, the range of the product in use, advertising expenses, period of use, how well-known the trademark is etc. In

particular, cases of company names or brands corresponding thereto are dealt with specially. It would cause serious damage to take no action against infringement, especially for a trademark which has already amassed good will by its use over a long period of time. Not a few companies would take every possible measure such as the Trademark Law and/or Unfair Competition Prevention Law even if actual damage does not occur, and legal expenses would amount to a larger sum than usual.

There are some cases where exercise of right had been given up for business-related reasons. Recently the value of the brand is given more serious consideration than the business-related disadvantages thereof and the number of cases to take action with respect to even trivial infringements is rising from previous levels. Since there is also a possibility of receiving a counter-argument from the opposing party to the effect that the owner of trademark right has ignored infringement by other companies, it is necessary to take positive action with a strict policy. This is not limited to brand names which require a more positive response than a normal case as an important trademark, e.g. trademark in which a large amount of money had been invested for advertising, a trademark used over a long period, or a trademark possessing a known name as a result of these.

(f) Unused trademarks (Questionnaire section III)

Whereas in the Questionnaire Section I there was the result that the factor of "use" had the greatest effect on judgment of the necessity to exercise right, in this section, opinions of companies on the matter of exercising one's right to an unused trademark will be analyzed based on the responses to the questionnaire. The owner profits from those trademarks which are not actually used but are being used in other classes, have been used in the past, or had been registered in order

to protect company brands. Therefore, action of some kind would have to be taken against an infringer with respect to such marks. Thus, when drafting the questionnaire, we excluded such marks from the questionnaire on the grounds that they may be considered "used"

Regarding the exercise of right of unused trademarks, there may be two types of arguments about the condition of not requiring "use" as a requisite for exercising right under the trademark system of Japan. One is the logic of "a trademark in use should be worth being protected, therefore the right of an unused trademark should in principle not be exercised" and the other is "under the current Japanese trademark system, it is fair to exercise one's right against trademark infringements even if the relevant trademark register is not in use, and there is no reason why the exercise of right itself should be denied" in the light of the trial system of cancellation trials, which provide the opposing party with a countermeasure. However, these are not completely opposing views and may be the dilemma which all companies inevitably hold because they wish to exercise their right as a trademark owner and at the same time wish to adopt another's trademark if it is not in use.

According to the responses to the questionnaire (Figure 2), many companies want to give a warning but worry about cancellation. Approximately 40% to 50% of all respondents chose the substantially equivalent items of "Where within 3 years from registration" and "Initiating cancellation trial troublesome therefore hesitate to exercise right", there seeming to be a tendency that whether a cancellation trial can be brought or not is one criterion for a decision.

It is remarkable that companies considering "opportunity on business" amounted to one-third of the total. Comprehensively, we can say that an action

against infringement of a registered trademark in use would be taken as a general rule, depending on necessity, which increases in proportion to the degree of importance of the trademark. Conversely, we could also indicate that the owner of a non-use registered trademark has more flexibility of choice to obtain income through an assignment with consideration or a license with royalty, by which remunerative measures no damage will be incurred. Generally speaking, it is appropriate in the current system and most companies would agree that is not unfair to exercise a right for unused trademark against an infringement within three years from the date of registration, therefore the possibility of exercising such a right could be considered. Being able to exercise one's right even with regard to an unused trademark, or being able to demand consideration, is recently one of the measures for "unused trademark" and has been adopted by the Patent Office which provides that a decision of cancellation would be given at cancellation trials when the party receiving the demand does not reply within six months from the filing date of the trial, and not because an exercise of right of an unused trademark is essentially equivalent to a trademark in use, so that it may be said that adjustment from the viewpoint of "use" has proceeded further.

(g) Relationship with opposing party (Questionnaire section II)

The fact that 80% of companies gave serious consideration to "Relationship with opposing party" in Questionnaire Section I when deciding the possibility of exercising one's right has already been described, with regard to important trademarks for example, here both cases of effectively exercising and not effectively exercising one's right so that the conclusion thereof does not change will be investigated from the viewpoint of to what extent they affect the

judgment of exercise the right. The response to Δ was positive and although a tendency to either direction is not clear, these items are ways to be considered, when exercising one's right, to obtain data concerning the opposing party (refer to Figure 3).

According to the questionnaire responses attached hereto, what clearly showed a "positive inclination" in exercising one's right were "competitors etc." and "no business relationship at all", which were the replies of half the companies. However, there was a combined response of 20% for Δ and x in "competitors", and although the viewpoint here is that of the user of the right, it is reasonable to add the consideration that someday a case where roles are reversed may occur. On the other hand, regarding an opposing party with whom one's company has "no business relationship", the number who responded x was 0, so that one may be able to exercise one's right without hesitation if there is no relationship with the opposing party. Although it was predicted that there would be a positive inclination to "your company buys opposing party's products", the responses did not show a clear inclination. This may reflect the thinking that even where one's own company is in an effective position, one would prefer to settle out of court with an opposing party with which one's company has a relationship, or that where one's company is a purchaser, one's company need not necessarily be confined to a strong position where the opposing party is a company from whom one's company is purchasing, i.e. the purchaser does not always take a strong position.

In contrast with this, what clearly showed a "negative inclination" was "large scale user" to which the negative response exceeded half and the positive response was 0. Also in the case of "opposing party buys your company's products", that the x response was

half and approached 70% when added to the Δ response shows certain consideration to customers. The case of "cooperative business relationship" also requires consideration, the combined response of Δ and x thereof being close to 70%. However, the Δ response may be because there is no clear relationship.

Where the rate of Δ responses was relatively high was for "overseas undertaking etc." and "acquaintance with the opposing party's person in charge of trademarks". 40% of respondents consider them effective elements.

As described before, there are cases where products which have had substantial results overseas are also marketed in Japan and, due to cultural differences, including the legal system, there may also be cases where the Japanese side does not receive the intended response and/or cases where the danger of an international problem due to a mistaken response must also be considered. However, on the other hand, if one neglects a necessary exercise of right because the opposing party is an overseas undertaking, that this would circulate throughout the marketplace and lead to one being in a situation where it would be more difficult to further exercise one's right becomes an established fact. Although responses to "overseas undertaking" cannot be put into a definitive grouping, it is thought that there are many more factors requiring caution than in exercising one's right against a Japanese business and a prompt decision would be necessary. The acquaintance of the other "person in charge of trademarks" tends toward a personal matter. Due to the extent of interaction at groups outside of the company etc. there may be cases where delivering an infringement warning in the manner of a stranger is difficult, thus consideration toward the contact person should be fully considered. Also, if it is well known what type of response the opposing party will make, one may change strategy by looking at the opposing party

and become cautious etc. This tendency also appears in "business which has detailed knowledge of trademarks" in which almost 40% made the same choice.

Looking at the results in general, in spite of superiority/inferiority of position as a whole, it seems that there is consideration towards the overall business relationship with the opposing party and a noticeable tendency to exercise one's right without hesitation where one's company has no relationship with the opposing party. Also, it can be said that acquaintance with other people in charge of trademarks has a certain effect.

(h) Countermeasures of opposing party

(Questionnaire section IV)

Other than exercising one's right, it is reasonable to expect a counterattack from the opposing party, and the ability to withstand such a counterattack should be made a prerequisite. Here, the questionnaire was carried out from the opposite viewpoint of what one's company would do upon receiving a warning of infringement (refer to Figure 4).

What almost all companies answered was "confirm the effectiveness of the trademark right" and "investigate use". These items, which are also checkpoints for one's own company's trademark rights, can be said to be items which absolutely cannot be ignored. In contrast to this, "examine cancellation trial" stopped at 70%.

Meanwhile, "investigate business with opposing party", which approached 80%, could be remarkable. A notable tendency to respond after confirming the relationship with the opposing party when receiving a notice of infringement can be seen. Also, if there are parts of the responses to "other intellectual property right disputes with opposing party", "opposing party's infringement of your own company's trademark rights", etc. which may be common to each, if some which may be used in transaction material were to become "attack

opposing party's other trademark rights" which does not have even half the number of responses, only 5 companies responded positively thereto. Since this is an approach to a different case, there may be some hesitation about actually initiating such an action.

In general, the party receiving the warning against infringement may basically consider a dispute mainly on items relating to the trademark right, but since half of the companies would carry out a general check if there are factors which may become materials for negotiation, whether to conclude the case with a response limited only to the present case is difficult to judge. It may become a case which involves factors such as other trademark rights, patent disputes, business, etc. to the extent that it becomes a very serious matter. Consequently, by no means should the owner of the right exercise that right easily, but the response to the warning should be decided after comprehensively checking the various relationships with the opposing party.

3. Exercise of Right

The three kinds of approaches against infringement of warning (oral/written), civil litigation (temporary measure/main action) and criminal proceedings can be considered as measures of exercising one's right. Normally, cases begin with a warning at first, reaching the stage of litigation (civil litigation for demanding prohibition and damage compensation) only when a resolution cannot be reached by negotiation between the parties concerned. It is very rare to lodge a criminal suit from the beginning (other than in extremely hostile cases).

(a) Gathering evidence

In deciding to exercise one's right such as by a warning, it is necessary to gather sufficient materials to support the fact of infringement. Before exercising one's right, one may need to once more review whether

only the materials at hand are sufficient, considering the condition and who the opposing party is, and where necessary also gather evidence on the assumption of litigation. For example, where the opposing party is a manufacturer of counterfeit products and there is a possibility of evidence being destroyed, it is necessary to have secured sufficient inescapable materials and to use an investigative agency in order to gather evidence if the materials are insufficient.

(b) Contact for negotiation

There is the choice of the division responsible within the company or a patent attorney as representative. Responses by the division responsible within the company are common where such division has ample experience and the capacity to handle the case. In normal domestic cases, it is thought that the scarcity of cases leading to litigation may also be a corresponding background for divisions responsible. In cases where litigation is expected, or when dealing with hostile or large groups of counterfeit manufacturers, it is preferable to have a representative (such as an attorney etc.), and it is thought that even where the person responsible for trademarks within the company controls the case it is preferable to have a representative and to not have direct contact.

(c) Means of exercising right

It is usually recognized that litigation is the last means of exercising right, and is only performed when discussion between the parties concerned could not reach an agreement and there are no other choices than litigation. Consequently,it is extremely rare to initiate litigation from the beginning.

Generally, a warning of infringement should be delivered in writing, and the questionnaire includes a question regarding oral warnings (refer to Section V/Figure 5). Firstly, with regard to the question of

"Have you ever given an oral notice of infringement?", more than half gave an affirmative reply, leading us to understand that not a few oral warnings have been given.

With regard to what kind of cases oral warnings were given in, the majority of cases considered the relationship between the parties concerned, such as "where there is a relationship" and "acquaintance with person in charge of trademarks. In contrast, there were relatively few responses of "quick resolution", so that it seems that the main reason for delivering an oral warning is a relationship with the opposing party rather than the effectiveness of the method. However, since an oral warning does not remain objective evidence which would prove when one met the opposing party and what was submitted, depending on the case, even where the opposing party is the same party, the proper means should be chosen from among the oral way and a written form, and when receiving a notice it is necessary to request a written notice.

Contents-certified mail is often used when sending warning letters. In hostile cases and cases expected to go to litigation, it may be necessary to consider whether to send the warning letter by contents-certified mail depending on the other party. Overseas there are countries where a temporary restraining order and/or seizure order is given on the day that litigation is filed, as in the United States. In such countries, the effective procedure could be filing litigation without delivering a warning letter after carrying out a sufficient investigation of the infringement action, and thereafter carry out negotiations for compromise with the opposing party. What kind of action could be taken at the beginning of the case depends on the country.

One the other, in Japan, since it is recognized that litigation is the last resort, if a suit is filed at

first, the opposing party would harden its attitude so that it would be impossible to come to an agreement by negotiation.

In Japan, the following are set forth as conceivable reasons for directly filing a suit or issuing charges without warning or negotiation.

The infringement action of the opposing party is extremely hostile,

there is the possibility of destruction of evidence, and

it is the case that the a trial will have the greater impact on the opposing party.

On the other hand, the following are the reasons why they prefer a warning against infringement rather than a civil suit or criminal change

A warning usually resolves the case faster than litigation,

cases leading to suits are rare and most infringement cases are resolved by negotiation after warning,

there is a common understanding that a warning must be sent first in cases where a possibility for negotiation with the opposing party still exists,

unwillingness to complicate matters,

litigation procedure costs more money than a warning and negotiation, and

because a suit may lead to damage to the company's image,.

4. Conclusion of Case

(a) Requirements for settlement of case (refer to Questionnaire section VI/Figure 6)

The requirements listed in the questionnaire (especially items which have high numbers of ◎ and ○ answers) are usually required in contracts. A question was included top find out the necessary requirements when settling cases. "Termination of the infringing action" was not included on the grounds that it was

considered indispensable.

Those choices which have been checked as ◎, ○ or △ in this question might be requested in negotiations. As shown in Figure 6-1, roughly equal numbers of companies marked each choice, and especially there were responses from over 60 companies with respect to the four choices of "retrieval/disposal of infringing article etc." and "damage compensation". The contents thereof are as described below. Regarding retrieval/disposal of "infringing products and sales materials such as brochures etc.", it is understood that close to 80% of companies that answered ◎ and ○ consider this an indispensable requisite. In comparison thereto, few companies considered "damage compensation" indispensable and this may indicate that prohibition of the infringement in any event is a higher priority than financial compensation.

33 companies among the 53 which marked the item "requirement of apology" have a choice for exemptions. A apology means that the company responsible acknowledges its infringement action to the public, and it is thought that this may affect the survival of the company in serious cases. Consequently, it could be considered that the opposing party would strongly resist an "apology". If the prohibition of the infringement action can be ensured, it could be better to make concession after negotiation as long as it does not affect the other company's honor.

Regarding "previous acknowledgment of changed indication" where the product is continuously sold, of 56 companies 39 who answered ◎ and ○ had an inclination towards requirement thereof. Where use under changed indication is permitted it may be necessary to confirm that the indication after change definitely does not infringe the trademark right. There were also some companies which listed in particular acquisition of a written oath or written

agreement as conditions in negotiations.

Meanwhile, a question was included in the questionnaire from the point of view of what would or would not be admitted in a case where the opposing party requires concessions. Approximately 50 companies answered Δ and O for each question, leaving a possibility of concession (refer to Figure 6-2). However, "sale of stock" was never approved by the 15 companies who chose the x response, this being the greatest number to give a negative response among all the questions, and the Δ responses also should not be taken as affirmative when considering the above-described tendency to give priority to prohibition. This may be basically rejected. There were a large number of O answers to "not publicizing to others", with regard to important trademarks in particular there may be cases where it is better to make a press release with the intention of making an example of the result to other potential infringers.

Generally speaking, it seems that suspension of use and preservation of sale ownership of the trademark right have priorities over all things and damage compensation would not necessarily be required with respect requirements other than suspension, including exemption from compensation, and there is a general tendency to be flexible to the opposing party's requests.

(b) Infringement prevention measures

Prevention of a recurrence of infringement should not be neglected in the settlement of an infringement case. Not only preventing repeated infringement by the same infringer, but also blocking the possibility of a similar case by a third party would be necessary. Also, not only taking measures for each individual case but a constant effect might be necessary as general measures for preventing infringement.

(i) Prevention of repeated infringement

It is necessary to obtain a promise to the effect

that the infringer will henceforth not commit any infringements at all in the form of a written agreement or written oath. If by any chance a problem should arise it can be pursued as a violation of the obligation of the agreement.

The content thereof is basically each of the elements intend in the requirement of the settlement of the case. Concerning the obligation of retrieval/disposal for products etc., a deadline and obligation for reporting should also be provided for retrieval/disposal so that such obligation would be effective. In addition, depending on the case, it would be necessary to cut off at the source the means by which the trademark is placed on products by disposing of metal molds, printing presses, and so forth.

Further, in the case of counterfeiting products, because the distributor and manufacturer are not necessarily the same, it may be necessary to eradicate the infringing products by getting information on the manufacturer behind the distributor. Where permitting sales of stock it is necessary to provide a deadline, amount, and other conditions in the contract so that the infringing product does not continue to be sold in the same manner.

In particular, where the production source is overseas, infringing products can be stopped at customs. Where there is no registration in countries overseas, the importation of infringing products could be prevented by an application for suspension of importation at the Customs Office based on the Customs Fixed Rate Act. This can be applied not only to a specific importer but also to cases where the production source exports via another company.

(ii) Effect on the general public

Since well-known and famous trademarks have a restraining effect on other companies beyond the extent of the registration thereof, countermeasures for dilution should be considered on a daily basis to maintain its effect with respect to important trademarks. However, because the deterrent effect does not necessarily extend over the entirety of trademark protection only by the fact of being well-known or famous, planning of a special level application/registration policy, a condition where use by other companies is effectively blocked, etc. should be investigated.

Specifically:

1) unify the manner of use as a trademark (specification documents, display method, etc.) and apply them thoroughly within the company, associated subsidiaries, etc.

Although basic requirements, with regard to company names or brand names corresponding thereto in particular, it is necessary to prevent inconsistency of the company image and to not give other companies the opportunity to use them even in other business fields in which there is no registration.

2) If use as a product name by another company is neglected, there is the possibility that it will become a generic term or descriptive term. In such a case, the following prevention measures are necessary.

Indicate ™ or ® with trademarks.

Obligation in agreements to indicate that the trademark is your company's trademark.

Frequently give warnings and requests to companies not to use the trademark as a product name.

Improvement regarding usage conditions in your company where is mistaken for a generic term or

descriptive term.

Advertisement by newspaper advertising etc.

3) Advertising an infringement case example in press releases etc. is an effective means of deterring/ restraining counterfeiters in particular.

4) The following means exist as an application/ registration policy.

File a defensive mark application.

File applications for all possible products/services.

File applications for similar trademarks so that other companies cannot obtain such trademarks.

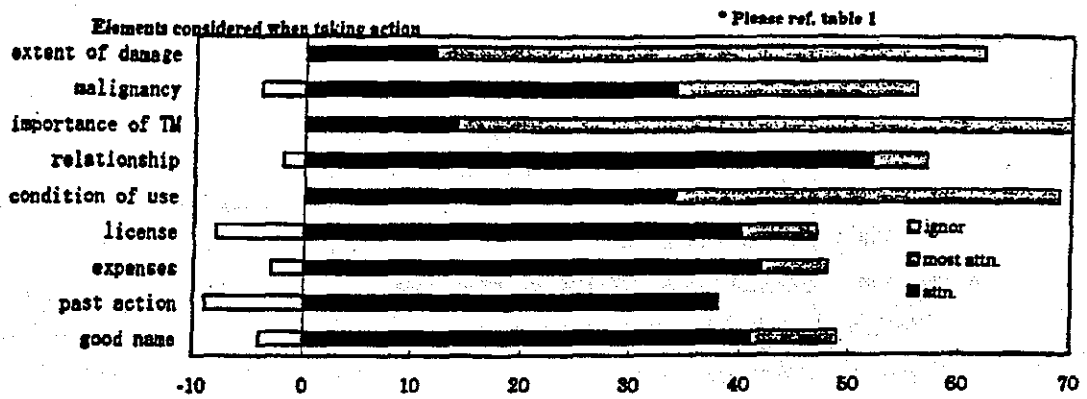
However, regarding similar trademark applications, since these are not identical trademarks to be protected, there could be different opinions on whether such applications are necessary measures or not. Although this depends on company policy, there is no necessity to continuously file applications for all variations and combinations, and the necessary application would be limited according to the value of the trademark.

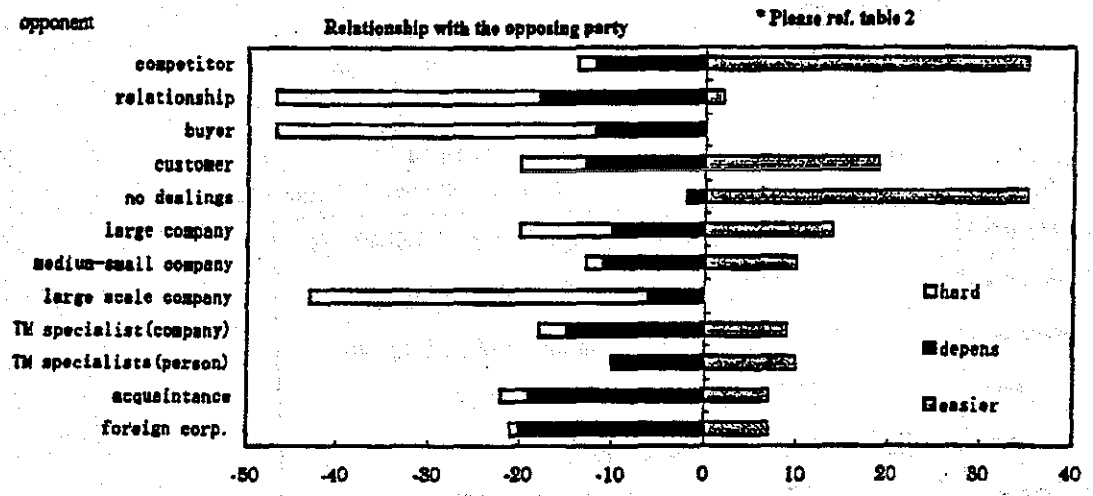
Note that the subject of the above consideration is limited to mainly company brand names and/or names which correspond to them. Applications to protect important trademarks which are related to individual products should be strictly limited only to the extent to which there is a possibility of confusion of the specified product/service.

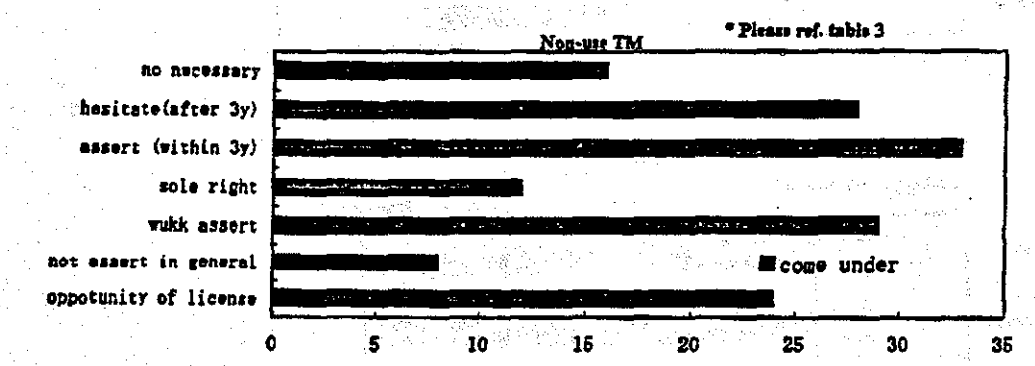
IV. Afterword

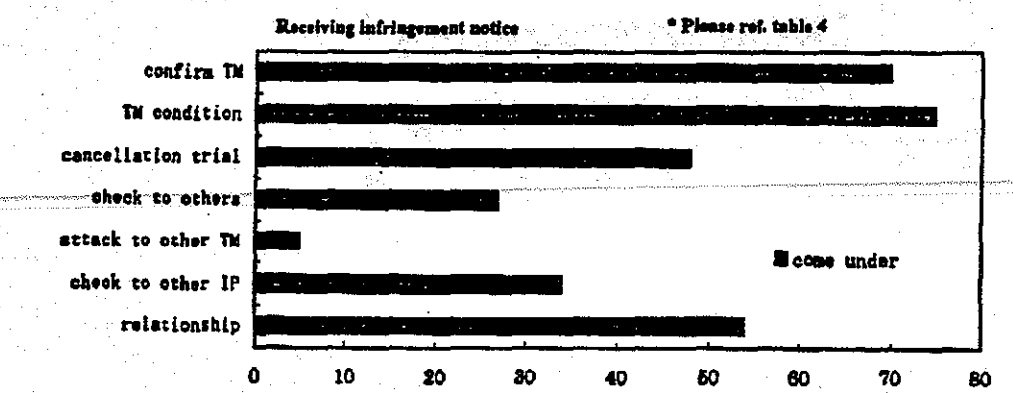
As can be understood from the responses to the questionnaire from various companies within Japan, the business people responsible within companies judge exercise of rights from many viewpoints. Naturally, although there portions in which differences in responses occur depending on the type of business or scale of business of the member companies, it should be strictly taken as total overall tendencies.

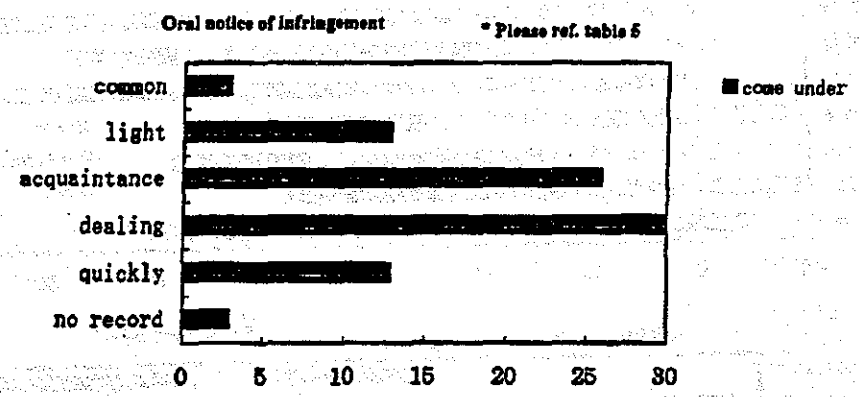
Accompanying the increase in the speed of information transmission, the scale of world trade, and complexity, a further increase in intellectual property disputes is forecast, but it cannot be said that resolution of such disputes by legal harmonization is sufficient. The purposes of harmonization can be achieved only to the extent of efforts which are made towards mutual understanding of the customs and national characters born of the historical background and environment of each country. Depending on the condition of the documentation, there may be portions where analysis is insufficient or wording is insufficient, therefore take this into consideration concerning the result tables of the questionnaire.

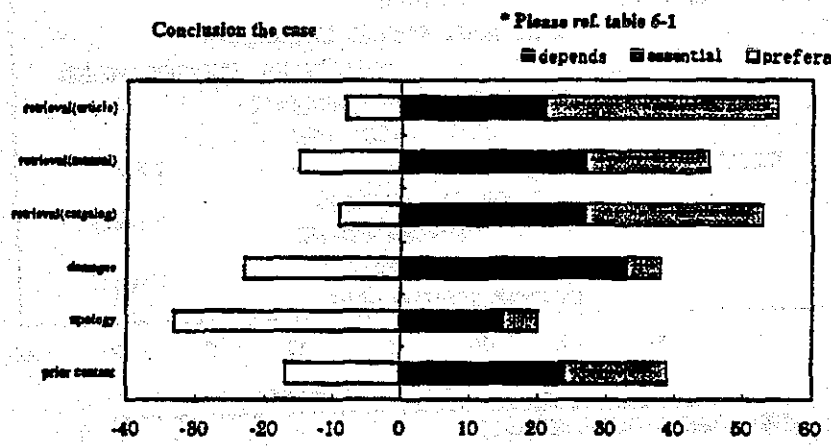

Elements considered when taking action
* Please ref. table 1
extent of damage
malignancy
importance of TM
relationship
condition of use
license
expenses
past action
good name
ignor
most attn.
attn.
-10
0
10
20
30
40
50
60
70

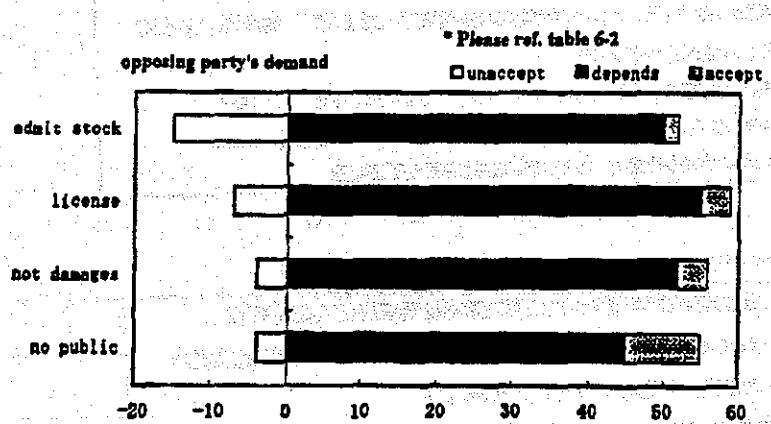

opponent
Relationship with the opposing party
* Please ref. table 2
competitor
relationship
buyer
customer
no dealings
large company
medium-small company
large scale company
TM specialist(company)
TM specialists(person)
acquaintance
foreign corp.
hard
depens
easier
-50
-40
-30
-20
-10
0
10
20
30
40


Non-use TM
* Please ref. table 3
no necessary
hesitate(after 3y)
assert (within 3y)
sole right
wukk assert
not assert in general
oppotunity of license
come under
0
5
10
15
20
25
30
35


Receiving infringement notice
* Please ref. table 4
confirm TM
TM condition
cancellation trial
check to others
attack to other TM
check to other IP
relationship
come under
0
10
20
30
40
50
60
70
80


Oral notice of infringement
* Please ref. table 5
common
light
acquaintance
dealing
quickly
no record
come under
0
5
10
15
20
25
30


Conclusion the case
* Please ref. table 6-1
depends
essential
preferable
-40
-30
-20
-10
0
10
20
30
40
50
60


opposing party's demand
* Please ref. table 6-2
unaccept
depends
accept
admit stock
license
not damages
no public
-20
-10
0
10
20
30
40
50
60

Questionnaire - Trademark Infringement

I. Elements considered when taking action

(◎: particular attention, ○: attention, x : ignor)

Table 1

	◎	○	x
Extent of damage	50	12	0
Malignancy	22	34	4
Importance of TM	56	14	0
Relationship with opposing party	5	52	2
Use of the TM by your company	35	34	0
License agreements with third parties	7	40	8
Expenses expected in action	6	42	3
Action taken in precedent case	0	38	9
Company's good name	8	41	4

* Other opinion:
  - Scale of opposing party's.
  - Dilution.
  - All subjects are of consideration.

II. Relationship with the opposing party

Will your action differ according to yur relationship with the opposing party?

○	x
54	17

In the case of ○,

which elements have particular effect?

(○: easier to assert right, x: hard to assert right, Δ: depending on case, but has large effect)

Table 2

	○	Δ	x
Opposing party is competitor (same business).	35	12	2
Have cooperative business relationship	2	18	29
Opposing party is your company's customer	0	12	35
Your company is opposing party's customer	19	13	7
No dealings	35	2	0
Opposing party is large company	14	10	10
Opposing party is medium-small company	10	11	2
Opposing party is large scale company	0	6	37
Opposing party has detailed knowledge of TM	9	15	3
TM specialists in opposing party's company	10	10	0
Acquaintance with the opposing party's person in charge of TM	7	19	3
Opposing party is foreign corporation	7	20	1

* Other opinion:
  - No change due to opposing party, but would consider the above items.
  - Would consider the above but not essential.
  - Would assert right if opposing party were down-the-line manufacturer.
  - Would assert severely if it was dead copy, repeated infringement, etc.
  - In the case of unfair use, would not hesitate to exercise.

III. Non-Use Trademark (Except TM used in past/used in other class)

What do you thind of asserting your right based on a non-use TM?

Table 3

	o
Essentially no damage, therefore no necessity	16
hesitate in fear of cancellation trial (TMs 3 years after registration)	28
would consider when within 3 years from registration	33
holder of TM has sole right to use, Will assert right	12
registered the TM with a plan to use in future, Will assert right	29
when not in use in, should not assert right, Only used TMs have value in protecting	8
An opportunity for gaining lisence fee	24

* Other opinion:
  - would assert right if there is intent-to-use and within 3 years of registration.
  - Possibility of an assignment is higher than license.
  - License/assignment to apx. recover the application costs (not considered as an assert).
  - Would decide by possibility of the TM being cancelled, size of damage, amount etc., but necessity for asserting right is lower.

IV. Receiving infringment notice

What checks would you make?

Table 4

	o
confirm opposing party's effective TM	70
investigate TM's condition of use by opposing party	75
consider lack-of-use cancellation trial, invalidation trial.	48
check opposing party's infringements on your TMs	27
consider attacking other TMs owned by opposing party.	5
check whether there are other IP disputes between two companies	34
Look for business relationship between two companies	54

* Other opinion:
  - seek possibility of amicable resolution through top-level relationships.
  - check business conditions and content of opposing party (especially unknown company).
  - check whether TM is used as common term or product display terminology.

V. Oral notices of infringment

Have you ever given an oral notice?

o	x
40	31

In what cases

Table 5

	o
oral notices common among your companie's business field	3
degree of infringement is light.	13
acquaintance with opposing party's person in charge of TMs	26
have dealings with the opposing party.	30
To solve the case more quickly	13
not to leave any record.	3

* Other opinion:
  - To see opposing party's reaction before delivering written notification.
  - Policy is to give written notice.

VI. Concluding the case

In order to conclude a case, what conditions are required? (other than termination of infringement action)

(◎ : essential, ○ : depending on case, Δ : Preferable)

Table 6

	◎	○	Δ
Retrieval/disposal of infringing article	34	21	8
Retrieval/disposal of documents such as manuals etc.	18	27	15
Retrieval/disposal of sales publications such as catalogs etc.	26	27	9
Payment of damage compensation	5	33	23
Require published apology	5	15	33
require prior concent	15	24	17

* Other opinion:
  - ◎ Documents recording the intent of liability for the infringement
  - ◎ Submission of document stating never to re-infringe.
  - ◎ Conclusion of agreement or submission of written oath recording necessary content
  - ◎ Manufacture information (when opposing party is sales company and is not the manufacturer)
  - ○ Agree to damage compensation in cases of future infringement
  - ○ The schedule concerning withdraw, etc.

Will you accept any of the following conditions?

(x : unacceptable , Δ : acceptable depending on case, ○ : easily acceptable

Table 7

	x	Δ	o
admit stock	15	50	2
license	7	55	4
not to require damages	4	45	4
not to publicize to others	4	45	10

* Other opinion:
Δ On cases based on unsuitable instructions from subsidiaries of the company, We will admit disposal of stock/renouncement of damage compensation.
Δ Retrieval of infringing articles already on the market

VII. Your company's field of business

Does your company produce or sell goods for the consuming public?

Field of business		Medical	Chemical/ Textiles	Machinery/ Metals	Electrical	Precision Machines	Auto-motive	Foods	Service	Other	Total
Number of companies		8	27	7	15	3	6	4	1	2	71
General Products	Yes	8	19	6	12	3	6	4	0	0	58
	No	0	8	1	1	0	0	0	1	2	13

Respondents: Japanese PIPA Members (71)

THANK YOU FOR YOUR COOPERATION

(1) Title: PATENT EXHAUSTION AND LICENSE AGREEMENT

(2) Date: October, 1995 (26th International Congress at San Francisco)

(3) Source

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

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(5) Keywords:

PATENT EXHAUSTION, IMPLIED LICENSE, LICENSE, CROSS LICENSE, INDEPENDENCY OF INFRINGEMENT ACT

(6) Statutory Provisions:

PATENT LAW

(7) Abstract:

There is no question under the "Patent Exhaustion" theory that any patented products sold by its patent owner do not raise any patent infringement issues when such products are once put on market by the patent owner. The theory can be applicable to any products sold by licensee who obtains license from the patent owner. But, under the present trend of pro-patent, there are some cases in which a patent owner enforces its patent against several accused infringers on each stage such as manufacturer, dealer or users, based on a same patent.

We study in this paper some aspects of these trend in terms of "Patent Exhaustion" theory.

PATENT EXHAUSTION AND LICENSE AGREEMENT

I. INTRODUCTION

Under the present trend that the intellectual property right is regarded as important, an aggressive utilization of patent right is generalized as a means to proceed the business more advantageously.

Under such circumstances, it seems that there is a movement by a patent owner, who believes to have found some high value on a specific patent, to enforce its right more effectively by asserting its right to several accused infringers in different stages of distribution such as manufacturer, dealer, retailer or user on a same product.

However, in case the enforcements of right are made against such plural accused infringers on a same product or the duplicated enforcements of right are made by using categorical difference, it may be related to so-called "Patent Exhaustion".

Accordingly, we would like to summarize the basic theory of "Patent Exhaustion", considering various presumed types of "the exercise of patent right" and to investigate into the claims of patent owners and of defendants for your reference.

Recently, juridical decisions with respect to the "Patent Exhaustion" have been rendered in the U.S.A. The "Patent Exhaustion" in a domestic market, in which the goods under patent are distributed in the same domestic market, will be specially focussed on in this paper.

2. PATENT EXHAUSTION AND ITS CASE IN JAPAN AND IN THE U.S.A.

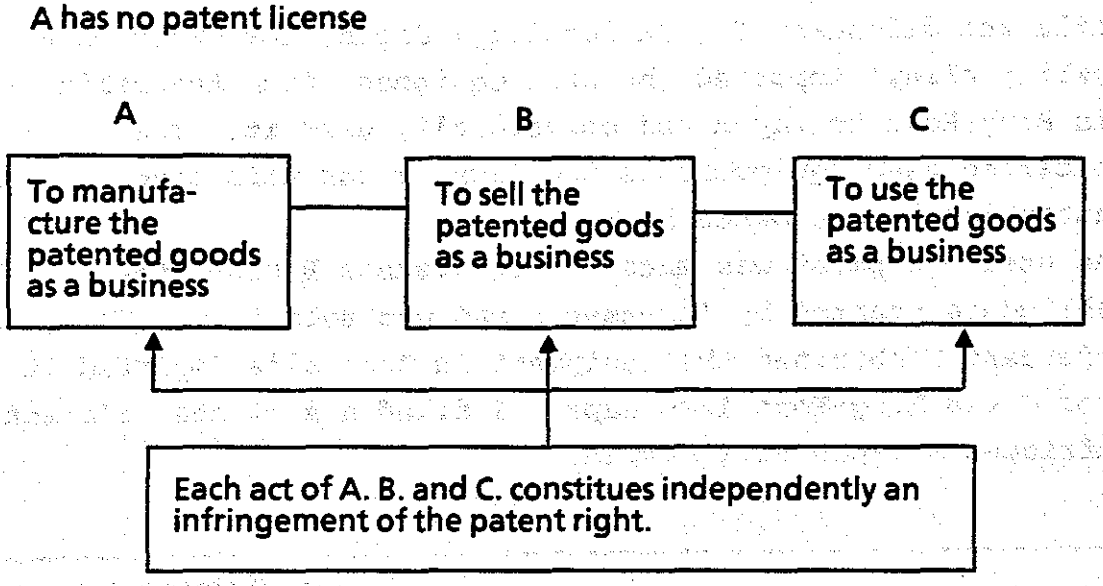
2-1:Patent Exhaustion in Japan

(1) "Independency of infringement act" and "Patent Exhaustion"

We explain you a relation between "Independency of infringement act" (to make, to use,to sell, to lease, to exhibit, to import etc) and "Patent Exhaustion" as follows;

"Independency of infringement act" is a principle that each act such as manufacture, use, sale, lease, exhibit or import constitute independent infringement. For instance, an act by A as a business to make a patented goods illegally is itself an act of infringement, regardless whether or not the goods are sold. In the case when B purchases the goods from A, and B sells them commercially to C, and C uses it, an act to make the goods by A, an act to sell the goods by

B, an act to use the goods by C, constitute independently an infringement on the patent right.



"Patent Exhaustion" is a theory to explain the exceptional case from the above mentioned "Independency of infringement act", and means that a person, who bought the patented goods from its patent owner or licensee, does not infringe the right, even if he uses or resells the same.

In brief, once the patented goods have been sold legally by the patent owner or its licensee, such patented goods are freed from the patent right according to the "Patent Exhaustion".

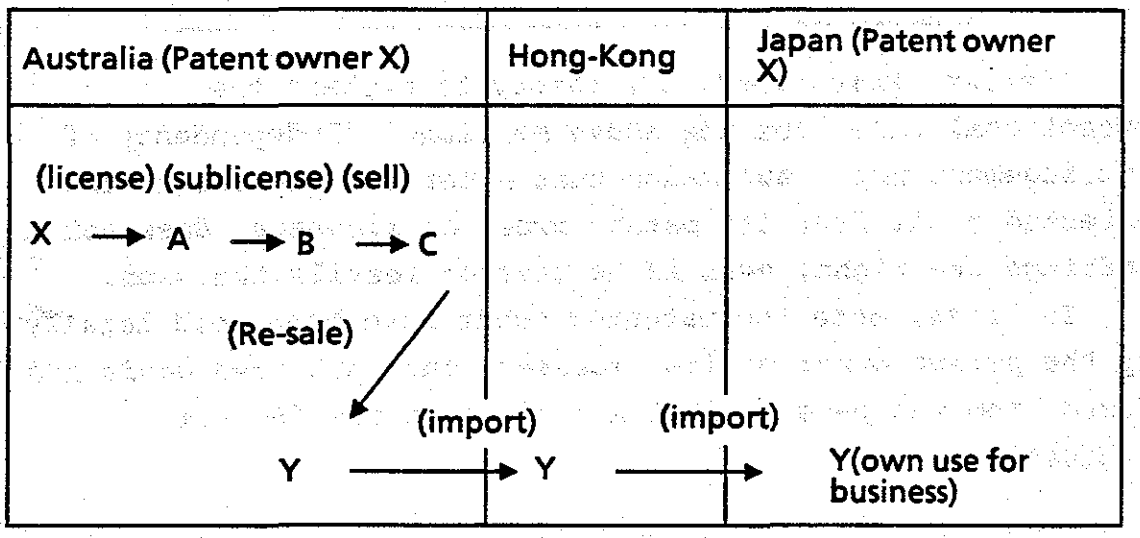
2.2: Cases on "Patent Exhaustion" in Japan

(1) The case of automatic pin setter for bowling (Decision by Osaka District Court on 9 June 1969)

By this court decision, "Patent Exhaustion" was accepted. The case itself renders a judgment that the legal sale abroad of the patented goods does not constitute the exhaustion of domestic patent in Japan, however,the "Patent Exhaustion" caused by an domestic act is admitted as a proper one.

The outline of this case is as follows;

The plaintiff X (Nationality: U.S.A., the manufacturer and the seller of the bowling equipment, the patent owner) has the patent right in Japan and in Australia, as to the invention regarding "automatic pin setter for bowling", while the defendant Y (Nationality: Japan, the owner of a bowling alley) imported the used equipment from Australia via Hong-Kong to Japan and commercially used it. The concerned used equipment is the legal goods utilizing Australian Patent owned by X.
The used equipment was made by sublicensee B under the sublicense granted by licensee A and was sold to C. The defendant Y obtained the equipment in Australia imported it from C via Hong-Kong into Japan. X filed a suit that Y's act infringes X's patent in Japan.



According to the decision: "As the goods was legally sold in Australia by the sub-licensee B of X's Australian patent, it is admitted that the Australian patent has exhausted. But B has a sub-license within a territory of Australia only, and it is never admitted that the said sub-license will cover the grant of sub-licensing right to be extended to Japan.

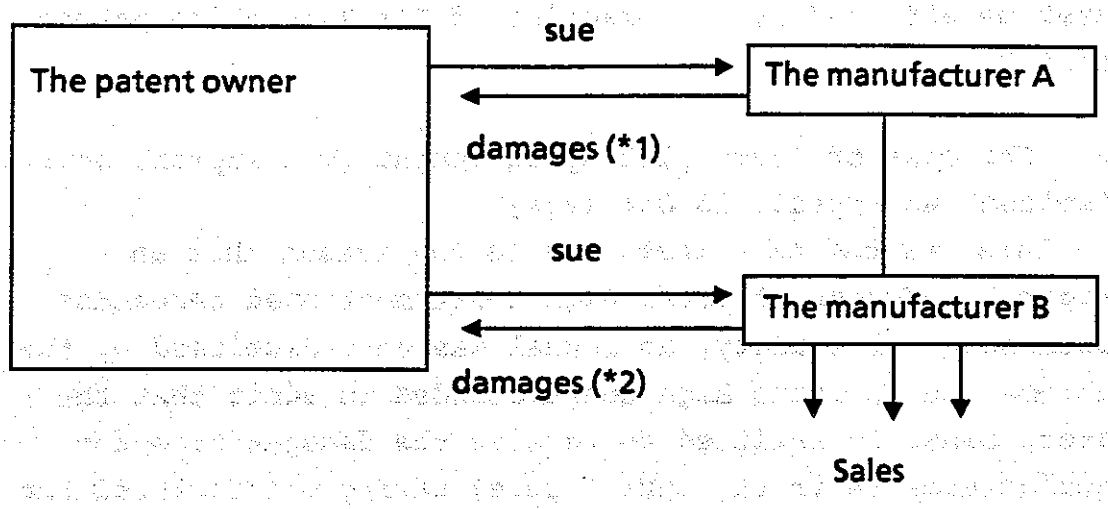
The effectiveness of X's Japanese patent right shall never be affected by the practice of X's Australian patent right."

(2) The case of laver pick-up equipment (The supreme court, dismissal an appeal, 25 Oct.1994)

This was the case that, due to the reason that an original judgment of Osaka High Court mentioned hereunder contains no-illegality, an appeal was thus dismissed by the Supreme Court. Osaka High Court decided to admit that the patent owner is entitled to receive the damages from the manufacturer (A in the next figure) having manufactured the patented equipment as well as the compensation from the seller (B in the next figure) having bought the equipment from A and sold them to its customers, on the basis of the infringement on the same patent right respectively. The Supreme Court did not say the detailed reason why the appeal was to be dismissed and did not adopt the "Patent Exhaustion" theory.

In the original judgment, it was decided, as shown in the below-mentioned figure, that the damage sustained by the patent owner(calculated on the basis of the profit gained by the manufacturer A) through an act of manufacture and sale of the patented equipment by the manufacturer A was to be paid. In addition, the seller B should pay an amount corresponding to the royalty.

The case seems to be that the "Patent Exhaustion" theory is to be applicable. However, it was so explained and understood that because the necessary premises to constitute the doctrine, "authorized sale of a patented product" was not performed at the time of the sale, the theory was not applied.(Invention: Vol92 M5 Kamiya)



*1: compensation to damage calculated on the basis of the profit gained by A

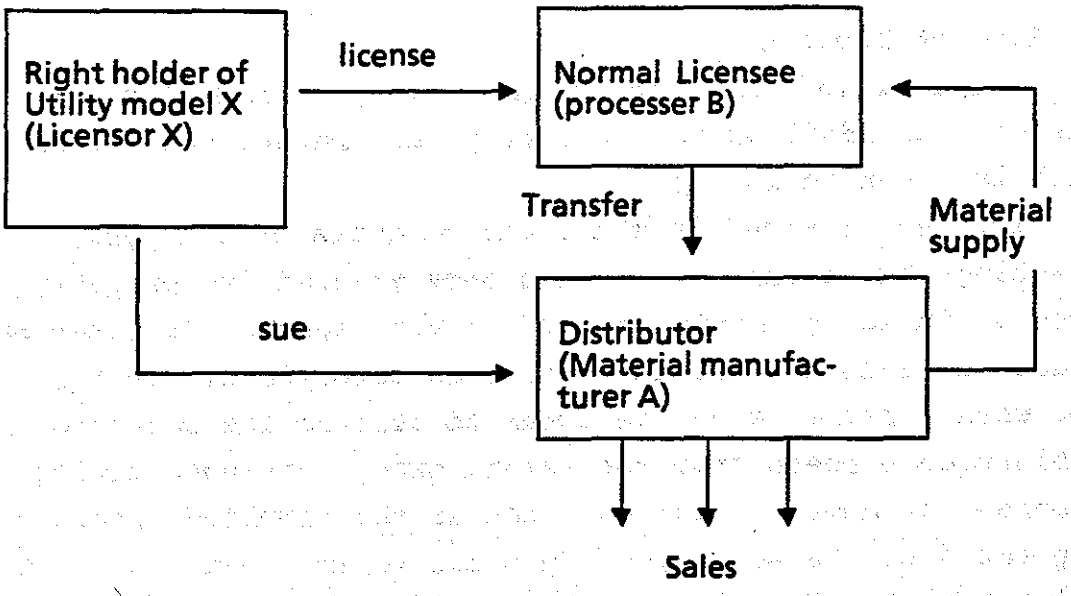
*2: royalty as compensation to damage sustained by the patent owner due to B's sales act.

However, according to this judgement, the "Patent Exhaustion" theory may be applicable only when a patented product is legally bought from the patent owner, and if the license was not obtained by the manufacturer at the time of sale of a patented product, a person who bought such patented product may be brought an action under the civil law.

And suppose if it is possible to bring an action under the civil law to each infringer,the manufacturer shall, theoretically, bear all of the royalties accrued on every steps of distribution, which is not always appropriate.

(3) The case of plastic door frame (Nara District Court:28 May 1975-Showa 50 No 287)

This is a case that an act to sell the products obtained from licensee is normally the proper act within scope of a license of utility model, and that the alleged infringement was therefore rejected.



The case was disputed if, on the premise that B is the licensee of Utility model X, the distributor A's sales act infringes the right of utility model, when A, being the material producer, supplies the material to X's licensee B and B processes the material to complete the licensed products for A, and A sells the same as its own products on the market.

The judge decided that the sales act of the goods, which were legally manufactured by the proper licensee B and legally transferred to A, was a proper act to be included in a license conditions.

2-3: Domestic Exhaustion Theory in the U.S.A.

(1) Patent Exhaustion

"Patent Exhaustion" is a theory that an exclusive right of patent owner has to be exhausted at the first sale of the patented goods by the patent owner or its proper licensee. It is said that the theory has been established to prevent from a double gaining by the patent owner.

The person who bought legally the patented goods, which should be used only to utilize for execution of the patent, is entitled to use or to resell such goods without any restriction by the patent owner. The patent owner is not permitted to make any restriction of the resale price.

(2) Implied License

In the U.S.A.,there is another concept named "Implied License", in addition to the concept of "Patent Exhaustion" which is accepted in Japan.

"Implied License" is the right on basis of estoppel, effecting that a person, who has once granted its property license, is not permitted to injure the right of licensee by an act to be done later than its conclusion date. In the case when a person buys the goods to utilize the patented combination process from the patent owner, assignee or its licensee, it comes to the question if the "Implied License" is granted at the same time. In order to impose an affirmative existence of "Implied License", it is usually necessary to fulfill two conditions mentioned below;

1) The sold goods shall not have "non-infringement usage"(Once the goods are used, they shall automatically infringe on the patent)

2) It is inferred that the license has been granted at the sale of the goods.

2-4: Precedent of Court Judge regarding the "Patent Exhaustion"

(1) Patent Exhaustion

Adams vs.Burke, 84 US(17 Wall.)463,21 L. Ed.700(1873)

The patented goods: Coffin Cover

plaintiff: A licensee, who has the sales right of the patented goods outside Boston.

Defendant: A person, who has bought the patented goods from such a person, having a sales right of the same in Boston, and has used the same outside Boston.(The defendant was a funeral undertaker and the goods was used for a business purpose.)

Judgment: Once the goods was properly manufactured and sold, no limitation should be given to its use. When the machine or equipment are sold, which are worthwhile only when they

are used, it is deemed that the patent owner or its assignee have already received a license fee at the time of their sale, and have parted from any restriction right of its use. The goods are to be distributed free from any limitation caused by any exclusive right whatsoever.

United States vs. Univis Lens Co.,316U.S.241,86 L.Ed.1408,62 S. Ct.1088(1942)

The sales right owner of double focus lens blank is not entitled to control the selling price of the lens polisher or of lens distributor. (The patented goods seems to be the double focused lens.) The sale of the goods accepted by the patent owner, which is to be used exclusively for the practice of the patent, shall cease the exclusivity of the patent on the concerned goods. There is no other way for the double focus lens blank to utilize it other than to make the spectacle by its polishing.

Cyrix Corp. vs. Intel Corp.,32USPQ2d 1890, Eastern District of Texas 1/21/1995

The "Patent Exhaustion" is to prevent from the double gaining by the patent owner, and if a non-infringement use of the goods licensed by the patent owner could be invented, the theory can not be applied.

(2) Implied License

Met Coil Systems Corp. vs. Lorners Unlimited Inc.(231 USPQ 474, Fed. Cir.1986)

Patent: Patent concerning equipment and process about duct.

plaintiff(Patent owner): sold a machine to form metal ducts and flange for the patented equipment, and also sold special corner pieces to be used together with the flange.

Defendant: sold corner pieces.

The plaintiff asserted that the patent infringement was induced by the sale of corner pieces by the defendant, but the District Court judged that the patent owner granted an "Implied License" to its customer by selling the forming

machine and that there was no inducement of nor contribution infringement by the defendant, as no direct infringement existed.

The Federal Circuit also rendered the decision to acknowledge the "Implied License". It was necessary to fulfill two conditions that the "Implied License" was to be recognized.

1) The goods sold by the patent owner had no application in the non-infringement field.
- The requisite was fulfilled concerning the forming machine.

2) The condition of sale should clearly indicate to be able to induce that the "Implied License" had been granted.
- This requisite was also fulfilled. Although the defendant was responsible to prove the matter, the execution of the claimed process and the existence of the machine only to make the claimed products would have been a prima facie to kick back the burden of proof to the patent owner, who gave no contra-evidence whatsoever.

The plaintiff asserted that the second requisite was not fulfilled, because the plaintiff advised to the customers that the corner pieces might not be bought without license, however, the court rejected this assertion due to the fact that the advice after the sale of the forming machine was not acceptable.(If this advice would have been made before the sale of the machine, the plaintiff's assertion might have been accepted.)

2-5: Burden of proof as to the First Sale

In order that the "Patent Exhaustion" or the "Implied License" is established, it is necessary that the first sale of the goods has been performed legally under a license or an approval by the patent owner. It is inconsistent in the judges of the U.S.A. which party,i.e.the plaintiff or the defendant, shall have the burden of proof to this point.

Bassick Mfg.Co. vs. Adams Grease Gun Corp.,54F.2d285,12 UPSQ 78(2d Cir.1931), cert.dismissed,286 U.S.567(1932)

"the defendant has the burden of proof to establish an implied license."

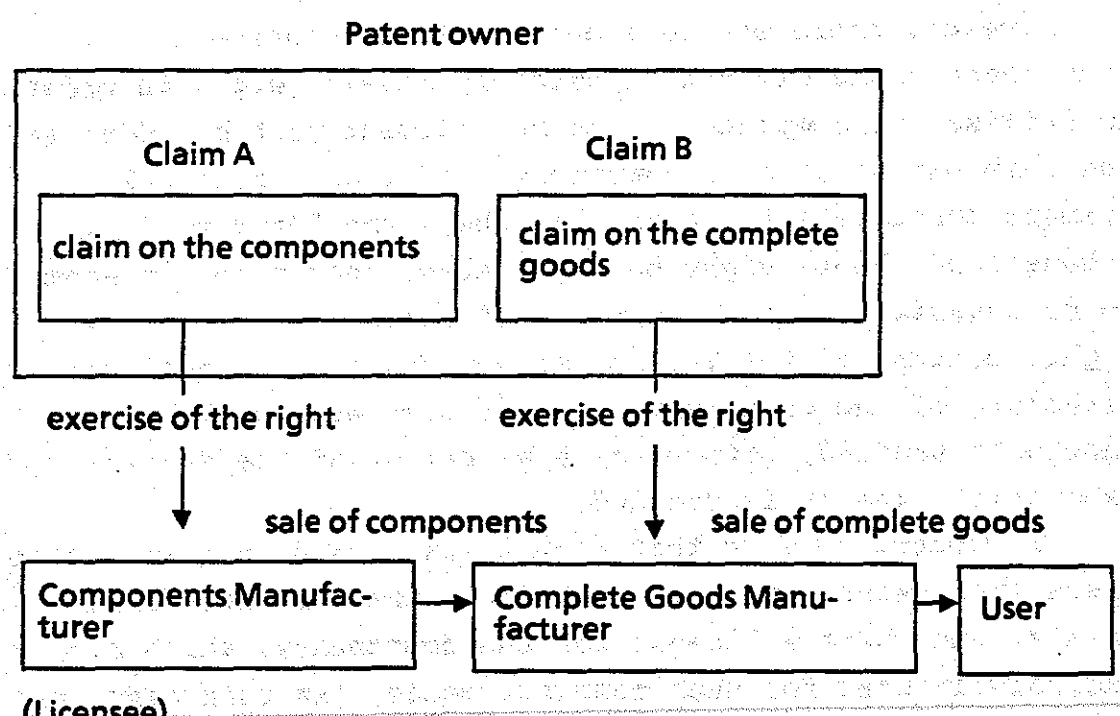
Green vs.Electric Vacuum Cleaner Co.,132F.2d 312,313,56 USPQ 127(6th Cir.1942)

"There is authority for the proposition that one who buys patented articles from a vender who has himself purchased them from unknown manufacturers, does not carry the burden of showing that he is a licensee"

3. CASE STUDY

3-1: Enforcement of Patent Rights on Each Distributional Stage on basis of Different Claims in the Same Category in the Same Patent.

(1) Enforcement on basis of the claims on the components and on the complete goods.



It is a question whether or not the patent right to capture complete goods has been exhausted by an authorized act to make and to sell the components by the components manufacturer, in case a patent claim to cover the components as well as a patent claim to cover the complete goods are included in the same patent. In other words, whether or not

the patent owner is able to assert its right under the claim on the complete goods, to the complete goods manufacturer.

Suppose that the components manufacturer is the licensee who can legally practice inventions in claim A and B as well.

The goods sold properly by the components manufacturer are the components covered by the claim A only, and the sale of the complete goods covered by the claim B by the same manufacturer has not yet been done. Because the sale of the complete goods including such components is firstly done by the complete goods manufacturer, the patent has not yet been exhausted in connection with the complete goods claim B, and it is difficult to consider that the patent owner has already received a sufficient remuneration for his/her disclosure of the whole invention and for the practice of invention done by complete goods manufacturer.

However, there may be a case that the concerned components alone can not function by itself (e.g., in order to utilize the components, another element must be added and the combination of such components and such additional element constitute the claim B), where the "Patent Exhaustion" theory might be applicable, therefore, it seems to be necessary that the content of claims of the patent right, content of the license agreement, and the business structure of the components manufacturer etc shall be carefully studied, before the application of the "Patent Exhaustion" theory is decided.

In connection with this case study, there is also a case where such patent in which a claim on the complete goods exists, and where a license for the components, which are exclusively used for such complete goods, (in this case, an contributory infringement may occur) is granted to such manufacturer, who manufactures and sells the same to the complete goods manufacturer. It is the question whether the patent right can be enforced on this complete goods manufacturer, but before the decision is made,it should be also necessary to study on each case so carefully as the case of the foregoing example.

(2) The Referential Precedent in the U.S.A.

"Cyrix Corp. vs. Intel Corp."

(32 USPQ 2d 1890, Eastern District of Texas 1/21/1994)

The patent (owned by Intel Corp.) disputed by the suit concerns about a memory control system of CPU,in which the claim 1 covers CPU itself and the claims 2 and 6 cover the combinations of the said CPU and an outside memory.

Cyrix had manufactured CPU for its own use by Texas Instruments Inc. ("TI") and SGS Thomson Inc., who are the authorized licensees of Intel, and since Intel was not entitled to sue Cyrix directly (see next Section 3-2), issued warning letters to Cyrix's users like Compaq etc. stating probable patent infringement due to its claims 2 and 6 of the patent. Against this action, Cyrix asked a declaratory judgment of non-infringement, due to the fact that the concerned patent right has been exhausted through the manufacture under the proper license agreement.

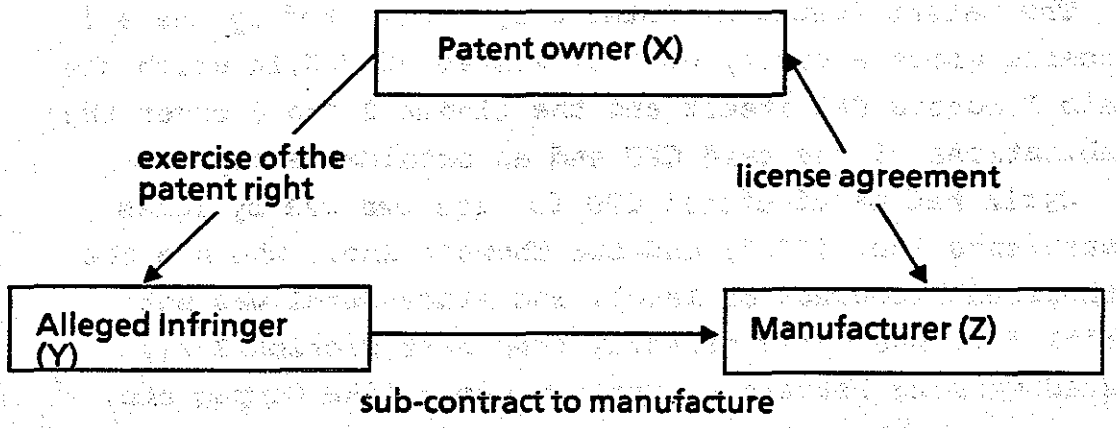
The court decided clearly that the agreement between Intel and TI is not extended to TI's customer(in this case Cyrix) with respect to Intel's claim on the system, however, because CPU (in this case, the CPU infringing the claim 1 of Intel's patent) itself does not function without an outside memory, the court rendered the judgment that the claims 2 and 6 have been exhausted.

3-2: To have manufactured the Patented Products to the Proper Licensee, having the Right to Make and to Sell the same.

For instance, in the field of computer or semi-conductor, the designs of products is done by its own hand, while their manufacture are sub-contracted to such enterprise having manufacturing technology and necessary equipments. And there is such a case, that the enterprise, being sub-contracted in manufacturing, has concluded a license agreement with the patent owner in question.

That is to say, as shown in following figure, the patent owner(X) exercised its right on the alleged infringer(Y),

while the alleged infringer(Y) sub-contracted the manufacturer(Z), who received the license from the patent owner(X).



In such a case, it is a question whether the patent right of its holder(X) has been exhausted or not, by the manufacture and sale of the goods for the alleged infringer (Y) by the manufacturer(Z), who is the licensee of the patent owner(X).

In this connection, the following decisions have been recently rendered in the U.S.A., but there was not any related cases in Japan.

(1) Intel Corp. vs. ULSI Systems Technology Inc.

In this case, ULSI System had manufactured the semi-conductor chips designed by its own by Hewlette-Packard, being the licensee of Intel.

Intel and Hewlette-Packard have made a very broad cross-license agreement, by which all of patents including their future applications up to the year 2000 have been and will be mutually licensed.

Intel asserted that an act done by Hewlette-Packard should be merely manufacturing service, not constitute the sale of goods, however, the court judge decided that the concerned license agreement did not prohibit Hewlette-Packard from supplying the manufactured goods, and that an act done by Hewlette-Packard constituted the first sale of

the goods, consequently Intel's patent right had been exhausted.

(2) Cyrix Corp. vs. Intel Corp.

In this case, Cyrix designed the semi-conductor chips and had manufactured the chips by SGS-Thomson, being Intel's licensee.

The court judge decided that because all of right on the manufactured goods were possessed by SGS-Thomson until such time when the goods were delivered to Cyrix, the patent right was exhausted by the transfer of the goods to Cyrix.

(3) Intel Corp. vs. Atmel

In this case, Atmel designed the semi-conductor chips and had manufactured the chips by Sanyo, being Intel's licensee.

Contrary to the judges of the preceding cases, the court decided this time that because Sanyo was permitted to sell its own products only according to the Agreement between Intel and Sanyo, Intel was entitled to enforce its right on Atmel.

3-3: Invention of Process and "Patent Exhaustion"

Because the process itself can not be sold as the trading goods, "Patent Exhaustion" theory can not be applied to the process patent. The "Patent Exhaustion" concerns when the process patent exists together with the patent on the equipment to perform such process.

The key points according to each case is described below;

(1) The case that the patent owner retains the patent right of the process as well as the right on the equipment to carry out the process.

The process can be carried out only with the equipment and the equipment is used for the said process only.

Patent: Process + Equipment

Process = possible to carry out only with the said equipment

Equipment = can be used only for carrying out the said process

In this case, there is no difference with such case when the patent right exists on the equipment only. The patent exhausts when the equipment is sold. Because it is deemed that the implied license on the process has been granted at the time when the equipment is sold by the patent owner.

(2) The case that the patent owner retains the patent right of the process as well as the right on the equipment, however, the process can be carried out with other equipment not covered by the patent.

Patent: Process + Equipment

Process = can be carried out with other equipment

Also in this case, the patent right is exhausted when the equipment is sold. However, the purchaser of the equipment is not entitled to carry out the patented process with other equipment.

If the process is carried out with other equipment, the corresponding license agreement must be concluded with the patent owner.

4.CONCLUSION

In this paper, we have studied the "Patent Exhaustion" theory, considering various cases of enforcement of the patent right.

The "Patent Exhaustion" provides the limitation with respect to an enforcement of patent right, on one hand, in view of effective utilization of the patent in the activities such as the sale of the patented goods or the licensing by the patent owner, and on the other hand, in view of implementation of the smooth business activities of the purchaser of the patented goods or of the licensee.

In so far as the patent system is to contribute to the industrial development, excessive enforcement of the patent

right does not meet the spirit of the patent system, and from the requirement of the proper protection of the invention, it shall be assured that the patent owner can enjoy sufficient remuneration from those who will utilize and carry out his patent.

The issue of "Patent Exhaustion" is to be settled in balance of such requirements of both sides.

Recently in Japan, Tokyo High Court rendered the judgment about an international exhaustion of the patent right, and this problem became a matter of concern together with the problem of parallel import.

The further development is highly worth noticing.

1995 U.S. Antitrust Guidelines for the Licensing of Intellectual Property

Donald L. Corneglio
The Upjohn Company

Introduction:

On April 6, 1995, the U.S. Department of Justice and the Federal Trade Commission issued a new set of guidelines for the licensing of intellectual property. These Guidelines state the antitrust enforcement policy of the U.S. Department of Justice and the Federal Trade Commission (Agencies) with respect to the licensing patents, copyrights, trade secrets and know-how. This paper is a condensation of those published guidelines. Readers are strongly cautioned that these are only guidelines to assist in predicting whether the Agencies will challenge an intellectual property licensing arrangement as anticompetitive; however, as the Agencies stated in their publication, each case will be evaluated in light of its own facts and circumstances.

The intellectual property laws and the antitrust laws share the common purpose of promoting innovation and enhancing consumer welfare. The intellectual property laws provide incentives for innovation, dissemination and commercialization by establishing enforceable property rights to the creators. The antitrust laws promote innovation and consumer welfare by prohibiting anticompetitive acts.

General principles:

For the purpose of antitrust analysis the Guidelines have three general principles:

(1) the Agencies will regard intellectual property as being essentially comparable to any other form of property;

(2) the Agencies do not presume that intellectual property creates market power in an antitrust context; and

(3) the Agencies recognize that intellectual property licensing is generally procompetitive and will allow parties to combine complementary factors of production.

Principle #1: Standard antitrust analysis applies to intellectual property.
The Agencies will apply the same general antitrust principles to agreements involving intellectual property that they apply to agreements involving any other form of tangible or intangible property. Except that, it is recognized that the procurement of intellectual property can in itself involve fraud and inequitable conduct in the Patent and Trademark Office which creates special

circumstances and facts for an antitrust analysis. Enforcement of intellectual property known to be invalid or obtained by fraud or inequitable conduct is an antitrust violation.

The Agencies recognize that intellectual property law bestows on the owners certain rights to exclude others. These rights help the owners to profit from the use of their property. However, certain types of conduct may have anticompetitive effects against which the antitrust laws can and do protect. Patent misuse is an antitrust violation and includes knowingly attempting to broaden the scope of a patent's valid claim or demanding a royalty beyond the patent's expiration. Thus, intellectual property is neither free from scrutiny or suspect under antitrust laws.

The Agencies recognize that the licensing of intellectual property is often international. Therefore the principles of antitrust analysis described in the Guidelines apply equally to domestic and international licensing arrangements. However, considerations particular to international operations, such as jurisdiction and comity, may affect enforcement decisions when the arrangement is in an international context.

Principle #2: Intellectual property and market power.
Market power is the ability to maintain profitable prices above, or output below, competitive levels for a significant period of time. The Agencies will not presume that a patent, copyright, or trade secret necessarily confer market power. Although the intellectual property right confers the power to exclude there will often be sufficient actual or potential close substitutes to prevent the exercise of market power. If a patent or other form of intellectual property does confer market power, that market power does not by itself offend the antitrust laws. Nor does such market power impose on the intellectual property owner an obligation to license the use of that property to others. As in other antitrust contexts, however, market power could be illegally acquired or maintained, or, even if lawfully acquired and maintained, can be an antitrust violation if it is used to harm competition through unreasonable conduct.

Principle #3: Licensing has procompetitive benefits.
Generally, licenses will be regarded as procompetitive. The guidelines recognize that intellectual property owners may find it more efficient to contract with others to supply, manufacture, or distribute the intellectual property, or to sell rights to the intellectual property, or to enter into a joint venture arrangement for its development, rather than supplying these factors themselves. Thus, licensing, cross-licensing, or otherwise transferring intellectual property can lead to more efficient exploitation of the intellectual

property, benefiting consumers through the reduction of costs and the introduction of new products. Such arrangements also increase the value of intellectual property to the developers of the technology by increasing the expected returns from the intellectual property and creating an incentive for further innovation and development.

The guidelines recognize that licenses necessitated by improvement patents dominated by the more basic patent are procompetitive because licensing may promote the coordinated development of technologies that are in a blocking relationship.

The guidelines also recognize that licensing restraints can be procompetitive. Field-of-use, territories, and other limitations on intellectual property licenses may serve procompetitive ends by allowing the licensor to exploit its property as efficiently and effectively as possible. On the other hand these restraints can give a licensee an incentive to invest in the commercialization and distribution of patented products and to develop additional applications for the licensed property. The benefits of licensing restrictions apply to patent, copyright, trade secret and know-how agreements. However as will be discussed below, restraints are the key points of analysis by the Agencies and must stand the test of not being anticompetitive to the extent that they cannot be found to be reasonably necessary to achieve procompetitive efficiencies.

Framework for evaluating licensing restraints

Rule of Reason

Normally, restraints in intellectual property licensing arrangements are evaluated under the rule of reason. The Agencies' general approach is to inquire whether the restraint is likely to have anticompetitive effects and, if so, whether the restraint is reasonably necessary to achieve procompetitive benefits that outweigh those anticompetitive effects.

Application of the rule of reason generally requires an inquiry into market circumstances. If the Agencies conclude that a restraint has no likely anticompetitive effects, they will treat it as reasonable, without an elaborate analysis of market power or the justifications for the restraint. Similarly, if a restraint facially appears to be of a kind that would always or almost always tend to reduce output or increase prices the Agencies will challenge the restraint without an elaborate analysis of particular market circumstances.

Unlawful *Per Se*

In some cases, the courts have conclude that a restraint's nature and necessary effect are so plainly anticompetitive that it should be treated as unlawful *per*

se, without an elaborate inquiry into the restraint's likely competitive effect. Among the restraints that have been held *per se* unlawful are price-fixing, output restraints, market division among horizontal competitors, and certain group boycotts and resale price maintenance.

Which Applies?

To determine whether a particular restraint in a licensing arrangement is given *per se* or rule of reason treatment, the Agencies will assess whether the restraint in question can be expected to contribute to an efficiency-enhancing integration of economic activity. If the type of restraint is one that has been accorded *per se* treatment, the Agencies will challenge the restraint under the *per se* rule. If the restraint has no efficiency-enhancing effect then the Agencies will apply a rule of reason analysis which will require an analysis of the relevant market and the parties relationship, i.e., vertical or horizontal.

Vertical relationships:

A licensing arrangement has a vertical component when it affects activities that are in a complementary relationship. For example, the licensor's primary line of business may be in research and development, and the licensee's is as a manufacturer. Alternatively, the licensor may be a component manufacturer owning intellectual property rights in a product that the licensee manufactures by combining the component with others, or the licensor may manufacture the product, and the licensee may operate primarily in distribution and marketing.

Harm to competition from a restraint in a vertical licensing arrangement can occur if a licensing restraint coordinations entities in a horizontal relationship to raise prices or reduce output in a relevant market. For example, if owners of competing technologies impose similar restraints on their licensees, the licensors may find it easier to coordinate their pricing. The risk of anticompetitive coordination is increased when the relevant markets are concentrated and difficult to enter.

Horizontal Relationships:

A relationship between a licensor and its licensees is horizontal when they would have been actual or likely potential competitors in a relevant market in the absence of the license. When a licensing arrangement affects parties in a horizontal relationship, a restraint in that arrangement may increase the risk of coordinated pricing, output restrictions, or the acquisition or maintenance of market power. Harm to competition also may occur if the arrangement poses a significant risk of retarding or restricting the development of new or improved goods or processes.

The Agencies will analyze whether the licensing arrangement may harm competition among entities in a horizontal relationship at either the level of the licensor or the licensee, or possibly in another relevant market. Harm to competition from a restraint may occur if it anticompetitively forecloses access to, or increases competitors' costs of obtaining important inputs, coordinations increases in price or restricts output. A licensing arrangement does not foreclose competition merely because some or all of the potential licensees in an industry choose to use the same licensed technology to the exclusion of other technologies because exclusive use can be the result of a technology having the lowest cost or highest value.

Market Analysis:
Licensing arrangements raise antitrust concerns if they are likely to adversely affect prices, quantities, qualities, or varieties of goods and services either currently or potentially available. In such cases, the Agencies will analyze only markets related to the final or intermediate goods made using the intellectual property. This analysis may require the delineation of markets for technology or markets for research and development (innovation markets) which means all close technology or goods that may be substitutes for the product covered by the intellectual property. The Agencies will delineate an innovation market only when the capabilities to engage in the relevant research and development can be associated with specialized assets or characteristics of specific parties.

To identify a technology's close substitutes the Agencies will identify the smallest group of technologies and goods over which a hypothetical monopolist of those technologies and goods could exercise control over price, market share, competitive intellectual property, competitive goods or close substitutes.

If a licensing arrangement adversely affects competition to develop new or improved goods or processes, the Agencies will analyze such an impact either as a separate competitive effect in relevant goods or technology markets, or as a competitive effect in a separate innovation market.

Licensing Restraints Analysis- Efficiencies and Justifications
If the Agencies conclude that the restraint has, or is likely to have, an anticompetitive effect, they will consider whether the restraint is reasonably necessary to achieve procompetitive efficiencies. If the restraint is reasonably necessary, the Agencies will balance the procompetitive efficiencies and the anticompetitive effects to determine the probable net effect on competition in each relevant market.

The Agencies' comparison of anticompetitive harms and procompetitive

efficiencies is a qualitative one. Therefore, as the expected anticompetitive effects increase, the Agencies will require greater evidence of expected efficiencies.

The existence of practical and significantly less restrictive alternatives will also be evaluated. If it is clear that the parties could have achieved similar efficiencies by means that are significantly less restrictive, then the Agencies will not give weight to the parties' efficiency claim.

The duration of an anticompetitive effect is an important factor in determining whether it was reasonably necessary to achieve the procompetitive efficiency. The effective duration of a restraint may depend on a number of factors, including the option of the affected party to terminate the arrangement unilaterally and the presence of contract terms that encourage the licensee to renew a license arrangement. In particular the Agencies will look for situations in which the restraint's duration clearly exceeds the period needed to achieve the procompetitive efficiency.

Antitrust Safety Zone

The Guidelines have established Safety Zones to provide owners of intellectual property with a degree of certainty for situations that the Agencies will not view as anticompetitive. However licenses outside the Safety Zone are not anticompetitive if they can pass the rule of reason test and achieve an efficiency-enhancing integration of economic activity. Also, the status of a license falling within a Safety Zone can change over time because the determination for inclusion in the Safety Zone is based on the factual circumstances prevailing at the time of the conduct.

Thus, the first Safety Zone is, absent extraordinary circumstances, an intellectual property licensing arrangement where:

(1) the restraint is not facially anticompetitive; and

(2) the licensor and its licensees collectively account for no more than twenty percent (20%) of each relevant market significantly affected by the restraint. (This safety zone does not apply to transfers of intellectual property rights in which case merger analysis is applied.)

If an examination of the effects on competition among technologies or in research development is required, and if market share data are unavailable or do not accurately represent competitive significance, the following Safety Zone criteria will apply:

(1) the restraint is not facially anticompetitive; and

(2) there are four or more independently controlled technologies in

addition to the technologies controlled by the parties to the licensing arrangement that may be substitutable for the licensed technology at a comparable cost to the user or that possess the required specialized assets or characteristics and the incentive to engage in research and development of a close substitute.

Antitrust Analysis Based on Agreement Type.

Non-exclusive Licenses

A non-exclusive license of intellectual property that does not contain any restraints on the competitive conduct of the licensor or the licensee generally does not present antitrust concerns even if the parties to the license are in a horizontal relationship, because the non-exclusive license normally does not diminish competition. However a non-exclusive license may have the effect of exclusive licensing if it is structured such that the licensor is unlikely to license others or to practice the technology itself. An example is where the licensee faced a significant increase in costs if it used unlicensed technology. However, a licensing arrangement will not automatically raise these concerns merely because a party chooses to deal with a single licensee or licensor, or confines his activity to a single field of use or location.

Exclusive Licenses

Generally, an exclusive license raises antitrust concerns only if the licensees themselves, or the licensor and its licensees, are in a horizontal relationship. Examples of exclusive licensing that may give rise to antitrust concerns include cross-licensing by parties collectively possessing market power, grantbacks and acquisitions of intellectual property rights. Regardless, Agencies will take into account procompetitive effects in evaluating the reasonableness of the arrangement. Therefore, exclusive dealings which may restrain the licensee from licensing, selling, distributing, or using competing technologies will not be *pro forma* considered anticompetitive. For example, a licensing arrangement that prevents the licensee from dealing in other technologies may encourage the licensee to develop and market the licensed technology or specialized applications of that technology.

Joint Ventures

The Agencies will analyze proposed joint venture by defining the relevant markets and then identifying any other entities that would be actual or likely potential competitors with the joint venture. This would include firms that have the capability and incentive to undertake research and development closely related to that of the joint venture, even if they are not competitors in relevant markets for related goods.

Having defined a relevant innovation market, the Agencies will assess whether the joint venture is likely to have anticompetitive effects in that market. A starting point in this analysis is the degree of concentration in the relevant market and the market shares of the parties to the joint venture. If, in addition to the parties to the joint venture (taken collectively), there are at least four other independently controlled entities that possess comparable capabilities and incentives to undertake research and development of the subject product, or other products that would be close substitutes, the joint venture ordinarily would be consider by the Agencies to not adversely affect competition in the relevant innovation market.

If there are fewer than four other independently controlled entities, the Agencies would consider whether the joint venture have an incentive and ability to reduce investment in or retard the pace or scope of research and development efforts. If the joint venture creates a significant risk of anticompetitive effects in the innovation market, the Agencies would proceed to consider efficiency justifications for the venture, such as the potential for combining complementary research and development assets in such a way as to make successful innovation more likely or to achieve cost reductions in research and development.

The Agencies would also assess the likelihood that the joint venture would adversely affect competition in other relevant markets. The Agencies would examine whether the joint venture imposed collateral restraints that might significantly restrict competition among the joint venturers in the relevant marketplace, and whether such restraints were reasonably necessary to achieve any efficiencies.

Tying Arrangements

A tying or tie-in or tied sale arrangement is defined as an agreement where one party agrees to sell one product on the condition that the buyer also purchases a different (or tied) product, or that the buyer agrees to not purchase the tied product from any other supplier. (Kodak aftermarket antitrust situation Eastman Kodak Co. v. ImageTechnical Services, Inc., 112 S. Ct. 2072, 2079 (1992)). Conditioning the ability of a licensee to license one or more items of intellectual property on the licensee's purchase of another item of intellectual property or a good or a service has been held in some cases to constitute illegal tying.

However, such arrangements can also result in significant efficiencies and procompetitive benefits. Therefore, Agencies will consider both the anticompetitive effects and the efficiencies attributable to a tie-in. The Agencies

would be likely to challenge a tying arrangement if: (1) the seller has market power in the tying product, (2) the arrangement has an adverse effect on competition in the relevant market for the tied product, and (3) efficiency justifications for the arrangement do not outweigh the anticompetitive effects.

Exclusive Dealing

Exclusive dealing occurs when a license prevents the licensee from licensing, selling, distributing, or using competing technologies. Exclusive dealing arrangements are evaluated under the rule of reason. In determining whether an exclusive dealing arrangement is likely to reduce competition in a relevant market, the Agencies will take into account the extent to which the arrangement:

(1) promotes the exploitation and development of the licensor's technology; and

(2) anticompetitively forecloses the exploitation and development of, or otherwise constrains competition among, competing technologies.

The likelihood that exclusive dealing may have anticompetitive effects is related, *inter alia*, to the degree of foreclosure in the relevant market, the duration of the exclusive dealing arrangement, and other characteristics of the input and output markets, such as concentration, difficulty of entry, and the responsiveness of supply and demand to changes in price in the relevant markets.

Cross-licensing and Pooling Arrangements

Cross-licensing and pooling arrangements are agreements between two or more owners of different items of intellectual property to license one another or third parties. These arrangements are procompetitive when they integrate complementary technologies, reduce transaction costs, clear blocking positions, and avoid costly infringement or interference litigation. On the other hand they are anticompetitive when they cause collective price or output restraints which does not contribute to any efficiency-enhancing integration of economic activity among the participants. Also, they can be anticompetitive if they are between horizontal competitors where the result of the settlement is to diminish competition among potential competitors. In the absence of offsetting efficiencies, such settlements may be challenged as unlawful restraints of trade.

Pooling arrangements generally need not be open to all who would like to join. However, exclusion from cross-licensing and pooling arrangements among parties that collectively possess market power can harm competition. In general, exclusion from a pooling or cross-licensing arrangement among

competing technologies is unlikely to have anticompetitive effects unless:

(1) excluded firms cannot effectively compete in the relevant market for the good incorporating the licensed technologies; and

(2) the pool participants collectively possess market power in the relevant market.

If these circumstances exist, the Agencies will assess the net effect of those limitations in the relevant market.

Another possible anticompetitive effect of pooling arrangements may occur if the arrangement deters or discourages participants from engaging in research and development, thus retarding innovation.

Grantbacks

A grantback is an arrangement under which a licensee agrees to extend to the licensor of intellectual property the right to use the licensee's improvements to the licensed technology. A grantback provision will be analyzed under the rule of reason, with emphasize on the licensor's market power in a relevant technology or innovation market and the licensees' incentives to invest in improving the licensed technology.

Grantbacks have procompetitive effects if such arrangements provide a means for the licensee and licensor to share risks and rewards, promote innovation by the licensee and the licensor by making possible further innovation based on or informed by the subsequent licensing of the results of the innovation. Grantbacks adversely affect competition, if they substantially reduce the licensee's incentives to engage in research and development and thereby limit rivalry in innovation markets.

A non-exclusive grantback allows the licensee to practice its technology and license it to others. Compared with an exclusive grantback, a non-exclusive grantback leaves the licensee free to license improvements technology to others and is less likely to have anticompetitive effects.

Acquisition of Intellectual Property Rights

The Agencies will apply a merger analysis to an outright sale by an intellectual property owner of all of its rights to that intellectual property and to a transaction in which a person obtains through grant, sales, or other transfer an exclusive license for intellectual property (i.e., a license that precludes all other persons, including the licensor, from using the licensed intellectual property). Such transactions will be assessed under Section 7 of the Clayton Act, Sections I and II of the Sherman Act and Section 5 of the Federal Trade Commission Act (see, Antitrust Law Summary, below).

Antitrust Law Summary

The Sherman Act (15 U.S.C. 1 et.seq.) passed in 1890

Section I: Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states, or wit foreign nations, is hereby declared illegal.

Section II: Every person who shall monopolize, or attempt to monopolize, combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several states, or with foreign nations shall be guilty of a felony.

The Clayton Act (15 U.S.C. 12 et. seq.) passed in 1914

Outlaws agreements for the sale of goods which would substantially lessen competition or tend to create a monopoly in any line of commerce. The Act identifies various act which are *per se* illegal such as tying different products together, vertical price restraints or resale price maintenance and other practices which may be suspect to lessening competition.

Section 3: unlawful to make agreements fixing prices or exclusive dealings that will tend to substantially lessen competition or create a monopoly.

Section 7: unlawful to acquire stock or assets of a company to create a monopoly, i.e., mergers. This is further covered by the 1976 Hart Scott-Rodino Antitrust Improvement Act).

Federal Trade Commission Act (15 U.S.C. 41 et seq) passed in 1914

prohibits unfair methods of competition and commerce and unfair or deceptive acts or practices in commerce. Also, empowered the Federal Trade Commission to enforce the Clayton Act with the Department of Justice.

Robinson-Patman Act (15 U.S.C. 13 et. seq.) passed in 1936

Amended the Clayton Act Section 2 regarding price discrimination providing that price discrimination occurs when a seller, selling substantially similar goods, to different purchasers at different prices where the effect is to lessen competition or create a monopoly.

ANTITRUST ATTORNEY'S MOTTO: "LAW AND GOOD, SOUND BUSINESS JUDGEMENT RUN PARALLEL ."

1. Title: Intellectual Property Licensing Considerations for Joint Ventures in The Peoples' Republic of China Involving Technologies of both Chinese and Foreign Parties.

2. Date: October 1995 (the 26th Convention in San Francisco)

3. Source:

a)	Source:	PIPA
b)	Group:	USA
c)	Committee:	2

4. Author: Charles C. Krawczyk, Harris Corporation

5. Keywords:

"Intellectual Property Licenses," "Joint Ventures," "Merger of Chinese and Foreign Technologies," "Peoples' Republic of China"

6. Abstract:

This paper is a review of issues concerned with the involvement of licensing of intellectual property rights in the creation of joint ventures in the Peoples' Republic of China ("PRC"), and more particularly with joint ventures involving technologies of both the Chinese and the foreign parties. Other intellectual property issues may involve the use of the foreign partners' trademarks (and the associated quality licensing issues). Copyright becomes important if software is a portion of the technology transfer. With joint ventures, (unlike solely technology transfer situations), the foreign party is a part owner and therefore has a long term commitment. Both the Chinese and foreign parties have the common goal of improving products with the influx of foreign advanced technology as soon as possible. However, it should be recognized that in the long run the joint venture may require additional training and assistance and further technology transfers from the foreign party to achieve and continue in the future with a desired level of product performance.

A. Introduction:

A joint venture is a process by which foreign parties can enter into a business association in the Peoples' Republic of China in which their total investment can be reduced by an investment by a Chinese partner, while at the same time acquiring the added value of the Chinese party's knowledge of doing business in the PRC along with the equally important knowledge of various ministry requirements, which combination can enhance the likelihood of a success. In certain technologies, due to PRC regulations, it is only through the creation of joint ventures or by technology transfers can foreign parties continue to effectively do business In the PRC. For example, in the telephone exchange technology (central offices and private branch exchanges), pursuant to Article 2 of the State Council Notice, the PRC government closely controls the authorization of and limits the number of telephone exchange joint ventures and/or technology transfers that can be made in the PRC. Once all such business arrangements are complete, it is understood that telephone exchange product imports are to be discouraged except through the existing foreign joint venture partners or technology transferors.

Most PRC joint ventures involve the introduction of new products into the PRC. On the other hand, some PRC joint ventures involve the Improvement of existing PRC products by updating such products with the use of foreign advanced technology. In the latter situation. the intellectual property rights issues become more complex. The joint venture will be required to obtain technology from two sources; i.e., the present PRC technology of the Chinese party and the advanced technology from the foreign party. The purpose of this paper is to concentrate on the intellectual property licensing issues involved in the latter type of joint venture.

B. Hypothetical Situation:

For the purpose of this paper a hypothetical situation will be considered in which a joint venture is to be created including a Chinese party (Beijing Communications Company) which has an existing business and technology that will be merged into the joint venture with a more advanced technology of a foreign party (Ajax

Communications Corporation). Further, it is understood that, in order to achieve an uninterrupted flow of business from the creation of the joint venture, the joint venture would be required to continue to manufacture and sail the Chinese party's products while updating such products with the foreign party's technology over a period of time. It can be further assumed that the foreign party's more advanced product is digital and involves software. Finally, it can also be assumed that the foreign party's trademarks (AJAX and ADVANCED) are necessary ingredients needed to successfully penetrate the Chinese market.

C. PRC Laws and Regulations:

1 Article 25 of the PAC Joint Venture Law

In order to be able to transfer technology as part of the investment in PRC joint venture, the technology must meet one of the following conditions:

a. capable of manufacturing new products urgently needed in China products suitable for export;

b. capable of markedly improving the performance quality of existing products and raising productivity;

c. capable of notable savings in new material, fuel or power.

2. Article 8 Paragraph 4 Foreign Investment Regulations:

The value of the technology transfer of the Chinese party and the foreign party can be used as part of the contribution by the parties to registered capital of the company. However, pursuant to the Foreign Investment Regulations, it should be noted that the total value of the technology transfer (intangible assets) of a foreign investment enterprise (an equity joint venture, a corporation joint venture, or a wholly foreign-owned enterprise) of all parties cannot exceed twenty (20%) percent of the total registered capital. Hence, there is a limit that can be assigned to the value of the technology that is to be contributed as registered capital.

3. Chapter VI of the PRC Joint Venture Law (Acquisition of Technology)

Some of the provisions of Chapter VI are as follows:

a. The technology acquired by the joint venture shall be appropriate and advanced for products to display conspicuous social economic results domestically or to be competitive on the International market;

b. Technology transfer agreements shall comply with the following stipulations:

i. Expenses for the use of technology shall be fair and reasonable, payments are generally made in royalties, calculated on the basis of net sales of the products;

ii. The technology shall not put any restrictions on the quantity, price or region of sale of the products;

iii. The term for a technology transfer agreement is generally no longer than ten (10) years;

iv. After the expiration of a technology transfer agreement, the joint venture shall have the right to use the technology continuously;

v. Conditions for mutual exchange of information on Improvements shall be reciprocal;

vi. The joint venture shall have the right to buy the equipment, parts, and raw materials needed from sources they deem suitable;

vii. No irrational restrictive clauses prohibited by Chinese law and regulations shall be included.

4 Article 15 of the PRC Joint Venture Law

The provision provides that the formation of a joint venture contract, its validity, Interpretation, execution, and the settlement of disputes under it shall be governed by the Chinese Law.

D. Taxes

1. United States Tax - IRC Section 387(d)

An important issue that needs to be considered by United States companies, is the tax impact of contributing technology to the joint venture as registered capital. Congress took the position that U.S. companies would take advantage of the U.S. tax incentives for research and development and then would transfer the intangible property to a foreign entity that could use the intangible property free of U.S. tax. Hence. the U.S. tax law treats the U.S. transfer as though the intangible property had been sold In exchange/or deemed annual payments treated as ordinary income. intangible property covers all aspects of intellectual property rights including technical services and assistance provided thereafter. According to the IRC Section 367(d), the United States Internal Revenue Service will tax the United States partner of a foreign joint venture for the value of the technology transferred in the form of registered capital as income the year of the formation of the joint venture. In effect, the United States company will have to make an income tax payment on money it has not received at the time.

2. PRC Taxes

Of course, it is also important to review the impact of all the PRC tax laws. An important aspect to consider is the potential reduction of taxes and/or import duties on the contribution of technology, equipment and inventory as registered capital of the joint venture.

E. Intellectual Property Licenses

Under this hypothetical situation, there may be a need for the following licenses as appendices to the basic joint venture contract:

1. a technology transfer from the Chinese party to the joint venture for the Chinese product line:

2. a technology transfer from the foreign party to the joint venture for the foreign party's advanced technology;

3. a trademark license;

4. a copyright license;

5. a patent license, and

6. a software license with a right to sublicense with the sale of the licensed product.

F. Technology Transfer of the Chinese Party

1. Third Party Technology Licenses

An important issue to be addressed is whether the technology of the Chinese party had grown out to a previous technology transfer from a third party, and therefore whether the Chinese party has the right to transfer its technology. This becomes somewhat complicated when attempting to determine where the technology of the prior third party licensor ends and where the technology of the Chinese party begins. In addition, there is a need for a determination as to whether all restrictions on the subsequent transfer of the third party's technology and the associated confidentiality restrictions have expired. There should be at least the consideration of an assignment of the prior third party's technology license, even if the contract term and the period of confidentiality have expired.

2. Chinese Party Technology

There may be situations where the Chinese party may only have limited documentation for producing its products . The production information may exist primarily in the minds of its employees. In such case, to the extent the documents of the Chinese party exist, they should be identified as early as possible so that a determination can be made as to how best this know-how can be transferred to the joint venture. Usually, a technology transfer includes technical training and technical assistance in the manufacture and test of products that are the subject of the

technology transfer. This possibly may not be the situation with the Chinese party. In such case, the most likely technology transfer would take place by hiring employees of the Chinese party that are involved in the production of its product, or at least the key employees. Hence, as can be seen, it is very important to, in such situations. to Identify as early as possible the Chinese party's employees to be selected for transfer to the joint venture.

3. Foreign Party Know-How

The foreign party is probably in the position to provide good documentation, and will be able to provide technical training and technical assistance to aid the joint venture in its manufacture of the licensed products. The technology requirements and restrictions of the PRC Technology Import Regulations and the PRC Technology Import Rules as presented in the October 1993 PIPA Conference, are still applicable. However, now that the foreign party is a part owner of the joint venture (and often as a majority owner), the applicable PRC rules governing the import of technology transfer tend not to be as strictly enforced by the PRC examination and approval authorities. This is because the foreign party, as a part owner of the joint venture, is in the position of not only contributing technology, but also investing monetarily in the joint venture, and therefore is incentivized in making the joint venture a success.

G. Foreign Party Trademark License:

In some situations. there appears to be a marketing advantage for a joint venture to use well known trademarks of the foreign party on its products. However, a trademark license may pose several problems for a foreign party. For example. In the United States and elsewhere, maintaining quality control of products produced by a trademark licensee is an important factor in protecting trademark ownership. The trademarks that may be involved may be the primary trademarks of the foreign party, (AJAX), or the secondary mark (ADVANCE), or both. The question soon arises as to which products of the joint venture are to be licensed for trademark use, and in what form. There may be a need to differentiate between:

1) the licensed products manufactured with the technology of the Chinese party;

2) the licensed products manufactured with the technology of the foreign party, and

3) combination products involving the technologies of both the Chinese party and the foreign party.

Are the trademarks to be applied: 1) on the licensed products of the Chinese party; 2) on combination products as enhanced by the foreign party's technology; or 3) only to the licensed products of the foreign party?

Should the foreign party's trademarks be used in the same form as used by the foreign party's products, or should the trademark license include specific rules for differentiating the joint venture use, such as, for example, the use of the mark "AJAX" only with a prefix such as "BEIJING AJAX"? The same considerations are needed with regard to the foreign party's product mark "ADVANCED"; i.e. "BEIJING ADVANCED"?

Along with the trademark rights, there is the corresponding issue of the trade name license rights; i.e., what is the name of the joint venture "Beijing Ajax Communications Company, Limited"?

Of course, there is also the issue of territory. What territory does the trademark license cover; i.e., PRC only, or export countries?

Lastly, what if the Chinese examining and approval authorities insist that the PRC law controls the trademark license contract? Is the foreign party willing to risk one of its most important assets (the trademark AJAX) to the application of the PRC law?

H. Copyright License:

As we all know, there have been serious discussions between the PRC and United States about the enforcement of copyright protection for software. I am not sure that this issue has as yet been sufficiently resolved to the satisfaction of United States software companies. This is a serious problem for general application software that has application focused on a variety of hardware products. The problem is less

serious in the case of software that is specific to the licensed products of the technology transfer. The software issue can, in such case be controlled to some degree by contracts, through confidentiality clauses, and the requirement to grant software licenses to joint venture customers for use solely with the licensed products. A form product software license can be included in the joint venture contract, as a separate copyright license or as part of the technology transfer contract, as the case may be.

I. Product Issues:

Initially, as mentioned above, the joint venture company may manufacture and sell the Chinese party's products. In such case, there is the necessity of entering into a purchasing contract with the Chinese party for the continual supply of parts and components for such products.

However, it is usually the intent of the parties to move the foreign party's technology into the joint venture as soon as possible. Hence, as in the case of the Chinese party, there may be a need for a purchasing contract for buying parts and components from the foreign party, particularly if quality is an issue and licensing of trademarks is involved. It is usually the foreign party's desire to provide such parts and components as long as possible, both from a point of quality control and for minimizing problems with production.

Unlike the Chinese party, the foreign party sales of parts and components to the joint venture may be faced with problems concerning the availability of foreign currency. Article 75 of the PRC Joint Venture Law states that the joint venture shall keep a balance between its foreign exchange income and expenses. Pursuant to the PRC Foreign Exchange Regulations, the PRC requires all joint ventures with foreign investment to submit information on an annual basis concerning its foreign currency balance to the State Administration for Exchange Control ('SAIC"). If the joint venture's foreign currency is balanced, the SAIC will issue a certificate that will allow the joint venture to convert Chinese RMB to foreign currency. If the joint venture's foreign currency is not balanced, it may be more difficult to convert RMB to foreign currency (depending upon the PRC's reserves of foreign currency).

J. Additional Training:

As mentioned above, there will be a desire on the part of both the Chinese and foreign parties to upgrade the joint venture's products with the foreign party's advanced technology as soon as possible. Once this is accomplished, a question soon arises as to who is responsible for ongoing product improvements and future product developments. Normally. this should be the joint ventures job. However, the skills may not yet be present at the joint venture. Hence, there may be a need to provide additional training to employees of the Joint venture. to upgrade their technical capability so as to allow them to proceed with the product improvements and do product development. However, training alone may not be sufficient. There may also be a need for ongoing supervision and consultation so as to further aid the joint venture employees through their first series of improvements and product design cycles, until they can proceed on their own.

Any such training and/or supervision by the foreign party may raise intellectual property issues as to who owns the product improvements and product designs, particularly since this arrangement will probably involve additional technology of the foreign party. Hence, the contract for such additional training and supervision needs to address the potential additional technology transfer that is likely to be transferred.

K. Miscellaneous Issues:

As part owners of the joint venture, the Chinese and foreign parties need to address a number of other practical business issues so as to provide for the effective transition of the Chinese party's products into the joint venture. The following additional contract issues should be considered;

1) a non-competition provision by the Chinese partner with regard to their licensed product line of the joint venture;

2) the possible assumption and the performance of contracts for the Chinese party licensed products that are outstanding at the time the joint venture is established;

3) a short term service contract with the Chinese party to provide purchasing, maintenance, cafeteria, infirmary, etc. services to the joint venture; and

4) a short term sales representative contract with the Chinese party to allow the joint venture to make sales while building up its own sales staff.

L. Summary

Although the applicable PRC rules and regulations concerning import of intellectual property contracts may not be as rigorous for joint ventures due to joint ownership, the joint ownership by the foreign party itself creates a number of additional intellectual property issues that may be needed to make the joint venture a success. There may be a need for ongoing technology training and transfers of technology to continue the growth of the joint venture to improve and develop products, There may be a desire on the part of the Chinese and foreign parties to create the ability in the joint venture to be self sufficient in its product improvements and designs. Hence, there maybe a need for additional training, technical assistance and additional technology transfers from the foreign party to the joint venture to further increase the technical capability of the joint venture.

A trademark license will, of course, raise the usual issues concerning product quality. So it can be seen that the trademark owner will also be concerned with, at least for trademark purposes, the quality of the joint venture products and how best to incorporate the technology transfer to achieve the desired quality as soon as possible. Often this is done through purchase of parts end components from the foreign party, but problems may arise as to the ability of the joint venture to convert the Chinese RMB into foreign currency for purchasing such imports (depending upon the degree to which the PRC wants to control its foreign reserves).

Taxes, as usual, also need to be considered as an important factor how intellectual property is to be licensed to the joint venture; i.e., as part of the registered capital contribution or by separate payment.

M. Statutory Provisions and Publications:

1) Regulations for the Implementation of the Law of the Peoples' Republic of China on Joint Ventures Using Chinese and Foreign Investment, China Law No. 173. promulgated September 20, 1983 ("PRC Joint Venture Law").

2) Interim Regulations on Foreign Exchange Contract of the Peoples' Republic of China ("PRC Foreign Exchange Regulations").

3) United States Internal Revenue Code, IRO Section 367(d), Special Rules Relating to Transfer of Intangibles ('US IRC Section 367(d)").

4) Regulations on the Administration of Technology Import Contracts of the Peoples' Republic of China (1985) ("Technology Import Regulations").

5) Detailed Rules for the Implementation of the Regulations on Administration of Technology Import Contract of the Peoples' Republic of China (1988) ("Technology Import Rules").

6) "Technology Licensing in the Peoples Republic of China", October 1993, 24th PIPA International Congress.

7) "Regulations of the Peoples' Republic of China Regarding the financial Management of Foreign Investment Enterprises", June 24, 1992, ('Foreign Investment Regulations").

8) Notice of the State Council Office Concerning the Reinforcement of Strict Controls on the Importation of Production Lines for Digital PABX on Mobile Telephone Products, January 22, 1994, ('State Council Notice").

(1) Title:

Laws and Practices in Asian Countries Concerning Technology Transfers

(2) Date:

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(3) Source:

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

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(5) Key Words:

Technology Transfer Agreement, License Agreement, Regulations, Patent Law, Anti-Trust Law, Regulations to which attention must be paid in concluding license agreement, Asia, The People's Republic of China ("China"), the Republic of Korea ("Korea"), Taiwan, Vietnam, Thailand

(6) Abstract:

It sometimes happens in developing countries that, for protection of their domestic industries, foreign companies are subjected to various restrictions when entering into know-how license agreements or patent license agreements with local companies. From this point of view, Committee 2 made public a paper, "The regulations to which attention must be paid in concluding license agreements in Asian nations" of the 24th Cincinnati General Conference. In the present paper, we are going to reflect recent developments concerning revisions in intellectual property laws and to explain laws and practices concerning technology transfers, focusing on their practical point.

Laws and Practices in Asian countries Concerning Technology transfers

I. Status Quo in Asia Concerning Intellectual Property

1. Investments in Asia and Asia's Economic Growth

Since the mid-1980's, the economic growth of China and Southeast Asian countries has been amazing. One of the reasons for it is that Japan and the United States have been aggressively investing in those areas, both directly and indirectly.

Japan has been investing in those countries to counter these circumstances like the high-appreciation of the Yen caused by the Plaza Accord of 1985, constantly rising personnel expenditure year by year, and moreover, to solve trade friction with foreign countries caused by Japan's mounting trade surplus and to acquire overseas markets. Moreover, in US as a result of that consumption was stimulated by Reaganomics, domestic demand could not be met by its supply alone. Therefore the US has increased its imports from South Korea, Taiwan, Hong Kong and other countries. On the other hand, the US has become investing in and aggressively transferring technology to Southeast Asian countries as promising markets for it. (Table 1)

As a result of direct investments by foreign developed countries, China and Southeast Asian countries accumulated a vast of transferred technology and are now firmly establishing economics based on the manufacturing of high-technology products as opposed to the low-technology goods for which those economics were identified in the past.

The transition of the rate of economic growth in Asian countries tells us how rapidly those countries develop, as the rate is much higher than that in any other regions. (Table 2 and 3) Among these countries, the rate of economic growth in China is especially remarkable: by adopting economic reform policy and opening its markets to foreign countries, China has easily recovered from the damage caused

by economic sanctions inflicted by advanced countries after the Tiananmen Incident. A certain international research institute issued a report stating that in the early 21st century, the market scale of the Chinese Economic Zone, in other words, the integrated regions of China, Hong Kong and Taiwan, will surpass that of the US This report deserves credibility, considering the fact that this economic zone is being gradually developed into a promising market with sufficient purchasing power, as it obtains a large amount of foreign currency through export of its products. (Table 4)

2. Adjustment of Legal Systems of Intellectual Property Concomitant to Economic Growth

In parallel with technology transfers by developed countries, the protection systems of intellectual property in Southeast Asian nations are gradually being adjusted, though there are time lags between these countries. Today, in these countries, the framework of the legal system of intellectual property has been completed to a large extent, in participating in international conventions or treaties concerned. (Table 5)

This is attributed to the aggressive drive of the governments of these nations to legislate or revise the laws with an eye toward stimulating technology induction. There is also strong political pressure from developed countries, particularly from the US urging them to protect intellectual property.

3. The Perception Gap for Technology

While the adjustment of legal system is steadily advancing, however, some developed countries point out the need of these countries for practical improvements. Even if the governments of China and Southeast Asian countries adjust their legal system of intellectual property, there are many cases when technologies possessed by foreign companies are illegally used or applied, because the people who are to respect intellectual property rights (especially what foreign

companies possess) do not have a proper perception of such rights.

For example, there are a string of cases in these countries when imitation products or pirated versions of products are manufactured and sold. Since the people in these countries have originally a strong consciousness that technology is a gift to everyone, it is required to advance their consciousness to respect intellectual property right and to adjust enforcement system if they want to promote technology transfer from developed countries, i.e., foreign enterprises can assist and transfer technologies to these countries without any anxiety.

Statistically, there are many cases concerning trademark and design. (Table 6) Classifying the imitation cases according to product categories, we can see that the numbers of imitations of electronic apparatuses and industrial machines by far exceed those of any other products. (Table 7)

As technology develops in Southeast Asia, there is cause for concern that there will be an increase in the instances in which native enterprises in Southeast Asia will manufacture their own-brand products, illegally using only high-technologies possessed by enterprises in developed countries, thereby leading to increased and more complicated disputes over intellectual property rights between Southeast Asian countries and enterprises in developed countries. In anticipation of such incidents or cases, the US and Japanese enterprises are positively applying for patents in these countries. (Table 8)

4. Perception of Technological License

Great differences in perception for technology license can be found between developing countries and advanced ones. Advanced countries come to positively give technological assistance and transfer their technology to the developing countries with the adjustment of legal system of intellectual property in developing countries. Currently, there is no fear among the developing countries that 'the advanced countries will dominate the developing countries in the industrial

field' (UNCTAD G77). Nonetheless, the developing countries can not dispel the fear completely, therefore they have protected their industries by legislating various kinds of laws advantageous to them.

As one of these examples, developing countries have adopted a compulsory license system under the laws concerning intellectual property under which advanced countries as licensors should grant patents or technological license to the developing countries as licensee on terms with advantageous to the developing countries. In another example, almost all countries have adopted regulations which, in receiving technology licenses from a foreign enterprise, require official permissions to receive the license before the license agreements may be concluded. Even if the agreements are concluded, they will not come into effect without the approval from the official agencies concerned and the registering of the contents of the agreements. Moreover, these countries make it clear in their attitudes that they are protecting and fostering their industry by laws through such measures as the setting of : upper limits to the terms of agreements, the terms when secrecy concerning technological know-how should be maintained, and royalty rates. (Table 9: This table represents a revision of what was affixed to the paper submitted by Committee 2 to the Cincinnati General Conference of 1993)

In consideration of the above, we will introduce below the latest revised laws and the legal system and its practices in relation to agreements or contracts on technology transfers, particularly those of China, South Korea, Taiwan, Vietnam, and Thailand.

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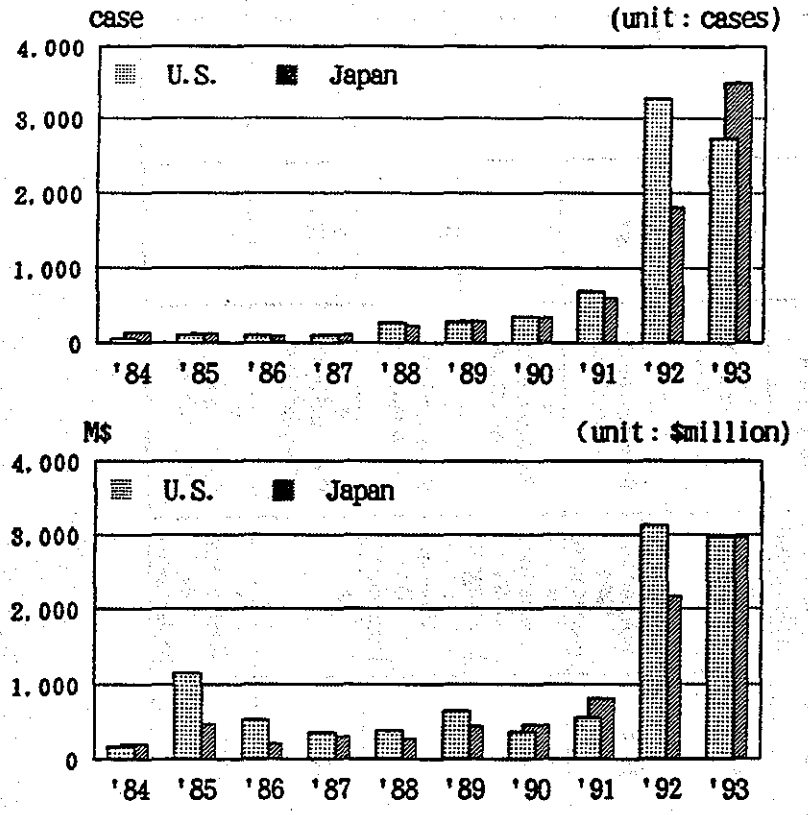
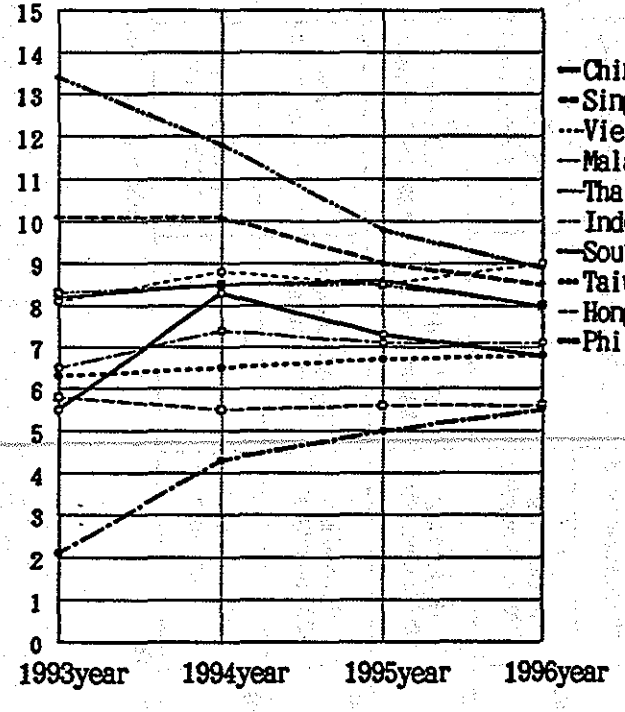
Systems in East Asia to Settle Cases of Infringement of Intellectual Property, "Intellectual Property Management Vol.
45 No. 1

Relief Systems Concerning Intellectual Property Right Infringements in Hong Kong, by CIPIC Journal Vol. 32

(Table 1) Trends in investment in China by Japan and the U.S. (Source:Mitsubishi Research Institute)



(Table 2)Trends in economic growth of Asian countries and regions (Source:Asia Development Bank) (GDP, unit %)



(note)...Figures for 1993/94 denote actual results and 1995/96 are estimates

(Table 3) Forecast of the economic growth rate in the world (Source: International Financial Information Center)

(GDP, unit:%)

	1995 Forecast	1996 Forecast
G7	2.7	2.6
Japan	1.5	2.7
U.S.A.	3.2	2.2
Germany	2.9	3.0
Asia	7.3	6.6
ASEAN	7.3	7.2
China	10.0	8.0
East Europe	3.1	2.1
Russia	▲10.1	▲ 3.0

(Table 4) GDP of the world's 4 economic zones (Source:Survey and estimate of World Bank)

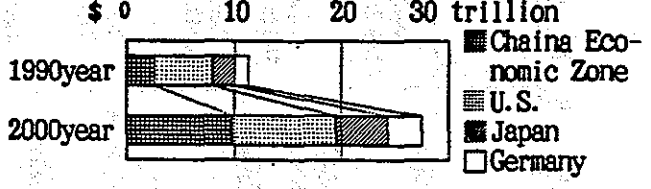


Table 5 Table of legal systems of intellectual property in Asian countries

	Patent	Design	Copyright	Paris Treaty	Membership of WTO	Copyright law				Unfair Competition Prevention Law
						Yes or No	Computer Program Protection Law	Verne Treaty	Universal Copyright Convention	
China	o Revised law 1993implemented	o Protected by the patent law	o Revised law 1993implemented	o 1985	x Under consideration	o Implemented in 1991	o Implemented in 1991	o 1992	o 1992	o Implemented in 1993
South Korea	o Revised law 1994implemented	o Revised law 1994implemented	o Revision law 1994 implemented	o 1980	o 1995	o	o Implemented in 1994	x	o 1987	o Implemented in 1992
Taiwan	o Revised law 1994implemented	o Protected by the patent law	o Revised law 1993implemented	x	x Under consideration	o Revised law 1993 implemented	o Protected by the copyright law	x	x	o Implemented in 1992
The Philippines	o Revised law 1995 submitted	o Protected by the patent law	o Revised law 1993 submitted	o 1965	o 1995	o	o Protected by the copyright law	o 1951	o 1955	o Protected by other laws
Thailand	o Revised law 1992implemented	o Protected by the patent law	o Revised law 1992implemented	x	o 1995	o Revised law 1994 promulgated	o Protected by the copyright law	o 1931	x	x
Singapore	o Revised law 1995implemented	o	o Revised law 1992implemented	o 1995	o 1995	o Revised law 1994 implemented	o Protected by the copyright law	x	x	o Protected by other laws
Vietnam	o Revised law 1990implemented	o Revised law 1990implemented	o Revised law 1994 implemented	o 1949	x	o Revised law 1994 implemented	o Protected by the copyright law	x	x	x
Malaysia	o Revised law 1993 promulgated	△ Legislation under consideration	o Revised law 1994 promulgated	o 1989	o 1995	o	o Protected by the copyright law	o 1990	x	o Protected by other laws
Indonesia	o Revised law 1991implemented	x	o Revised law 1993implemented	o 1950	o 1995	o Revised law 1987 implemented	o Protected by the copyright law	x	x	o Protected by other laws

(Notes) o: Yes x: None △: under preparation

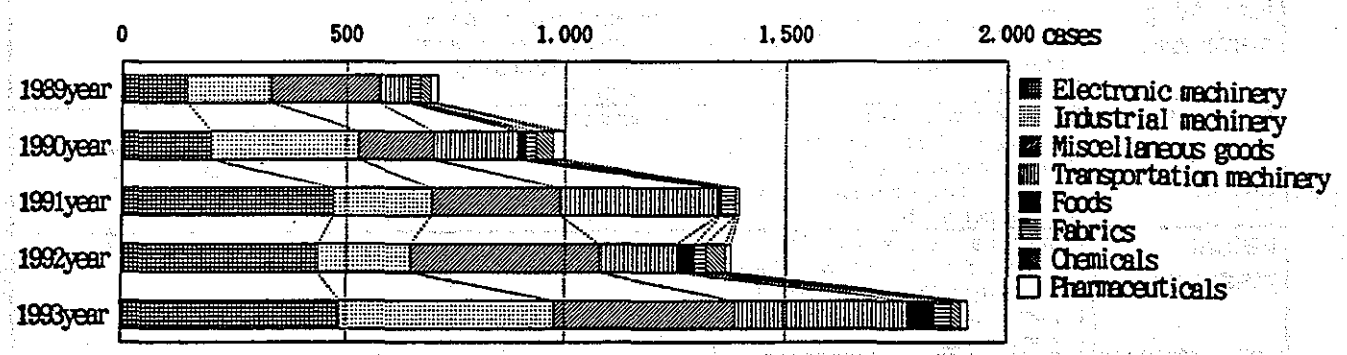
Table 6

Name of country	Name of case	Outline of case
China	Sharp's radio cassette assembling case (1987)	Company A in Hong Kong forged "a permission to use Sharp trademark," printed trademark labels, manuals and package in China before the company exported the products to China and ordered a Korean company to manufacture the product on a commission basis.
	Luo Deming case (1992)	Guizhou people's high court sentenced Luo to death on charges that he manufactured and sold 400,000 bottles for imitation Mao Tai alcohol drinks and earned an illegal profit of 200 yuan.
	Wei Shu Lin case (1993)	Kunming people's middle-class court sentenced the ringleader Wei Shu Lin to death and punished six others with various prison sentences on charges that they earned an illegal profit of 1.20 million yuan by manufacturing and selling imitation "Red Pagoda Mountain Cigarettes" manufactured by the Yuxi Cigarette Factory.
	Yamatake-Honeywell patent infringement case	Yamatake-Honeywell filed a suit with Kangzhou middle-class court against a machine-manufacturing maker in Zejiang Province on the ground that the maker infringed Yamatake-Honeywell's Chinese patent concerning the positioning device for its automatic adjustment valves. The dispute came to a compromise settlement as the defendant agreed to stop producing the product and to pay a compromise money.
	Case of selling imitation SONY video tape	Fine of 3,300 yuan,
	Case of assembling imitation IBM computers	Fine of about 660,000 yuan,
	Case of selling imitation TDK audio tape	Fine of 5,000 yuan

Notes: In China, the production of imitation cigarettes, alcoholic drinks and pharmaceuticals is dealt with heavy punishment, including a death penalty. On the contrary, damages for industrial imitation products are quite low.

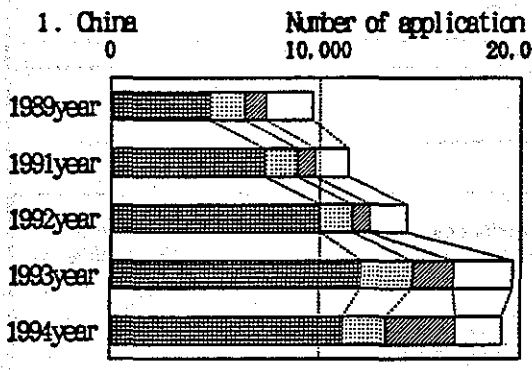
Name of country	Name of case	Outline of case
Korea	JEEP case (1992)	An American company, JEEP Corporation, registered in Korea the trademark JEEP as designated trademark of its automobiles, trucks, buses and tractors. A Korean surnamed Shin applied for a trademark " JEEP CASUAL, integrating the figure of an elephant's head with corresponding Korean letters," as a trademark for work clothes, business suits and children's clothes and other goods and got permission to register it from the Patent Office in Korea in 1988. JEEP Corporation claimed that the trademark is null and void on the ground that it is similar to a universally-known trademark, demanding that the patent office turn down the application. But the Supreme Court ruled in 1992 that "JEEP" was a common noun that the registered trademark "JEEP" was not of such a nature as would nullify the "Korean lettering of JEEP CASUAL."
	WALKMAN case (1992)	Japanese enterprise SONY registers a trademark WALKMAN in Korea as a commercial trademark for its electric and electronic goods. A Korean foods company A applied for "WALKMAN and the corresponding Korean letters" for its green tea, coffee and aerated drinks, and this application was accepted. SONY appealed to the Patent Office that it was null and void, but the Supreme Court of Korea ruled that "WALKMAN" does not fall into the category of trademark so well-known to traders and consumers in Korea as to exclude the trademarks of others.
Taiwan	Street Fighter case (1994)	Japanese enterprise Capcon charged four Taiwanese enterprises to police, charging them with illegally copying the printed circuit board of "Street-Fighter II," game software, and selling the copied software without permission. Capcon had no copyright and had not registered its trademark so that this dispute was treated as a case of breaching criminal laws and the fair trade law. As a result, the court sentenced the defendants with nine-month imprisonment, finding them guilty of forgery of documents and a violation of the fair trade law.
	Imitation camera strap belt case (1993)	Imprisonment for four months or a fine of 30 yuan multiplied by four.
	Imitation fuse breaker case (1990)	Penal servitude for a definite term of one year and six months, with stay of the sentence for three years and confiscation of infringed products.

(Table 7)Number of imitation cases classified by product(Source:Japan Industry Design Promotion Association)

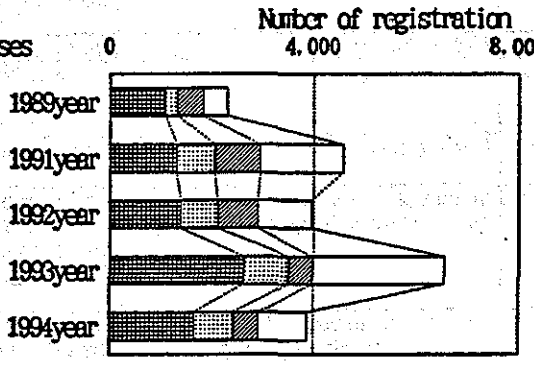


(Table 8) Applications for and registrations of patents in each country (Domestic, Japanese, Americans, Others) (Source:Annual report released by each country's patent office)

1. China

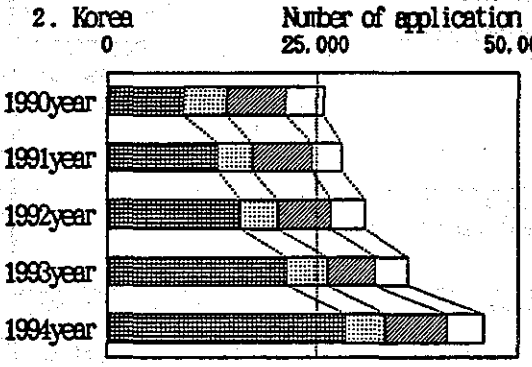


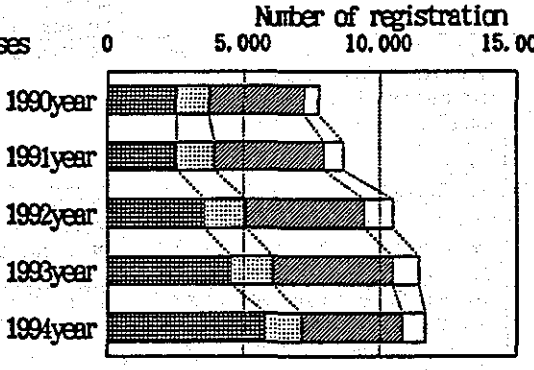
(note)No statistics for 1990 available



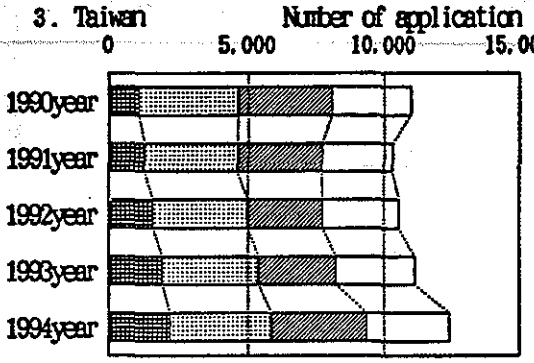
(note)No statistics for 1990 available

2. Korea





3. Taiwan



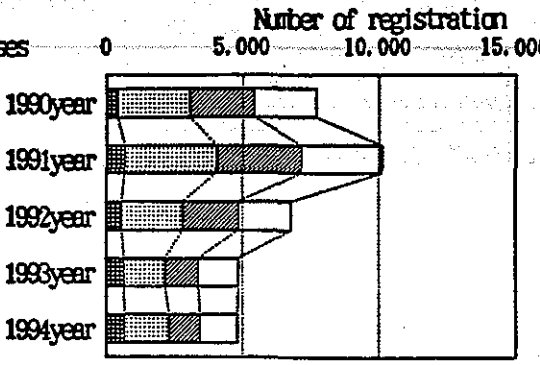


Table 9

		China	Korea	Taiwan
Application, Procedures for getting permission		System of application and getting permission On condition that the independent technical development should not be hindered. Application shall be made within 30 days after the conclusion of the contract.	The system of notification and getting permission No report is necessary except for the introduction of technology, such as aeronautics, atomic industry, defense industry and high-technology .	The System of application and getting permission.
Guarantee of product quality		Concerning all introduced technologies, the effect of technology induction should be guaranteed. It should also be guaranteed that the patent is not nullified.	No regulation	No special regulations However, it is a judged whether the clause is unreasonable or not.
Patent guarantee		It should be guaranteed that the inducted technology does not infringe other's patent. The guarantee that the patent right shall not be nullified is also needed.	No regulation	No special regulations
Restriction Clauses	Grant back	This is not permitted (treated as an unfair trade practice)	Not recognized	Not recognized (This constitutes an unfair trade practice).
	Introduction of competitive technology	It is not permitted to restrict it.	It is not permitted to impose restriction. (except in case of a monopoly agreement)	It is not permitted to impose restriction.
	Tie-in	Unfair clauses	unfair clauses	Unfair clauses
	Restriction of production volume	Unfair clauses	unfair clauses	Unfair clauses
	Restriction on prices	Unfair clauses	unfair clauses	Unfair clauses
	Restriction on export	Impossible It is agreed to restrict the countries to be given license right	Impossible It is agreed to restrict the countries to be given monopolistic license right.	Not permitted It is agreed to impose restriction on the countries to be given a monopolistic implementation right
Usage of know-how after expiration of agreement		It is possible to use it after the agreement terminated. It is possible to restrict it while the patent right remains in force.	Not permitted to use knowhow after the termination of the agreement However, the use of knowhow cannot be prohibited in case the knowhow becomes public not because of the fault of the licensee.	No special regulation
Royalty		Running formula should be applied. However, both lump-sum payment and payment by installment are possible (two-three% is reasonable. It should not be above the level of 3.5%).	No special regulations	No special regulation It is sometimes benefited that the compensation rate goes beyond 5%
Setting of a minimum royalty		The condition of "minimum" can not be included as a condition (It is not permitted to conclude a monopolistic agreement).	It does not constitute an unfair agreement to set a certain amount of minimum royalty.	No special regulation
Term of agreement		It is not allowed to exceed 10 years after the recognition. However, the upper limit is five years in special districts.	No special regulations	In principle, the contract term is 3-5 years, but the term may exceed 5 years The patent license right is valid during the term of agreement.
Confidentiality obligation		The confidentiality obligation will terminate upon the expiration of the agreement. In case the confidentiality obligation survives the expiration of the agreement, the reason should be noted in advance at the time of application.	No special regulations	No special regulations

II. The People's Republic of China

Economic reform and the 'Open-door' policy in 1978 have changed Chinese society drastically, and enabled China to achieve an outstanding economic development as a pivotal nation in Asia. Joint undertakings with foreign enterprises are becoming active, more than 90,000 foreign companies have invested in China, and a great deal of technology has been transferred into China. Although the intellectual property laws in China have similar aspects to those in Germany, the United States and Japan, there are not a few regulations peculiar to China. Therefore it is important for foreign enterprises to grasp how these regulations are actually applied to business in China, as well as to understand provisional interpretation of those.

1. Recent Law Revision

As to laws for protection of intellectual property, Unfair competition Prevention law and Product Quality law were revised remarkably to harmonious with international legal standards to in 1993, but Technology Induction Ordinance which impose strict restrictions on foreign licensors has not been relaxed yet. Legal system of China is being modernized, but there is no sign that counterfeits will be reduced. Below are major laws revised since 1993 relating to technology transfer.

1) The revised Patent law and its enforcement regulations

Adoption of a material patent system, legal effects of process patents cover products manufactured directly utilizing the process, importing patented products should

constitute infringement, extension of the term during which patents are protected (to 20 years), establishment of a system of Domestic priority, abolishing the system of examined publication and opposition, relaxing conditions for granting a compulsory license

2) Participating in the PCT (Jan. 1, 1994)

3) The revised Trademark law (implemented on July 1, 1993)

Establish a registration system of service marks, heavier punishment for violations of trademark right, obligation of the licensee to label his name and the country of origin of products.

4) Promulgating the Anti Unfair Competition Prevention law (implemented on Dec. 1, 1993)

Pr

ohibition from misleading people such as to confusing other's well-known trademark with unauthorized one, prohibiting exaggerated advertisement and propaganda, the systematization of protection for business secret, prohibition of the acts to obstruct business by means of spreading false information

5) Promulgating the product quality law (implemented on Sept. 1, 1993)

Obligation to label the name of the product, the name of the factory and the address in Chinese on the product or packing package.

2. Regulations Concerning technology transfer agreement

Here are regulations which we should pay attention to in business when concluding a technology transfer agreement in China.

(1) Report on a technology transfer agreement

The Technology Induction Ordinance stipulates that when concluding a technology transfer agreement, the application form for approving the agreement should be submitted within

30 days from the date of signing and that the agreement should be examined and approved by the official organization (the Department of External Economic and Trade or other organizations empowered by the Department of External Economic and Trade). When foreign licensor receives royalty from Chinese Licensee without applying for approving the technology transfer agreement, such an act shall constitute an object of administrative penalty (there is no limit to the content of penalty to the administrative discretion), and shall be punished as a breach of the Foreign Exchange law. Since licensing industrial property is a sort of Technology Transfer under the Ordinance, it should be submitted for approval and be permitted from the authority concerned. On the other hand, licensing trademarks or patents without accompanying any technical documents can not be regarded as Technology Transfer under the Ordinance. However, because a license agreement on patents may be regarded as Technology Transfer under the Ordinance according to circumstances, we had better report it to the Department of External Economic and Trade.

Within three (3) months from the conclusion of the agreement, a person who concluded an agreement on licensing trademark should be reported to the Trademark Bureau and be applied for approval by a prefecture Administrative Agency (unless such reports are submitted, the licensee shall be fined), and in the case of a patent license agreement, it shall be reported to the Patent Office. The name of parties who reports to the Patent Office or the Trademark Bureau shall be made public, but the content of the agreement is kept secret.

Even if a agreement on joint undertaking with foreign enterprises (hereinafter 'joint agreement') shall be approved, it is separately needed to get approval concerning a technology transfer agreement under the Ordinance. In the case a joint agreement, which includes a clause of technology induction, dose not take the form of technology introduction, the agreement needs to be approved as Technology Transfer. As both a technology transfer agreement and a joint agreement are handled by the same government Bureau, you may argue that

a joint agreement naturally includes a technology transfer agreement. But it can not be argued actually.

(2) Language used for Agreements

It is stipulated that, in the case of foreign language used for the technology transfer agreements, translations of them into Chinese should be attached with them in application for approval of them. When two linguistic stiles of an agreement is prepared between the parties concerned, it is necessary to provide a clause stipulating which of the two stiles is authentic. Otherwise, there is a danger of disputing of its interpretation after concluding it. Although both Chinese and Japanese use Chinese characters, the meanings of certain Chinese characters occasionally differ as to cause mutual misunderstanding. The Japanese side had better prepare a draft of the agreement written in English in order to negotiate smoothly, because in such a case Chinese side will engage a person acquiring an international way of thinking.

(3) Obligation to specify Registered numbers of licensed industrial property in technology transfer agreement

In a technology transfer agreement with assigning or licensing patents or trademarks, registered numbers or application numbers of patents or registered numbers of trademarks should be specified in it. It is stipulated that specifications of licensed patents or trademarks should be attached to the technology transfer agreement. Therefore, the agreement shall be regarded as invalid if it does not specify the number such as registered number of licensed patent. Moreover even if there is a clause of granting certain trademark license in an approved joint agreement, the agreement shall not be regarded as a trademark license agreement if it does not specify the registered number of trademark. Without a legally effective trademark license agreement, licensee shall suffer from official injunction to produce in China what licensed trademark is attached to.

(4) Guarantee for achieving target

1) The licensor of technology should guarantee that the technology, documents and materials are perfect, accurate and effective so that the technological target stipulated in the

agreement may be attained. 2) The licensor should be responsible for filing a countersuit and/or for compensation for economic loss suffered by the licensee in case the licensed technology should infringe an intellectual property possessed by a third party in executing the licensed patent and/or unpatented technology pursuant to the agreement. Thus there is still a strict regulation that the licensor should compensate for the economic loss the licensee has suffered. However, in case the Chinese government judges the technology absolutely necessary to introduce, an agreement which has no guarantee clause such as mentioned above, may be approved.

(5) The patent license agreement

1) Guarantee of patent

In the case of a patent license agreement, the licensor has the obligation to guarantee that the licensed patent exists effective, and as the case may be, there is a possibility that the licensor shall be required to guarantee not only the effectiveness of the licensed patent at the time of concluding the agreement but also its future effectiveness. In concluding an agreement of licensing a registered patent, in order to avoid the guarantee, we may take measures to add registered utility models to the agreement as an object of the license.

2) Obligations of licensor and licensee

The patent licensor should provide technological materials concerning the licensed patent to the licensee and give technological instructions necessary for licensee to execute. The licensee shall not be allowed to license any third parties other than those approved in the agreement to execute the patent. It is also stipulated that the licensee should pay a royalty in compliance with the agreement.

3) Specification concerning Agreement

In case licensing a patent is the object of a technology transfer agreement, the following items should be specified in the agreement: title of invention or innovation; name of patent applicant; name of patentee, date of application; application number; registered number; term of validity

(6) know-how agreement

'The Anti-Unfair Competition Prevention Law' was

promulgated on Sept. 2, 1993, and enforced on Dec. 1, 1993. The protection of know-how and business secrets is being strengthened under the Law, but its legal effectiveness remains uncertain and we have to wait for judicial precedents.

(7) Term of Agreement

The term of technology transfer agreements should be within 10 years, but the longest term actually permitted is 7-9 years from the point of concluding an agreement. Using the licensed technology cannot be prohibited after the termination of the agreement. However, in case a patent is also an object of the license agreement, the licensee shall be prohibited from executing the patent. It is stipulated that the term of secrecy should not exceed the term of validity of the agreement. The term of copyright license agreement should not exceed 10 years, but it can be renewed when the agreement is expired.

(8) The statute of limitations concerning disputes on agreement

The right to file a suit concerning disputes over the technology agreement and to applying for arbitration are barred by statute of limitation in one (1) year. The base date for reckoning of the limitation is when the parties concerned shall notice that their legal rights and his interest has been infringed.

(9) Trademark license agreement

The principal purpose to conclude trademark license agreements is for a licensor to prevent its trademark from being illegally used or pirated. After concluding a trademark license agreement, the licensor should supervise the quality of products with the licensed trademark the licensee has manufactured, and the licensee should guarantee the quality of products with the licensed trademark as commercial ones. In the case of importing products together with catalogues from a foreign enterprises and marketing them directly, it is not necessary to conclude a trademark license agreement. On the other hand, when product are marketed in the name of a Chinese corporation, it is necessary to conclude a trademark

license agreement with foreign enterprises. Even though the corporation is a subsidiary to which a foreign corporation has invested all the finance, if it is registered as a Chinese corporation under the law, concluding such an agreement mentioned above should be needed between the foreign corporation and the subsidiary. Printing packages is under the control of the government and official injunction to print shall be issued against the licensee without a trademark license agreement.

3. Legal System and Obligation in Business Operations

(1) How to deal with corporate inventions in China

It is legal to demand in an agreement that all the inventions made in a local affiliated company or a joint company as part of its business operations should be assigned to the foreign parent company, the investor. However, an appropriate compensation should be taken locally as there is a law concerning offer of encouragement funds to an inventor, a law similar to a comparable German Invention on Law. It is stipulated that a sum of not less than 200 yuan should be paid to an inventor as an encouragement fund upon registration of a patent; During the time when the patent right continues effective after registration, the inventor should be paid 0.5-2% of the after tax profit earned by execution of the patent after execution in the company and the inventor should be paid 5-10% of the royalties received from outside companies, in case the patent is licensed to others. The number of cases of appeal to the courts of patent control organizations over disputes concerning encouragement funds and corporate inventions is on the increase, as the calculation of license fees is quite difficult.

(2) Application for patents for inventions should be Filed in China first

In case an enterprise transfers to others the right to apply for a patent right or a registered patent, it should get permission from a competent upper-class organization. When a person or organization transfers the right to apply for a patent to a foreigner, it should obtain permission from

the competent authorities concerned in the Board of State Affairs. Moreover, a transfer becomes effective after an agreement is concluded, registered with the patent office and published.

In the case of transfer of an invention created in China to a foreign enterprise, the transfer is not permitted without permission by competent upper-class authorities. The invention made in China should first go to the Chinese patent office through a Chinese patent attorney before an application for a patent is filed in a foreign country. It is not permitted and is punishable by law to apply for a patent not in China first but in a foreign country. (administrative or criminal disposition)

(3) Patent control organs

The patent control organs include the patent control bureau of the Patent Control Department of the government in every province, autonomous region, and a central one under direct government control, and these bureau cities open to foreigners and special economic zones in China. The patent control organs are administrative organs, whose responsibility is to formulate plans for local patent activities and give guidance in patent activities, solve patent disputes and train patent experts. However, their main task is to deal with and solve disputes related to patent problem.

(4) Statute of limitations concerning lawsuits about patent infringements

The statute of limitations concerning patent infringements is two years from the date when the patent-holder or the interested parties noticed or should have noticed of patent infringement. The interpretation of the statute of limitations is ambiguous and is made in two ways; One is that the statute of limitations can prevent the acts of infringement after a lawsuit is filed and the other view is that it cannot do so. Attention should also be paid to the point that the sale of products by a person who infringes a patent in good faith, does not constitute an infringement.

(5) Registration of a trademark in English and Chinese

The registration in Chinese characters is also essential because a trademark in China cannot be protected only with that written in English. Unless we carefully select and register a trademark in Chinese in compliance with English characters, there is danger that carelessly filed Chinese trademarks may be rejected by a third party's registered trademarks or the mark may be registered in a strange Chinese translation against the intention of the trademark applicant. It is not necessary to file a combination mark of Chinese and English, because a single language mark is enough to prevent use of such a combination mark by third parties. It is strongly recommended, however, that a Chinese company which has the principal place of business abroad, should register use its name used in China in compliance with a Chinese company name registration system. There are cases in which, if a joint venture company with its main company abroad registers itself first in China, not only its related companies with similar names but also the main company itself cannot register its name in China.

(6) Measure against cancellation of a trademark due to non-use

With a view to preventing cancellation of registered trademarks in China, it is advisable to place a newspaper advertisement at an interval of not more than three years. There is no need to conclude a consent agreement to prevent the cancellation of a trademark due to non-use.

(7) Infringement of trademark right

The exclusive right to use a trademark is limited to the trademark that is registered and the designated products. Although it constitutes a breach of the trademark law to sell a product, knowing that the registered trademark was illegally used, the trademark owner cannot pursue a person concerned simply because of the infringement, in case it is insisted that he had no knowledge of infringement of other's registered trademark

(8) Indication of registered trademark

When using a registered trademark, letters "registered trademark, (注) or ® mark should be labeled. In case it is difficult to label it on the product itself, it is stipulated

that the mark should be labeled on packages, manuals or other attachments. Even without ® mark, the trademark owner may demand that a third party stop infringement, and avoid the danger of his trademark being canceled. Although it is stipulated by law that ® mark should be put on a product to demand compensation for damage, yet present precedents show that the trademark owner can demand compensation for damage without labeling his marks.

(9) No statute of limitations in trademark lawsuits

The trademark law provides for no statute of limitations to lawsuits unlike the patent law under which the licensor can file a suit within two years after the infringement came to light. However, it is advised to issue a warning whenever an infringement is found. Concerning the infringement of the exclusive right of use of a registered trademark, the victim can lodge a complaint with an above-xian class industrial and commercial administration control organization in the place where the violator resides or where the act of infringement occurred and get the violator arrested. The person who had his trademark right infringed can directly bring the case before the court.

(10) The industrial and commercial administrative on control bureau

The bureau is endowed with the power to detain the violator for not more than several weeks, as soon as it received the victim's petition to punish the violator with material evidence, and is able to make a decision within several months. It has a greater authority than the police. If a claimant is not satisfied with its decision, he is allowed to report to an upper-class control bureau. However, the claim is not accepted when it is not clearly stated in the petition. The content of the administrative disposal includes:

suspension of infringement; a fine as an administrative punishment (For an Enterprise unit to up to 50% of illegal profit or a fine of more than 5 times of the profit earned through the act of infringement; a fine of up to 10,000 yens imposed on a person directly responsible for an enterprise), civil compensation (compensation for damage claimed by the

victim) are specified. Apart from the administrative disposition, there is a people's court (trial) as a judicial measure. However, it costs the plaintiff much money and requires time, while the compensation is low.

(11) Name of licensee, indication of place of production

According to the revised trademark law (July 1, 1993), the licensee in a trademark usage agreement is obliged to indicate on products the name of the licensee and the place where it is produced (Clause 26 of the trademark law) to protect consumers. If the label is written in English, it must be accompanied with Chinese translation.

In order to protect consumers, Article 15 of the product quality law promulgated in 1993 stipulates that the names of the product and the name and address of the factory where it was produced should be marked in Chinese language on the label of the product or its package.

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"Asia's Intellectual Property Strategies" Oct. 8, 1994 written by Masashi Kurose

III. The Republic of Korea (Korea)

The economy of Korea saw a rapid development after the adoption of the foreign currency induction promotion law of 1960 and the promulgation of the foreign currency transfer law of 1966. As a result, it's GNP rose to 376.9 billion dollars with its national income per person amounting to 8,483 dollars in 1994. Korea ranks among the 12 biggest trading countries in the world and the 5th largest automobile producer. Nevertheless, for five years from 1988 to 1992, the competitiveness of the Korean products in the world market weakened due to the mounting demand for democratization, activation of labor unions steep wage

increases. This led to a situation where Korea is on the way to decline as the NIEs (newly industrializing economies) in Southeast Asia are rapidly catching up with Korea which is strong in labor-intensive industry in the world. In this situation, Korea is compelled to upgrade its industries, and is searching a way out in technology-intensive industries.

In order to convert its industries to technology-intensive industries, the key question is how fast Korea can develop its high-technologies which Korea lacks. It is quite difficult to achieve this target in a short period if it depends only on independent development. So, it is an urgent task for Korea to push ahead with its industrialization by inducting technologies from foreign countries. Until the early 1990s, the Korean Government had imposed various kinds of restrictions on foreign enterprises which could possibly provide the country with technology licenses. However, as there were conditions disadvantageous to foreign enterprises among the restrictions, there were a big obstacle there ahead of foreign enterprises who had a chance to provide Korea with technology licenses. On the other hand, for the Korean companies which accumulated economic potential, the reporting system imposed on them by the government concerning international agreements is being not favorable for a smooth transfer of technology.

The Korean Government which was intent not only on a smooth technology transfer from abroad to its domestic enterprises but also on adjusting the system in keeping with international criteria, spurred by the inauguration of the WTO (the World Trade Organization), revised "the types and standards of the acts of unfair transaction in international agreements," which is the government's guideline to relax the regulations on monopoly restriction or unfair transactions and on technology license transfer from abroad.

1. Latest Revised Law

The main laws relating to the technology transfer from abroad to Korea include: the foreign capital induction law, the law on monopoly regulation and fair trade (hereafter called "monopoly regulation law"), "the types and standards of unfair transactions in international agreements"

(hereafter called "criteria"), foreign exchange control law, patent law, utility model law, design law, trademark law, copyright law, computer program protection law and semiconductor chip protection law. Among them, below we introduce the laws which were recently revised and its general aspects.

1) The revision of the patent law (utility model law) (implemented on Jan. 1, 1994)

The main reason for revision is to protect property right by making the government return the patent and registration fees when the patent right or utility model right becomes invalid, and to supplement yet-to-be adjusted problems arising from implementation of the law.

2) The revision of the design law (implemented on Jan. 1, 1994)

The main reason for revision is to protect the property right of the licensee, by making the government return the registration fees, when the design right becomes invalid, and to extend the validity term of a utility right from 8 to 10 years in accordance with the GATT Uruguay round TRIP agreement.

3) The revision of trademark right (implemented on Jan. 1, 1994)

The purpose in the revision was to make the law more rational in content, for instance, by abolishing the obligation to submit evidence of its use in applying for a trademark or in applying for its renewal and by giving a claimant demanding revocation of trademark a chance to apply for the trademark on a priority basis. In connection with this, a proposed law for the revision of the patent law, utility law, the trademark law and the design law, which provides for the abolition of the existing judgment and complaint system and for the integration of those systems and creation of a new "patent court" for the purpose of simplifying patent judgment procedures, was approved by the Parliament and was promulgated on Jan.5, 1995.

However, the revised law mentioned above is planned to be implemented on Mar. 1, 1998, timed with the setting up of a "patent court." Besides, in connection with the proposed law, the following matters are under consideration :(1) A

review of the term of patent, (It is proposed to be 20 years uniformly from the application date of patent"), (2) enlargement of the scope of patent infringement, (3) enlargement of the object of protection by patent ("substances obtained from the conversion of atomic nuclei). (4) a system for earlier application and publication and (5) the indication system of contents of technologies.

As for the trademark law, the revision of the law is now under way in 1995 to introduce the color trademarks and preparation is in progress for the implementation of the revised law in 1996.

4) The revision of the copyright law (implemented on July 1, 1994)

a) Article 6 of the copyright law

Collections of particles, numerical values, diagrams and others arranged in such a way as to permit search by means of an information processing device have come to be included in the category of copyrighted creations. In connection with this, various kinds of data bases have come to be protected as special copyright products as long as originality is recognized in the selection of materials and their arrangement.

b) The recognition of the right to lend phonograph record rights (Articles 43, 65 (2) and 67 (2) of the copyright law)

Distributors and players are given the right to lend for profit photographic records for the profit-making purposes which contain their works produced after July 1, 1994.

c) The enlargement of protective period for copyright-neighboring law (Article 70 of copyright law)

The protection term of actual performances, phonograph record, broadcasts and other copyright-neighboring right was extended from 20 years to 50 years, counting from the year next to the creation of a copyright-neighboring right, is established for the copyright-neighboring right became effective after July 1, 1994.

d) Special recognition of the right of performers concerning transfer of their right to image works (Article 75(3) of copyright law)

Contrary to the previous provision which stipulated that the music and pictures recording and performance broadcasting rights of performers who agreed to cooperate with movie producers, were regarded as transferred unconditionally to the movie producers concerned, the new provision stipulates that these rights are regarded as transferred to the movie producers unless there is no special agreement. By so doing, the new provision recognizes a special agreement on the transfer of performance right. However, this provision is not to be enforced for five years the date of enforcement of the revised copyright law.

e) The enlargement of the acts regarded as infringement (Article 92 of the copyright law)

The previous law was revised so that the acts of distributing knowingly the products made by infringing the right duly protected by the copyright law, or the acts of possessing such products for the purpose of distribution, constitute a breach of the law.

f) Strengthened punishment (Article 98 of the copyright law)

Under the previous law, a person who infringed the right was sentenced to up to three years or fined up to 3 million won, but the revised law stipulates that the violator is sentenced to up to three years or fined up to 30 million won or these punishments may be combined. Moreover, a person who falsely or illegally publishes a product is sentenced to up to one year or fined up to 10 million won.

5) The protection law of the computer programs (implemented on July 5, 1994)

The protection law for computer programs was promulgated in 1987. It is true that the protection of software is intended, but the effectiveness of punishment is poor because the punishment of infringement of the copyright of the computer programs is light. These is also a problem that a quick solution of a dispute is difficult as it is provided for no mediation function for the solution of disputes about programs. In order to solve this problem, the computer program law was revised in keeping with a tendency toward intensifying copyright protection.

2. Regulations concerning technology transfer agreements

The Korean Government has mainly applied the following regulations about technology transfers from foreign enterprises to domestic companies:

1. The obligation to report shall be fulfilled in the concluded agreement according to Article 33 of the Monopoly Regulation Law which stipulates that "When an enterprise or a business association concludes an international agreement within an certain range (agreement fees and terms), the contract shall be reported to the Fair Trade Commission within 30 days from the date of conclusion.

2. Article 32 of the Monopoly Regulation Law stipulates that "an enterprise or a business association shall not conclude an international agreement whose content concerns unjust coordinated acts, acts of unfair transactions and the acts of maintaining resale prices." The article provided that "criteria" concerning the technology transfer agreements which are to be regulated by law, shall be made public and enforced in 1990 to make enterprises concerned observe the criteria. There were provisions in the law which were not acceptable to the licensor. However, the criteria were later revised to ease the regulations and to change them to accord with international criteria.

Here we introduce some main changes from the previous provisions, concerning the transfer of technological licenses, consequent upon the revision of the Monopoly Regulation Law (implemented Apr. 1, 1995) and the revision of the "criteria" and of "regulations on technology transfer" (implemented on Apr. 1, 1995, instruction No. 95-15 of the Korean Financial Economic Board)

Main Changes Made After Law Revision

Item	Before Revision	After Revision
Agreement which requires report	All the technology transfer agreement were required to be reported to the competent minister and banks, respectively, as to the term of agreement and royalty fees. (Regulations on technology induction)	The regulation to standardize royalty is abolished. It is not necessary to report on technology license agreements other than those on high-technology, including of aeronautics, atomic energy and defense industry technologies. (Regulations on technology transfer)
Contract certification by bank	In case the term of agreement was less than one year, the applicant should receive the certificate of agreement from a foreign exchange bank, (regulations on technology induction)	The certificate on an agreement by a class A bank is abolished. (June 1994) (Regulations on technology transfer)
Multiple application	In case the term of an agreement is less than one year, a certificate by a bank was required to be obtained. If the term of an agreement was more than one year, a report should be made to the competent minister and the fair trade commission. The report to the competent ministry was regarded as having made to the fair trade commission. (Paragraph 1 of Article 33 of the Monopoly Regulation Law)	Examination of an international agreement by the fair trade commission can be requested only in case the contract term exceeds three years. It is not necessary to report in case the term of an agreement is less than three years. (Article 33 of the Monopoly Regulation Law)
By this revision, number of application of technology license agreement to the government is expected by 96% comparing to those of 1994. (the number of technology transfer agreements concerning aeronautics and space, and atomic energy and defense industry technologies in 1994 is 20 out of the total number of 523 technology license agreements.)		
Main changes due to the revision of "criteria'	Types and standards were strictly specified.	Types and standards of unfair transactions in the 13 provisions are classified into "gray" and "white" provisions to deal with them flexibly.
Non-dispute obligation of licensees	The clause of licensee's non-dispute obligation constituted a breach of the Monopoly Regulation Law. (Paragraph 10 of Article 3 of the criteria)	The clause of licensee's right to non-dispute obligation does not constitute a breach of the Monopoly Regulation Law. (This clause was decided to be deleted from the revised criteria)
The escape clause for the infringement of licensors	The escape clause for the licensor on the infringement of his right by a third party constituted a breach of the Monopoly Regulation Law.(Paragraph 10 of Article 3 of the criteria)	The escape clause for the licensor does not constitute a breach of the Monopoly Regulation Law. (This clause was decided to be deleted from the revised criteria)
Designation of high-technology	The following 10 items in 105 areas were included in the scope of high-technology. 1. Machinery industry 2. Electric and electronic industry 3. Precision machine industry 4. New material industry 5. Life science 6. Aeronautic and defense industries 7. Oil-alternative energy and electricity generation 8. The prevention of environmental pollution and others 9. Atomic energy 10. Catalyze	The scope of the high-technology was revised to include the following 94 items in 7 areas. 1. The fields of electronics, information and electricity 2. Precision machinery and high-tech industries and the field of good distribution process 3. The fields of materials and raw materials 4. The field of new materials and precision chemical and the field of biological industry 5. Optical science and the field of medical appliances 6. The field of aeronautics and transportation 7. The field of prosperity, energy resources and the construction industry
The licensor shall be exempted from tax on royalty received by the licensor of high technology as previously stipulated. (An income tax or corporation tax shall be exempted for 5 years.)		

As there actually existed strict Government restriction in the past in Korea, there were cases where it was difficult to get permission for technology license agreement. However, a prospect is now obtained as the regulations and criteria concerned will be revised in the coming several years. The situation is such that in view of the Korean Government's intention to ease restrictions, the regulations can be regarded as almost the same as those in advanced countries.

In the future, when Korean companies are given technology licenses, attention should be paid to regulations mentioned above, including "the criteria." Moreover, there have been some cases in which the Korean Government gave permission under the following condition.

(1) When an applicant submitted a technology license agreement to the competent minister, there came an order from the fair trade commission that the wording "subject to the prior consultation and mutual agreement of the both parties," be deleted concerning the export by the licensee. The licensor who judged that the root cause of the order lied in Paragraph 2 of Article 3 of the old "criteria," stipulating that to excessively restrict sales areas and the district to which goods are exported should be regarded as an unfair transaction, paid attention to the proviso in the Article which stated "the restriction on export to the regions where the licensor already registered his contract technology or where the licensor gives a exclusive sales right to a third party, is not regarded as an unfair transaction," and listed the names of all countries to which the proviso appeals, and obtained approval from the FTC on condition that in case the license desires to export to these countries, he can do so by obtaining approval from the licensor in advance.

(2) In case the royalty rate exceeded 5% in the past, it often became a problem as an unreasonable price. However, today, there are some cases where, if an agreement is reached with the licensee, there is no problem in setting a higher royalty. The Korean Government recognizes such an agreement as a case of freedom of agreement.

(3) It was true that in the past to provide Korean company with a technology license was a synonymous with a technology transfer. It was impossible for the licensor to impose restrictions on the use of know-how by the licensee after the expiration or termination of an agreement. However, in the past for several years, it has become no problem in an agreement to prohibit the use of know-how by the licensee after the conclusion of an agreement. However, the use of know-how is not prohibited when it has been known public for reasons for which the licensee is responsible. (There are many cases in which the licensee asks for the continuation of the use of know-how after the termination of an agreement.)

(4) The "criteria" revised this time clearly stipulate is that "to set a certain amount of minimum royalty is not an unfair transaction." In the past, the setting of a minimum royalty was approved only in an exclusive license agreement and the setting of a minimum royalty was approved in such an agreement even under actual contract conditions.

As it is expected in the future that the laws and regulations relating to technological transfer license will change, it is necessary to pay attention to it. In consideration of the fact that Korea aims to become a member of the club of advanced countries, some time Korea will have laws and regulations the same in content as those in advanced countries. Though Korea has come close to the level of the advanced countries in respect of the legal system relating to intellectual property right, practical improvement are hoped for, judging particularly from the fact that not so much improvement is seen in comparison with the past in the distribution of illegal products.

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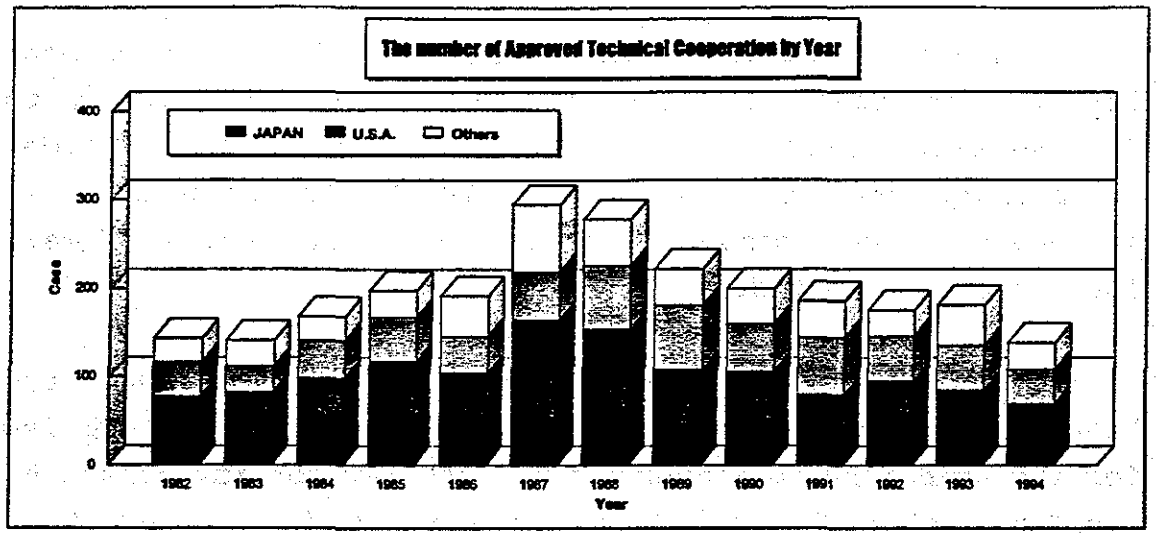
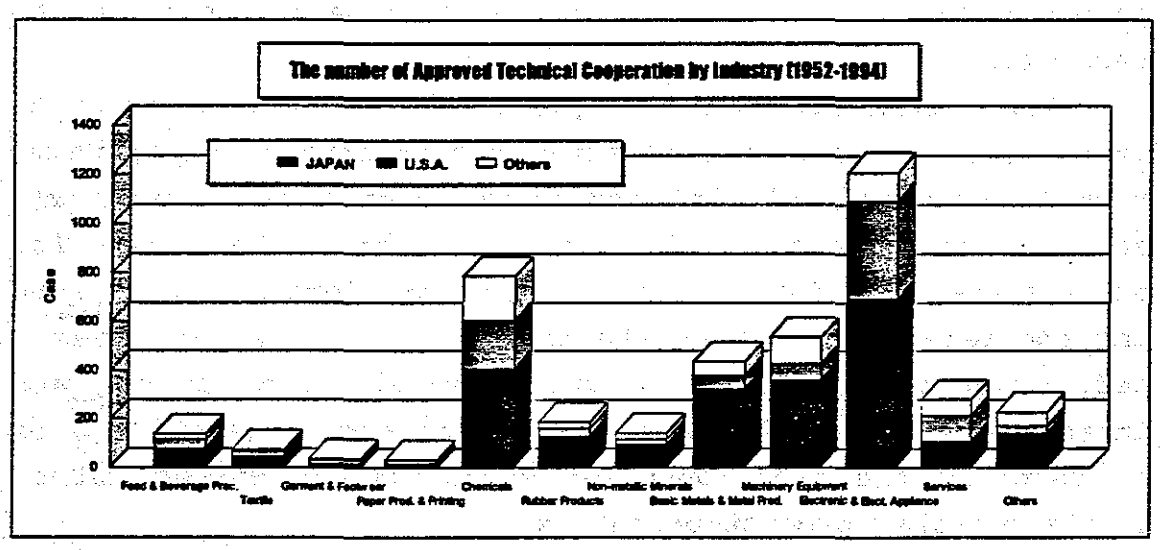
IV Taiwan

From 1989 to around 1990, there had been brisk investments in Taiwan by overseas Chinese and foreigners along with trends in opening of politics and liberalization of economy in Taiwan.

Especially, for the Japanese people who feel geographical and linguistic (the use of Chinese characters) affinities, Taiwan was a favorable country for their investments. However, from 1991, the investment environment has been deteriorating due to wage hikes and a rise in protection of the environment, it resulted in a sharp decrease in Japan's investment. Investments in commercial and service sections, including supermarkets and department stores, increase remarkably in the last 3 to 4 years, while foreign manufactures once occupied an overwhelming portion of foreign investments in Taiwan.

The trends in the cases of technical cooperation by year and industry, which are approved by Investment Commission, are shown in figures of next page.





The laws to protect the intellectual property right in Taiwan are;

"The patent law (invention, utility model and new design are included)," "the trademark law," "the copyright law (computer programs are included)."

In order to strengthen the protection of intellectual property right in the situation where the United States designated Taiwan as a nation to be watched by priority in connection with Special 301, the Taiwan Government amended two laws, namely "the patent law (enforced on Apr. 21, 1994)" and "the trademark law (enforced on Dec. 22, 1993)." Furthermore, "the protection law of the integrated circuit" will be enforced on Feb. 11, 1996, and "the law on trade secret" is expected to be enacted.

Besides, to become a member of GATT, Taiwan government has made considerable effort practically and politically to improve enforcement of intellectual property laws in order to satisfy the requirements of GATT/TRIPs agreement. In consequence, new amendment of the patent law and trademark law are also expected.

The investment-related fundamental laws in Taiwan are "the law for promotion of industrial development," "the law for investment by foreigners" and "the law for investment by overseas Chinese". Technical transfer to Taiwan had been governed by "the technical cooperation act" until quite recently.

The Taiwan Government is preparing for various types of investment encouragement measures for investors. Among them, "the law for promotion of industrial development" was newly enacted in January 1991 to replace "the law for encouragement of investments," which was formulated in 1960 and completed its role at the end of 1990. This law gives a definition on reduction of and exemption from taxes, and introduced a more effective investment encouragement system by favoring the function-based encouragement system rather than the former product-based one.

"The law for investment by foreigners" was formulated to guarantee the investments in Taiwan by foreigners. This law was enforced in July 1954 and revised on May 26, 1989. The law mainly assures the remittance of profits gained by investments to foreign countries.

In case of technology transfer agreement, licensing practice had to be subject to "the technical cooperation act." However, the government had gradually loosened its control over the examination, and then, "the technical cooperation act" was abolished on Aug. 2, 1995. "The technical cooperation act" owed its creation to special circumstantial backgrounds which called for special protections of the industries of Taiwan and a control of the foreign remittance. A technical cooperation agreement which usually consists of a patent or know-how license, had to be submitted to the Investment Commission for examination. In

regard to the agreement, the government assisted to prevent unfair terms and conditions, such as too high royalties or incomplete technology transfer. An approval from the Investment Commission also constituted a basis for tax exemption for royalties paid.

1. Recently amended laws

1)The specific points of the amended patent law

The amendment bill for the patent law passed the Legislative Yuan on Dec. 28, 1993, and promulgated and implemented on Jan. 21, 1994. And the enforcement regulations for the amended patent law were promulgated and implemented on Oct. 3, 1994. The specific points of the amended patent law are as follows.

(1)Enlargement of the objects to patent protection

Regulations of the old law, which did not allow the patentability for food, beverages, habit-forming articles, new varieties of microorganisms, and discovery of the new use of the articles, were deleted. Nevertheless, new varieties of animal and plant are not yet regarded as objects of patent. Patent right on microorganisms is not obtained for the people of the countries which have not yet concluded a reciprocity agreement with Taiwan, but this regulation is expected to be amended again.

(2)Force of patent right

The nature of patent right changed from a "the sole right of the use" to an "exclusive right." In the past, even when the basic patent was infringed, there were no alternatives but to demand guarantee money (not damages) from the accused if he possessed patent right of the dependent invention.

(3)Duration of the patent right

The duration of invention patent, utility model patent and new design were extended to 20 years, to 12 years and 10 years respectively, calculating from the date of application. (Under the old law, the duration of invention patent, utility model patent and new design were 15 years, 10 years and 5 years from publication, but not exceeding 18 years, 12 years and 6 years from the date of application

respectively.) As TRIPs regulations provide that the term of protection of design should be at least 10 years, the duration of new design is expected to be lengthened to 12 years from the date of application.

Concerning the patent of pharmaceuticals and agricultural chemicals and the method of production thereof, the duration may be extended for additional 2-5 years but not exceeding the time which he spent to get the manufacture approval stipulated in the law. (However, the people of the countries which do not conclude a reciprocity agreement with Taiwan are not allowed to extend the term of patent. This regulation is planned to be amended again.

(4)Restriction in license agreement (patent misuse)

Under amended Patent law, the following contract terms provided in a patent license agreement should be invalid: "prohibiting the licensee from using or place restriction on the use of certain article or method not furnished by the licensor" and "Requesting the licensee to purchase from the licensor products or raw materials not protected by the patent."

(5)Priority right

Foreign applicants can require their priority rights on the principle of reciprocity. The applicants should declare priority rights simultaneously when they submit their applications. The priority certificate can also be submitted within three months after the date of application.

(6)Employees' Invention

Basically, employees inventions belong to the employer.

(7)The right of pledge

Patent right can be used as the right of pledge. However, the patent application right cannot be used as the right of pledge.

(8)Parallel imports

The regulation of the old law, the articles imported from a foreign country and manufactured by the licensee or assignee of the original inventor shall be excluded from patent right effecting in Taiwan, was deleted from a standpoint of the principle of territorial privilege for

jurisdiction. The amended regulation provides that the court should decide whether to prohibit parallel imports or not.

(9)Compulsory license right

The permission for compulsory license was restricted to the cases of an emergent need of the nation, augmentation to the public interest without any action to make profit, or a request for license has not been agreed by the patentee when reasonable commercial conditions have been provided by an interest party after considerable time but in vain. After the patent law was amended, the demand for compulsory license by reason of non-working of a patent can not be claimed.

However, the patentee license the other for the patent which compulsory license has been permitted. In other words, the amended law clearly stipulates that the compulsory license is not an exclusive license.

Moreover, in order to become a member of GATT, in connection with the TRIPs, it is expected to add a condition that compulsory license of the patent related to semiconductor technology shall be limited to non-profit use of a patent for enhancement of the public benefit or unfair competition by the patentee.

(10)Labeling of patents

It is necessary to indicate the patent number on a product or its package related to the patent or their covers. If not, the patentee cannot demand compensation for damage. (Under the old law, the patentee was not obliged to indicate the patent, but should prove the fact that the accused manufacture knew that the product was patented.

(11)Legal procedures against infringements

In bringing a charge of infringement against the violation, the complainant should prepare a infringement opinion and a copy of the written warning by which the patentee demanded the violator stop the act of infringement. (A devoted organization for making infringement opinion is expected to be established.)

(12)Additional compensation due to willful infringement

In case of willful infringement, the court can set an amount of compensation in excess of the damage but not more than twice the damage.

(13)Statute of limitations for infringements

The complainant should apply for the compensation for damage and call for stoppage of acts of infringement within two years after he came to have the knowledge of an infringement. If not, he will lose the right of claim. The right will also lapse if the infringement continues for more than 10 years without any claim by the complainant. (Under the old law, there was no stipulation about the statute of limitations.)

(14)Others

Provisions for punishment were tightened to clamp on infringements, and other provisions were also amended, such as multiple applications, divided applications, application for objection, counter argument, etc.

2)The main points of the amendment of the trademark law

The amendment bill of the trademark law was approved by the Legislative Yuan on Nov. 19, 1993, and promulgated and implemented on Dec. 22, the same year. And the amendment enforcement regulation for the trademark law was promulgated and implemented on July 15, 1994. As a result of the amendment regulations, the international classification system is used to classify goods and services. This amendment of the trademark law is the largest one since the amendment in 1972. The main points of the revision is listed below;

(1)Priority

Priority can be claimed within 6 months from the next day of first application in the country which has a treaty or agreement with the Taiwan for reciprocal protection of trademark.

(2)Limitation of the scope of trademark right

The exclusive right of use a trademark is restricted to the designated goods. Under the old law, the scope of the trademark right covered all goods in the same class.

(3)Regulations on licensing of trademarks

The owner of trademark right can license others to use his trademark. This license for the use of the trademarks should be recorded with the agency in charge of trademark matters; unrecorded license shall not be valid as against third parties. This provision shall also apply if the licensed user sublicenses others to use of the trademarks with the consent of the owner of the trademark right. Under the old law, the licensing for the use of the trademarks requires approval and sublicense was not accepted.

In addition, "The standard on acquiring a trademark right from a foreign enterprise" was abrogated on July 30, 1993. This standard provided for the approval of the use of registered trademarks possessed by foreign enterprises. In case the person to be approved was a foreign enterprise, it was usually easier for it to get the approval of the use of its trademarks, but in case a Taiwanese company wanted approval of the use of a trademark possessed by a foreign company, it is considerable number of restrictions. However, as a result of the abolition of this standard, the same procedures as licensing for the use of the trademarks possessed by domestic Taiwanese enterprises can be applied in case the registered trademarks of foreign enterprises are licensed Taiwanese companies.

(4)Establishment of the right of pledge

It is stipulated that the trademark right can be the object of pledge. The creation of a pledge by the owner of trademark right and change or extinguishment of a pledge shall be recorded with agency in charge of trademark matters; unrecorded pledge, change or extinguishment shall not be valid as against third parties. The old law did not recognize the establishment of the right of pledge. During the continuance of a pledge, pledge shall not use the trademarks unless it has been licensed by the owner of the trademark right.

(5)Cancellation of registration due to non-use

The effective term of non-use was lengthened from 2 years to 3 years. It is stipulated that the cancellation of registration due to non-use of a trademark can be exempted by means of proving the fact that licensee uses the

trademark. The regulation of the previous law, which provided that the cancellation of registration could also exempted through use of a defensive trademark, was deleted. And, a new regulation stipulates that the cancellation of registration can be applied for the goods which did not use the trademark. It is stipulated that those who have the trademark right are totally responsible for proving the use of their trademarks.

(6)Well-known non-registered trademarks

Regulations of the old law concerning infringement upon well-known trademarks which were not registered, was deleted because the fair trade law is applied to such cases.

(7)Regulations on the termination of trademark right

In case the goods bearing trademarks are traded and circulated in market by the owner of trademark right or the licensee, trademark right shall not extend in respect of the said goods. However, this provision shall not apply where for the prevention of deterioration or damage of the goods, or having other justifiable reasons. This means that parallel import does not constitute trademark infringement.

(8)Others

Regulations were either amended or newly formulated such as, the distinctiveness of trademark, the definition of interested party, the definition and assignment of associated trademark and defensive trademark, the system of certification mark and collective trademark.

2. Regulation concerning technology transfers

As already mentioned, "the Technical Cooperation Act" concerning agreements on technology transfer was abolished on Aug. 2, 1995. The Technical Cooperation Act was formulated to cope with the cases in which a person concerned get a certain amount of profits after providing the Taiwanese government, individuals or corporations with know-how (technical secrets) or patent right possessed by foreigners based on the regulations of "the law for investment by foreigners." The competent authority for the law was the Investment Commission of the Ministry of Economic Affairs. Technical cooperators had to conclude an

"agreement on technical cooperation" and they had to submit the said agreement before the Investment Commission for getting approval.

Basically, the Investment Commission respected the contents of the agreement between the parties concerned, and examine whether the content of technology was within the scope of the Technical Cooperation Act; whether the condition of paying license fees was appropriate; whether the term of agreement was appropriate in view of technical innovations and technical transfers; whether there were restrictions on export markets; whether there were provisions for the obligation to purchase materials excessively, and others. Corresponding with the situation of internationalization and liberalization, the examination process for obtaining approval had been becoming considerably loosened.

In the past, Taiwan government control strictly on the foreign exchange. Therefore, the parties would apply for approval of the technical cooperation agreement from the Investment Commission to obtained the right to remit the royalty out of Taiwan. The situation changed when remittance of money to foreign countries has been liberalized under the amended "Foreign Exchange Control Law." Therefore, the Technical Cooperation Act loosed its efficiency on that important point. Now, to abolish the Technical Cooperation Act, the principle of liberty of contract with respect to technical assistance agreement has been established.

However, as mentioned above, the Patent law restricts the patent misuse which is known as tying arrangement. In addition to the tying arrangement, other conducts causing unfair competition, such as price fixing, package license, and involving patent right are well defined by the Fair Trade Law.

The old trademark law provided for stringent conditions as prerequisites fro trademark licensing. Under the old law, a trademark owner could license others to use his trademark only when the manufacture of the goods bearing the trademark was under the supervision and control of the trademark owner so that the trademarked goods could maintain the same

quality, and when the specific requirements prescribed by the Ministry of Economy Affairs were all met and such license had been approved by the authority in charge of trademark matters. However, the amended trademark law revokes the restrictions on trademark licensing to allow trademark owner to license their registered trademarks to others upon mutual agreement. As aforesaid, "The standard on acquiring a trademark right from a foreign enterprise" was abrogated, there is no special regulation to license to use trademark in Taiwan.

3. Matters to be attended after concluding a technology transfer agreement

(1)Matters related to patents

The amended law stipulates that infringement opinion is needed to file a suit on a patent infringement, and moreover, it is necessary to warn the violator in advance. In actions alleging infringement of manufacturing method, an accused can raise an opposing-evidence if the accused can produce the same product by using other method different from that of patentee's method described in his patent. In other words, the said other method which is different from a method actually applied by the accused is regarded as rebuttal. (This provision is planned to be amended again.)

As stated above, attention should be paid to the fact that there are peculiar regulations concerning patent infringements, such as "A parallel import is judged by the court case by case," and "without the label of a patent, the patent holder cannot demand compensation for loss."

Besides, under the old law relating to the claim of compulsory license, there were cases that the compulsory license was approved due to the non-working. More precisely, in case the licenser produced all or most of the goods relating to an invention abroad and imported them to Taiwan, it was not regarded as properly working of a patent. The amended law does not permit a demand for compulsory license of a patent due to the reason of its non-working. However, the present patent law in Taiwan includes still special regulations, so that those who are engaged in business

related to these regulations should be well aware of that peculiarity.

(2)Trademark relations

As the trademark law was vastly amended, including the liberalization of trademark usage approval and its renewal conditions, it is necessary to do business, paying attention to the amended law. There is no room for dispute because it is clearly stated in the law that the parallel import of genuine products does not constitute an infringement of the trademark law.

To block the export of products bearing false trademark from Taiwan to other countries, "the monitoring system on the export of products bearing false trademark." was adopted on Aug. 17, 1994, and was enforced on Oct. 1, 1994, by the Board of Foreign Trade in the Ministry of Economic Affairs.

In the monitoring system, the Board of Foreign Trade examine the trademarks, the list of the authorized users, and duration of rights of exclusive use which are supplied by the registrants, and then key that information in the computer data bank. The officers of each custom office will review the trademarks used on the exported goods to see whether they are infringing the registered trademarks. This computerized monitoring system may efficiently protect the intellectual property rights of trademark owners and block the export of the falsely identified products to other countries.

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V. Socialist Republic of Vietnam

Socialist Republic of Vietnam (hereinafter called Vietnam) is, as the name shows, is a socialistic country where the communist party rules. However, facing up to its economic and social situation which suffered from poverty and aftermath of Vietnam War, Vietnam set forward 'Doi-Muoi' (economic reform) policy in 1986 in order to restore and develop itself. This policy is a new economic reform one introducing capitalistic competitive principle on a large scale, which models after Perestroika initiated by Gorbachev, who was the last General Secretary in the era of the Soviet Union.

Originally, Vietnam is blessed with material and human resources, i.e. abundant underground resources and agricultural products and industrious workers and students. As Doi-Muoi policy proves effective, Vietnam has got much attention from other countries as a new market.

On the other hand, in order to introduce capital and technology from advanced countries, Vietnam has been adjusting laws concerned to accord with international standard.

1. The latest revised laws

Vietnam revised all industrial property laws such as patent, utility model, design and trademark, in order to protect technology and intellectual property right in such a level as advanced countries do.(March, 1990) Vietnam also revised its copyright law in December, 1994 preparing for membership in the Verne Convention. Moreover, Vietnam is actively making efforts to adopt the international protection system of intellectual property right and other legal system, after participating the Paris Convention, WIPO, PCT and the

Madrid Treaty. We will introduce major revisions below.

(1) Copyright law

Under the revised Copyright Law, Computer software is also the object of protection. Works made public outside Vietnam are not treated as objects of protection unless it is made public in Vietnam within 30 days after the first publication. Of course works made public in countries with which Vietnam confirms reciprocity in bilateral treaties, and which are members of the Verne Convention (on the premise that Vietnam should join the convention) are automatically protected in Vietnam in accordance with the law. The term of protection continues during the copyright holder is alive and successive for 50 years after his death. A corporate works are protected for 50 years from their publication.

(2) Patent, Utility Model and design

The National Industrial Property Office (hereinafter NIPO) should start preliminary examination to applications within three (3) months after the date of application and it is stipulated that substantial examination should be finished within eighteen (18) months after the application in case of patents and within nine (9) months in case of utility model. Moreover, as the Vietnamese examiners' ability to examine applications is totally high and as they are supported by WIPO in substantial examination (The Patent Agency of Japan sends Japanese examiners to Vietnam and receives Vietnamese examiners for training), the judgment of patentability can be said appropriate. Application papers or documents should be written in Vietnamese language, however, in case of urgent need to acquire date of application, we can submit specifications written in Japanese as a provisional measure. Different from patents and utility models, designs shall be registered without examinations, but there is a system of complaints against registered designs. (At any rate, these cases are few.) As a major point of the revised Patent law, medicines and materials have become objects of protection.

(3) Trademark

In the past, the registration of trademark was based on the Prior-Use-System. As registrations by unlawful users had

succeeded one after another, registration system was changed to the First-to-File System. However, as unlawful registrations did not decrease at all, a notification by NIPO was issued, stating that NIPO approve a claim for retraction of illegally registered trademarks to those with authority of the trademarks.

2. The law concerning license induction

In December, 1988, "Ordinance on foreign technology transfer" and "Ordinance concerning license agreements" were enacted. The adjustment or revision of laws mentioned in 1. is designed for the protection and transfer of technology from foreign enterprises. On the contrary, these Ordinances were formulated for the purpose of restraining both Vietnamese and foreign enterprises from concluding agreements disadvantageous to Vietnamese.

The Ordinances modeled after China's Control Ordinance on Technology Induction which was promulgated in May 1985, and according to the Ordinance all technology license agreements between Vietnamese and foreign enterprises are obliged to take examinations whether the conditions of agreements are permissible or not by Science and Technology Committee (hereinafter SCST).

First of all, in case Vietnamese intends to receive a technology license from a foreign enterprise, it is necessary to get permission in advance from SCST as to whether they can enter into negotiation or not. Then after Vietnamese conclude the agreement with the foreign enterprises, they must get approval of SCST on the agreement as soon as possible. Below are the main points necessary for getting permission:

(a) Indication of the concrete content of technology

(b) The economic value of the technology and the economic, technological and social effect expected to be achieved by the technology

(c) Royalty, terms of payment and its term

(d) Royalty should be within 5% of the net sales (service) price

(e) The quality of the technology and its responsibility should be guaranteed by the two parties

concerned.

(f) The term of agreement should be less than for 7 years (However,it can be extended in special cases) (reference to the Ordinance on foreign technology transfer)

SCST should decide whether the agreement ca be approved or not within 30 days after the application is made for approval to it. In case SCST makes no decision within 30 days from the date of application, it is regarded that the agreement should be approved. Then the content of approved agreement should be registered with NIPO. Vietnamese agents should be employed for the register.

Without the register, (1) it is impossible to get official permission of export and import and exchange foreign currency, (2) Technology, invention and know-how which are objects of license can not be protected under the intellectual property laws concerned, (3) it is impossible for the Vietnamese licensee to be financed from banks in Vietnam necessary for the business under the agreement, and (4) both parties shall suffer disadvantages, such as administrative punishment or a law suit.

References

"The strategies of intellectual property in Asia" by Masashi Kurose

"Technology Transfer and Licensing of Technology in Vietnam" by Stephen Hayward (carried by Patent World, April 1995)

"The intellectual property law in China and Indochina" by Lovell White Durrent (a monthly report to the Japan Machinery Export Association)

VI. Thailand

Thailand has unique conservative aspects in the national system because it has never been colonized by West European countries. While the country developed its economy by industrialization to the extent where Thailand has earned

a reputation as an "excellent" nation among OECD members and in the ASEAN, it has been reluctant to join international treaties, and in this respect, it is a follower rather than a leader in comparison with other ASEAN countries. Thailand is a member of the Verne Convention, WIPO and GATT (WTO), but not the Paris Treaty, PCTs, the Budapest Treaty or The Universal of Copyright Convention, The Thai Government, however is becoming active in regulating counterfeit products.

1. Status Quo of the intellectual property system

Thailand, though it is not a member state of the Paris Treaty, is expected to join the Treaty in the near future. For the time being, whether or not assertion of priority right may be accepted in Thailand is fluid.

(1) The patent law (design patent law)

The revised patent law which was promulgated in 1979, came into effect as of Sept. 30. 1992. Under the new patent law, the scope of protection enlarged to the field of pharmaceutical products and agricultural machinery. In addition to this, the term of the patent right was extended, the mutual priority system was introduced, the right of patent holder was improved and the regulations were induced concomitant to the patent protection of pharmaceutical products. Design patents are also protected under the patent law. Along with the design patent examination, the delays in patent examination are a problem. Careful attention should be paid to the fact that in case an application filed in a foreign country and is not filed in Thailand within 12 months thereafter, it cannot be registered as a patent for the reason that the patent application has lost novelty, even if it is not made public.

(2) The Trademark law

The revised trademark law, which was originally promulgated in 1931, came into effect as of Feb. 13, 1992. The following were newly provided for; introduction of service marks, certification trademarks or collective trademarks, a mutual priority system, prohibition of applications covering all kinds of related products, and

adoption of the international classification method of commercial goods and service.

(3) The copyright law

The revised copyright law, which was originally promulgated in 1893, came into effect in April, 1995. Under the new law, computer programs came to be protected by the copyright law.

(4) The unfair competition prevention law

Although the unfair competition prevention law is yet to be promulgated, prominent if not yet registered, trademarks are protected by "passing-off" system. The special law concerning the protection of trade secrets is not promulgated. However, concept to protect was defined in the criminal law, civil commercial law, labor-related laws and the consumer protection law.

2. The regulations on technology transfers

(1) The patent, trademark license

License agreements on trademarks and patents have to be submitted to the patent office of the Kingdom of Thailand, approved and registered.

License agreements, which include the payment of the royalty for patent, have to be approved by BOI (The investment committee under direct control of the prime minister).

The licensor has an obligation to file the patent license within 3 years after the conclusion of the agreement. When approved, the licensor shall not allow unfairness in the license fees and other agreed terms conditions and shall not receive license fees after the patent expired.

The licenser owes no responsibility for an infringement by a third party as required in China.

(2) The copyright license

There is no restriction in the copyright license. However, the existence of a license can be confirmed by submitting it to the government and being registered.

References
"The protection of the intellectual property right in Asia" March, 1995 The Institute of Intellectual Property Study Research
"The strategy of intellectual property in Asia" Dec. 8, 1994 by Masashi Kurose

VII. Conclusion

Asia is said to become the world's No.1 economic market in the 21st century. Consequently, the economic investments from the advanced countries have been active, and higher technology is being transferred to those Asian countries. Many Asian countries actively accept capital investments from foreign countries. It is true that the legal system of intellectual property has been be modernized and rampant illegal commercial products have been exposed and punished. However, although these counties have introduced excellent legal systems from advanced countries, local business is often done against the law, because the consciousness of intellectual property in these countries is low. It sometimes happens that in case a foreign enterprise is doing business at the same level with local business people, only the foreign enterprise which has no knowledge of practice of local laws may be punished for a breach of law. It would be ironic that the improved legal system results in punishing foreigners. We expect that not only the legal system is improved but illegal products are exposed and respect for law is promoted in those Asian countries. We believe that improvement and enforcement of legal system in accordance with the international rules regarding intellectual property can lead Asia to a course of sound economic development.

3-17

UPDATE ON U.S. INTELLECTUAL PROPERTY LEGISLATION

PIPA International Congress

San Francisco, CA

October 3-6, 1995

William T. Ellis

Counsel

IBM Corporation

IP LEGISLATION - 1995

PATENTS: TERM - H.R. 359/S.284

PATENTS: APPLICATION PUBLICATION - H.R. 1733

PATENTS: REEXAMINATION REFORM - H.R. 1732

PATENTS: PRIOR USER DEFENSE - H.R. 2235

PATENTS: PTO AS GOV CORPORATION - H.R. 1659

PATENTS - BIOTECH PROCESSES - H.R. 587

TRADEMARKS: MADRID PROTOCOL - H.R. 1270

TRADEMARKS: FAMOUS MARKS ANTI-DILUTION - H.R. 1295

COPYRIGHTS: CRIMINAL PROVISIONS - S.1122

COPYRIGHTS: COMPUTER PROGRAMS - H.R. 533

COPYRIGHTS: PERFORMANCE RIGHTS - S.227

COPYRIGHTS: TERMS - H.R. 789

TELECOMMUNICATIONS: OBSCENITY - S.314

PATENTS: GOVERNMENT SUITS - H.R. 632

PATENTS - 17 OR 20 YEAR TERM

H.R. 359/S. 284

Sponsors:

H.R. 359 - introduced by Representative Rohrabacher on January 4, 1995 (over 100 co-sponsors).

S. 284 - introduced by Senator Dole on January 26, 1995.

Description:

These bills will amend Section 154 of Title 35 of the United States Code to change the patent term so that it ends 17 years from the date of grant of the patent or 20 years from the earliest effective filing date on which the application was filed in the United States, whichever is later. The bills also open for inspection by the public, any continuing application and the original application if, but only if, the continuing application claims the benefit of a parent application filed more than 60 months earlier.

The bills would overturn the GATT Implementation Law enacted in December 1994, which had changed the patent term so that it ends 20 years from the earliest effective filing date. This GATT Implementation provision had gone beyond the strict requirements of the GATT/WTO Treaty, for the purpose of expressly preventing the issuance of submarine patents. A submarine patent is obtained by an applicant legally manipulating the patent system to prevent its application from

issuing until many years after the original filing date. Several such submarine patents issued in 1994, one of which had pended through procedural manipulations for 40 years. The 20 year term was also passed to implement a bilateral agreement with the Government of Japan. Japan agreed to accept Japanese patent applications in the English language, with a translation to be submitted 2 months later, and to allow the correction of translation errors.

Proponents:

Small Inventor Organizations argue that many of America's most important inventions take longer than 3 years to move through the Patent and Trademark Office so that U.S. inventors are disadvantaged.

Opponents:

The National Association of Manufacturers, American Electronics Association, Intellectual Property Owners, Business Software Alliance, Software Publishers Association respond that if there is to be an amendment in this area, then it should be an amendment to permit patent term extensions tied directly to U.S. Patent Office delays. There should not be compensation for applicant-caused delays. There should not be an open-ended opportunity for selected applicants to delay patent issuance indefinitely.

Status

Still in the House Judiciary IP Subcommittee.

PATENTS - APPLICATION PUBLICATION

H.R. 1733

Sponsor:

H.R. 1733 - introduced by Representative Morehead on May 25, 1995.

Description:

The bill amends Section 122 of Title 35 to provide for the publication of patent applications 18 months from the earliest filing date or claimed priority date. The bill does not include a definition of publication, thereby leaving to the discretion of the Commissioner such details as whether copies of the application will be placed in the search files, whether a copy of the application will be available on-line, and what type of access will be provided to the file during pendency. Note that this 18 month period will begin running from the filing date of any provisional application.

The bill includes a provision to address the concerns of inventors regarding the potential for the loss of trade secret protection for their inventions before the inventors know what prior art will be cited against their applications by the patent examiner. Specifically, Section 122(b) provides that upon request, an application will not be published until 3 months after the USPTO provides a first examination action. Applicants that claim the priority of a foreign application or the benefit

of an earlier filed U.S. application are not eligible to make this request. Eligibility is limited to independent inventors who certify that their application will not be filed overseas.

The bill also amends Section 154 of Title 35 to provide for a provisional right to a "reasonable royalty" from any person who made, used, offered for sale, sold or imported into the U.S. the invention as claimed in the published application during the period between application publication and patent issuance dates. The right is limited in that the infringer must have had "actual notice or knowledge of the published patent application" and the invention claimed in the patent must be identical to the invention as claimed in the published patent application.

The bill also amends Section 102(e) of Title 35 to make a published patent application effective in the United States as prior art as of its U.S. filing date.

Finally, Section 8 of the bill provides for patent term extension where there has been an unusual administrative delay by the PTO. The Commissioner will prescribe regulations setting out the particular circumstances that will be deemed to be unusual administrative delays. However, no term extension is available on applications that pended in the PTO less than 3 years. The bill sets the total cumulative term extension that may be given in compensation for delays due to

interference proceedings, secrecy orders, appeals to the PTO Board of Appeals and the Federal Courts, and unusual administrative delays at 10 years.

Proponents:

The U.S. Patent and Trademark Office, the American Bar Association's Intellectual Property Section, the American Intellectual Property Law Association, the National Association of Manufacturers, the Intellectual Property Owners, the American Electronics Association, and the Information Technology Industry Council (CBEMA) support this legislation based on the advantages to early publication of applications, the right to provisional royalties, and the need to provide some flexibility in the 20 year term for situations where PTO processing is the cause of unusual delays.

Opponents:

The bill is opposed by certain independent inventor's groups.

Status:

Still in the House Judiciary IP Subcommittee.

PATENTS - REEXAMINATION REFORM

H.R. 1732

Sponsor:

H.R. 1732 was introduced by Representative Morehead on May 25, 1995.

Description:

The bill expands third party rights in patent reexamination procedures. Specifically, the bill amends Section 302 of Title 35 to broaden the basis for reexamination to include Section 112 issues. The bill amends Section 305 of Title 35 to allow a third party requester to file written comments on each of the patentee's responses to the PTO.

Section 306 is amended to provide the third party requester with a right to appeal any final decision of the PTO that is favorable to patentability. However, if the third party requester chooses to appeal, then it is estopped from later asserting invalidity of the patent based on any ground which the third party requester raised or could have raised during the reexamination proceedings. Additionally, the bill adds a new Section 308 to Title 35 to prohibit the patent owner and the third party requester from filing a subsequent request for reexamination on the same patent until the ongoing reexamination proceeding is completed. Section 308 also prohibits a third party requester from filing a request for reexamination on grounds that it

raised or could have raised during a previous suit in Federal Court where the Federal Court had entered a decision that the third party had not sustained its burden of proving the invalidity of any patent claim.

Proponents:

The legislation is supported by the American Bar Association's Section on Intellectual Property, the American Intellectual Property Law Association and the Intellectual Property Owners Association.

Opponents:

Various independent inventor's groups.

PATENTS - PRIOR USER DEFENSE

H.R. 2235

Sponsor:

H.R. 2235 - introduced by Representative Morehead on August 4, 1995.

Description:

The bill provides that a person shall not be liable for patent infringement if such person had, acting in good faith, commercially used the subject matter before the effective filing date of the patent. "Commercially used" is defined as use in the United States in commerce or use in the design, testing, or production in the United States of a product or service which is used in commerce, whether or not the subject matter is accessible to or otherwise known to the public. The phrase "used in commerce" is defined to require an actual sale or other commercial transfer of the subject matter at issue or an actual sale or other commercial transfer of a product or service resulting from the use of the subject matter.

The bill clarifies that this defense is not a general license under the patent, but is a personal defense extending only to the subject matter that the person actually used before the effective filing date.

The person has the right to vary the volume of use of the subject matter and to make improvements, so long as those improvements do not infringe additional claims of the patent.

The person will not be entitled to the defense unless he has commercially used the subject matter in question or reduced it to practice more than one year prior to the effective filing date of the patent. Also the person may not assert the defense if he derived the subject matter from the patentee or those in privity with the patentee.

Proponents:

Intellectual Property Owners, American Intellectual Property Law Association, National Association of Manufacturers.

Opponents:

Small inventor's organizations.

PATENTS - PTO AS GOVERNMENT CORPORATION

H.R. 1659

Sponsor:

H.R. 1659 - introduced by Representative Morehead on May 17, 1995.

Description:

The bill would make the U.S. Patent and Trademark Office a government corporation independent from the Department of Commerce. Specifically, the bill would amend Title 35 to grant the PTO the power:

a. To purchase, lease, construct and manage property;
b. To award contracts
c. To retain and use all of its revenues in carrying out the functions of the Office;
d. To have flexibility in creating positions and in compensating its personnel;

The bill would appoint the Commissioner of Patents and Trademarks for a 6 year term.

Additionally, the bill would create a Management Advisory Board of 18 members: 6 to be appointed by the President, 6 to be appointed by the Speaker of the House, and 6 to be appointed by President pro

tempore of the Senate. The Advisory Board is intended to represent the interests of the users and is required to report annually to both the President and the Congress on the functioning of the PTO.

Importantly, Section 42 of the Bill would end the Congressional practice of taking several million dollars of PTO user fees and paying it into a PTO Surcharge Fund not accessible by the Commissioner.

Section 42 requires that user fees be used exclusively for the processing of patent applications and other PTO services. Also, all user fees remaining in this PTO Surcharge Fund would be transferred to the PTO on the date of enactment of this legislation.

Note that the authority to set the level of PTO fees is retained by Congress.

Proponents:

The American Bar Association's IP Section, the American Intellectual Property Law Association, and the Intellectual Property Owners, Inc. support the bill based on the need to allow the PTO more flexibility to retain experienced examiners, to manage its own budget and the necessity to end the Congressional taking of user fees.

PATENTS - BIOTECH PROCESSES

H.R. 587/S.1111

Sponsors:

H.R. 587 - introduced by Rep. Morehead on January 19, 1995.

S.1111 - introduced by Senator Hatch on August 2, 1995.

Description:

The bills would require a per se holding of non-obviousness, at the election of the applicant, for claims to a "biotechnological process" using or resulting in a composition of matter that is novel under Section 102 and non-obvious under subsection (a) of this section..."

Claims to the process and composition of matter must be either contained in the same application, or in separate applications having the same effective filing date, and the process and composition of matter must, at the time the process was invented, have been owned by the same person or have been subject to an obligation of assignment to the same person.

The bills requires that if the process and composition of matter claims issue in two separate patents, that they be set to expire on the same date as the composition of matter patent.

Finally, the bills amends Section 282 of Title 35 to clarify that if a composition of matter claim is held invalid and that claim was the basis of a determination of non-obviousness under Section 103(b)(1), then the process shall no longer be considered non-obvious solely on the basis of this section.

Proponents:

The biotech industry argues that the bills would ease the issuance of patents in the biotech area. The bills would also allow patent owners who have patents covering biotechnology starter materials used in creating a biotech product, to obtain a patent on the biotech process (which may be old) for using the starter material to make the biotech product. Such a process patent would give the owner the right to enjoin under 35 U.S.C. 271(g) the importation of products made overseas with this patented biotech process.

Opponents:

The Intellectual Property Owners argue that per se patentability will result in bad patents. Some versions of this legislation introduced in prior Congresses have not been limited to biotechnological processes. Such earlier versions were opposed by the Business Software Alliance and the Software Publishers Association, as well as the Information Technology Industry Council (formerly CBEMA) because of a concern over the impact of the legislation on software processes.

TRADEMARKS - MADRID PROTOCOL

H.R. 1270

Sponsors:

H.R. 1270 - introduced by Representative Morehead on March 21, 1995.

Description:

The bill was introduced in preparation for the expected ratification of the Madrid Protocol. The bill would amend the Lanham Act to facilitate a one-step international registration for U.S. trademarks. A bill with identical language (H.R. 2129) was passed last year by the House of Representatives.

The features of the bill are as follows:

Article 61 permits a domestic applicant or an applicant having an industrial or commercial establishment in the U.S. to file an international trademark application in the U.S. Patent and Trademark Office, if it has an identical basic application pending before the U.S. Patent and Trademark Office or has an issued U.S. trademark registration for the mark.

Article 62 requires the U.S. PTO to certify that the information contained in the international application corresponds to the information in the U.S. basic application.

Article 63 requires the U.S. PTO to notify the International Bureau if the basic application or registration has been restricted, abandoned, cancelled, or has expired with respect to some or all of the pertinent goods or services.

Article 65 and 66 allow the holder of an international registration to request extension of protection of that international registration to the U.S. if the request includes a declaration of a bona fide intent to use the mark in U.S. Commerce. This request for extension will constitute constructive use of the mark unless there has been a refusal under Article 68.

Article 67 grants the holder of an international registration a right of priority under certain conditions.

Article 68 sets forth the procedures for examination, opposition, and refusal.

Article 69 states that a U.S. certificate of extension shall have the same effect and validity as a registration on the Principal Register, as well as the same rights and remedies.

Article 70 clarifies that a cancellation or a failure to renew an international registration will result in a comparable cancellation or recision of validity in the U.S.

Articles 71, 72, and 73 cover the requirement for affidavits, assignment issues, and incontestability, respectively.

Proponents:

The U.S. Patent & Trademark Office supports eventual U.S. accession once clarification is received that E.U. member countries cannot vote in their own right and also through the E.U. The International Trademark Association supports the legislation.

Status:

The bill was favorably reported out of the House Judiciary Subcommittee and will now be considered by the full Judiciary Committee.

TRADEMARKS -ANTI DILUTION

H.R. 1295

Sponsors:

H.R. 1295 was introduced by Representatives Morehead, Sensenbrenner, Cable, Canady, Goodlatte, Bono, and Boucher on March 22, 1995.

Description:

The bill would amend Section 43 of the Lanham Act to allow the owner of a famous registered or unregistered mark to obtain an injunction against another person's use of a mark or trade name in Commerce if such use began after the mark became famous and would cause dilution of the distinctive qualities of the famous mark.

In determining whether a mark is famous a Court will consider factors such as the mark's distinctiveness, the duration and extent of use, the duration and extent of advertising, the geographical extent of trading, the channels of trade, the degree of recognition of the mark in the trading area, and the nature and extent of use of the same or similar marks by third parties.

"Dilution" is defined as a lessening of the capacity of the famous mark to identify and distinguish goods or services. The definition states that competition between the registrant and the other party is not

necessary. Likewise, the definition states that proof of likelihood of confusion, mistake or deception is not necessary.

Only injunctive relief will be available under this law, unless it is proven that the other party willfully intended to trade on the owner's reputation or to cause dilution of the mark.

Proponents:

The U.S. Patent and Trademark Office, the International Trademark Association, the American Bar Association's Intellectual Property Law Section, Samsonite Corporation, Campbell Soup Company, and Warner Brothers Company support the legislation.

Status:

The bill has been favorably reported out of the House Judiciary IP Subcommittee and will now be considered by the full Judiciary Committee.

COPYRIGHT - CRIMINAL PROVISIONS

S.1122

Sponsor:

S.1122 was introduced by Senator Leahy on August 4, 1995.

Description:

The bill was drafted as a response to the recent LaMacchia decision wherein a defendant Bulletin Board System (BBS) operator (an MIT student) was brought up on criminal charges that he solicited BBS users to upload copies of copyrighted software programs onto the BBS and then encouraged BBS users to download copies of the illegally copied computer programs at no charge resulting in losses of over $1 million to the copyright owners. The Court determined that he could not be prosecuted criminally under wire fraud statutes. He was not charged with criminal copyright infringement because it could not establish that he profited from his actions.

The bill amends Section 506(a) of Title 17 to make a person subject to criminal penalties for infringing copyright willfully by the reproduction or distribution, including by transmission, or assisting others in such reproduction or distribution, of 1 or more copies of copyrighted works with a retail value of $5,000 or more, whether or not the person profited from the transactions. The bill also adds a definition of

"financial gain" to Section 101 of Title 17 to clarify that it encompasses the bartering for or trading of pirated software.

Note that the monetary threshold of $5000 combined with the normal criminal scienter requirement will insure that merely casual or careless conduct resulting in the distribution of only a few infringing copies will not be subject to criminal prosecution.

The bill would provide penalties of a fine and up to one year of imprisonment where the total retail value of the legitimate infringed works are between $5000 and $10,000. Where the total retail value of the infringed works exceeds $10,000, the offense is punishable by a fine and up to 5 years of imprisonment.

COPYRIGHTS - COMPUTER PROGRAMS

H.R. 533

Sponsor:

H.R. 533 - introduced by Representative Knollenberg on January 17, 1995.

Description:

The bill would amend Section 117 of Title 17 to permit the "rightful possessor" of a copy of a computer program to make or authorize another to make a copy or adaption of the computer program if such new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and it is used in no other manner, or for archival purposes.

Proponents:

Representative Knollenberg argues that this legislation is necessary to permit independent computer service companies to service computers that use proprietary operating systems. The Ninth Circuit case MAI Systems Corp. v. Peak Computer Inc., 26 USPQ2d, 1458 (CA9 1993), held that a copyright infringement occurred when a service company loaded MAI licensed software into a computer's RAM in order to service the computer.

COPYRIGHTS - PERFORMANCE RIGHTS

S. 227/H.R. 1506

Sponsors:

S. 227 - introduced by Senator Hatch on January 13, 1995.

H.R. 1506 - introduced by Representative Morehead on April 7, 1995.

Description:

The bill would add a new paragraph (6) to 17 U.S.C. 106 creating an exclusive right "in the case of sound recordings, to perform the copyrighted work publicly by means of a digital transmission." However, 17 U.S.C. 114 is amended in such a manner to limit the new paragraph 106(6) to sound recordings performed publicly as part of a subscription transmission service.

Section 114 is also amended to make subscription transmissions (which would now be subject to this public performance right), subject to statutory licensing under that section. Section 115 is also appropriately amended to allow phonorecord makers, operating under compulsory license, to distribute sound recordings by means of digital transmission.

Under current law, the owner of the copyright in a sound recording does not have a performance right. Thus, the performer of a sound

recording has no right to compensation for the public performance of his work. In contrast, the owner of the copyright in the music or lyrics in the recording does currently have a right to compensation for a public performance.

Proponents:

Senators Hatch and Feinstein argue that subscription transmission services, which allow a consumer to call up and record individual sound recordings, have the potential to put the recording industry out of business without this change in the law. Negotiations between the recording industry and the music publishing industry continues on the precise language of this legislation.

Status:

S. 227 was passed by the Senate on August 8, 1995. H.R. 1506 was reported out of the House Judiciary IP Subcommittee and will next be considered by the full Judiciary Committee.

COPYRIGHTS - 70 YEAR TERM

H.R. 789

Sponsor:

H.R. 789 - introduced by Representative Morehead on February 16, 1995.

Description:

The bill would amend Title 17 of the Copyright Statute to increase the term of copyright from life of the author plus fifty years to a term of life of the author plus seventy years. The reason for proposing the increase in term is to obtain reciprocity for the works of U.S. citizens in Europe. European countries currently provide their citizens with a copyright term of life of the author plus seventy years, but provide U.S. authors with the same term offered to European authors in the U.S. - life of the author plus fifty years.

TELECOMMUNICATIONS - OBSCENITY

S. 314

Sponsor:

S. 314 - introduced by Senator Exon on February 1, 1995.
The bill is now inserted as a Chapter in the Telecommunications Reform Legislation.

Description:

The bill proposes to amend the Communications Act of 1934 (47 U.S.C. 223) to expand the prohibition on obscene or indecent or harassing telephone calls and the restrictions on dial-a-porn services to communications by telecommunications devices. Importantly, network service providers are exempted from liability for communications where they lacked editorial control, or when they had taken good faith, reasonable steps:

a. to provide users with a means to restrict access to the obscene communication; or

b. to provide users with warnings concerning the potential for access to such communications.

Service providers are also exempt from liability if their facilities are not used in the creation or alteration of the obscene communication, but

only in the provision of access to such a communication originating from a service not under their control.

Finally, it is a defense that the service provider is not engaged in commercial activity that has as its predominant purpose the provision of obscene communications.

The penalties available for activity found to violate the law would be fines up to $100,000 and imprisonment of not more than two years.

Opponents:

ACLU, the Electronic Frontier Foundation. America Online, Prodigy, CompuServe, and the Interactive Services Association had opposed the legislation until the network service provider defenses were added to the bill.

PATENTS - GOVERNMENT INFRINGEMENT SUITS

H.R. 632

Sponsor:

H.R. 632 - introduced by Representative Martin Frost on January 23, 1995.

Description:

The bill would amend 28 U.S.C. 1498(a) to allow the recovery of "the owner's reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action if the owner is an independent inventor, a non-profit organization, or an entity that had no more than 500 employees at anytime during the 5-year period preceding the use or manufacture of the patented invention by or for the United States."

Proponents:

Rep. Frost argues that independent inventors and small and medium sized companies should be recompensed for their enormous legal costs if they successfully sue the U.S. Government.

Status:

The bill was favorably reported out of the House Judiciary IP Subcommittee and will next be considered by the full Judiciary Committee.

(1) Title:

A study of Articles 12 and 21 of the WIPO Harmonization Treaty (PLT/DC/69)

(2) Date:

October, 1995 (the 26th International Congress in San Francisco)

(3) Source:

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

(4) Authors:

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(5) Keywords:

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(6) Statutory Provisions:

Articles 12 and 21 of the WIPO Harmonization Treaty

(7) Abstract:

The WIPO Harmonization Treaty, whose conception had been studied since 1985, was once formulated into an modified proposal by the WIPO International Bureau, awaiting deliberation at the Second Diplomatic Conference. At the Consultative Meeting held in Geneva in 1995, however, the modified proposal was suspended from further discussion at the request of the United States of America. It is to be hoped that the treaty

will be effected despite a huge pile of problems involved. The present paper studies the modified proposal of the Harmonization Treaty, one fruit of the efforts made by the WIPO International Bureau, in terms of its provisions for the grace period in Article 12 and interpretation of claims in Article 21.

A study of Article 12 indicated that implementation of the provisions in this article would lead to various problems unpredictable under the conventional first-to-file system. In a study of Article 21, we reviewed the latest judicial precedents concerning judgment of equivalents in Japan, the United States, Germany, Great Britan, and Korea, including a study of the recent trend of interpretation of claims in these countries relative to the provisions in this article.

I. Introduction

In April, 1994, the TRIP talks in the Uruguay Round of the GATT reached an agreement, and in accordance with the agreement, the WTO member countries are now in the process of making appropriate adjustments to their respective patent law.

Meanwhile, the basic proposal of the WIPO Harmonization Treaty was worked out after seven Expert Committee Meetings held from July 1985 to November 1989 for deliberation at the First Diplomatic Conference held in June 1991, where the WTO member countries presented their opinions on the basic proposal. By reviewing these opinions, the WIPO International Bureau formulated an modified proposal of the Harmonization Treaty with some provisions reflecting the initial proposal prepared by the Expert Committee (PLT/DC/3) and others replaced by revised provisions (PLT/DC/6- 68). The modified proposal thus formulated was presented in the form of a package (PLT/DC/69) by the WIPO International Bureau in July 1993 and supposed to be discussed for conclusion at the Second Diplomatic Conference scheduled for the same month. Prior to this conference, however, the extraordinary plenary session on the Paris Convention was held at the WIPO headquarters in April 1993, where the Unites States requested postponement of the conclusion of the Harmonization Treaty. As a result, the Second Diplomatic

Conference scheduled for July in the same year was postponed accordingly never to be convened in any subsequent year.

Later, the Consultative Meeting was held in Geneva on May 8 to 11, 1995, where the modified proposal was suspended from further discussion at the request of the United States, awaiting decisions to be made at the ordinary plenary session scheduled for September 1997. In stead, the Expert Committee was established to discuss harmonization of the procedure and formality provisions.

Despite difficulties in predicting the prospect of the Harmonization Treaty, the third committee picked up and studied Article 12 (the grace period) and Article 21 (interpretation of claims) since subject matters of these provisions have been frequently discussed because of conspicuous differences in handling among the countries.

II. Grace Period

1. Background to Grace Period

1) Basic Proposal

On the whole, Article 12 providing for the grace period in the modified proposal prepared by the WIPO International Bureau remains as in the WIPO basic proposal. Below is shown the text of Article 12 in the basic proposal, followed by the text of observations presented by the WIPO International Bureau in consideration of the opinions of the WTO member countries on the basic proposal.

Article 12

Disclosures Not Affecting Patentability (Grace Period)

(1)[Circumstances of Disclosure Not Affecting Patentability] Disclosure of information which otherwise would affect the patentability of an invention claimed in the application shall not affect the patentability of that invention where the information was disclosed, during the 12 months preceding the filing date or, where priority is claimed, the priority date of the application,

(i) by the inventor,

(ii)by an Office and the information was contained

(a) in another application filed by the inventor and should not have been disclosed by the Office, or

(b) in an application filed without the knowledge or consent of the inventor by a third party which obtained the information direct or indirectly from the inventor,

or

(iii) by a third party which obtained the information direct or indirectly from the inventor.

(2) ["Inventor"] For the purposes of paragraph (1), "inventor" also means any person who, at the filing date of the application, had the right to the patent.

(3) [No Time Limit for Invoking Grace Period] The effects of paragraph (1) may be invoked at any time.

(4) [Evidence] Where the applicability of paragraph (1) is contested, the party invoking the effects of that paragraph shall have the burden of proving, or of making the conclusion likely, that the conditions of that paragraph are fulfilled.

[End of Article 12]

2) Observations

i) Text of Observations by WIPO International Bureau

In consideration of the opinions of the WTO member countries on the basic proposal shown above, the WIPO International Bureau made observations as shown below.

12.A It is suggested that Article 12 should remain as in the basic proposal, subject to Observations 12.B to 12.D.

12.B Ad Article 12 (1). It would seem that the term "during" needs to be clarified in respect of the cases referred to under (ii). An application filed by the inventor or by a third party may have a prior art effect under Article 13, so that it is to be treated as a disclosure not on the date of its publication but on its filing or priority date. In such a case, Article 12 (1) applies if the filing or priority date of the said application fell during the 12 months (although its publication occurred after the 12-month period) preceding the filing or priority date of the application to which the grace period is to be applied.

Therefore, in order to cover these cases, it is suggested that, instead of "during," the words "during, or with effect under Article 13 on a date during," be used.

12.C Ad Article 12 (2). It would seem that the case where a person had the right to a patent only before the filing date but no longer at the filing date (for example, the case of an assignment of that right) should be covered. Consequently, it is suggested that the words "or before" be inserted after the word "at".

12.D Proposal for a new Article 9 bis (2). See Observation 11.D above.

ii) Description of Observations

Observation 12.A suggests that Article 12 should remain as in the basic proposal, subject to Observations 12.B to 12.D. Observations 12.B to 12.D present reasonable suggestions and therefore leave no room for argument. The next section "3. Study" studies the basic proposal subject to Observations 12.B to 12.D.

Incidentally, the minutes of the First Diplomatic Conference state that the WTO member countries or organizations can be broadly classified into three groups in terms of their stance: the first group basically opposing the inclusion of the grace period but accepting it in exchange for the adoption of the first-to-file system (e.g. Denmark, Belgium, Finland, France, Norway, Sweden, Greece, Canada, Korea, and UNICE), the second group supporting the inclusion of provisions for the grace period in a package deal linked to the first-to-file system (e.g. Holland, Switzerland, Spain, Great Britan, Germany, and Japan), and the third group supporting Article 12 in its entirety (e.g. the United States, IFIA, and Lebanon). In this connection, Japan proposes that the time limit for invoking the grace period as provided for in Paragraph (1) should be reduced to six (6) months.

2. Summary of Article 12

The provision of Article 12 is summarized plainly below covering the related observations (enclosed in brackets are

numbers assigned to applicable provisions or observations for easy reference).

Disclosure of information which otherwise would affect the patentability of an invention claimed in the application shall not affect the patentability of that invention where the information was disclosed during the 12 months preceding the filing date or the priority date of the application by either one of (i) to (iii) below (or, where not disclosed, entered in the specification to assume the position of a prior application [observation 2.]) [Article 12 (1)]. There shall be no time limit for invoking the grace period [Article 12 (3)]. Where the invocation of the grace period is contested, the party invoking effects of the grace period shall have the burden of proving that the conditions of such invocation are fulfilled [Article 12 (4)].

i) the inventor.

(In consideration of the case of an assignment of the right to a patent, an "inventor" means not only any person who had the right to a patent at the filing date of the application [Article 12 (2)], but also any person who had that right before the filing date [Observation 3].)

ii) the Patent Office subject to the information being contained in the following:

a) a specification for another application filed by the inventor (disclosed by the Patent Office), or

b) a specification for an application filed without the knowledge or consent of the inventor by a third party which obtained the information direct or indirectly from the inventor.

iii) a third party which obtained the information direct or indirectly from the inventor.

Namely, the provisions i) and ii) a) above guarantee that the patentability of an application filed by an inventor within one (1) year from the publication of information including the pertinent claims of an invention is not affected by the inventor's own publication of the invention prior to the application or by another application filed by the inventor.

Similarly, the provisions ii)b) and iii) above also ensure that the patentability of an application filed by an inventor within one (1) year from the publication of information including the pertinent claims of an invention can be protected from an application filed or a disclosure made by a third party which obtained the information from the inventor's publication (secondary publication) prior to the application.

3. Study

1) The basic purpose of the grace period is to encourage an inventor intending an early publication of the effects of an invention, thereby providing both protection and convenience for the inventor as a contributor to the development of industries. The inventor making such an early publication is hereinafter referred to as "A". Assuming that an inventor "A" made publication or filed another application with regard to a subject matter of an invention, such publication or application will not affect the patentability of claims in subsequent patent application of the invention as far as he files it within one (1) year from the publication or the publication date of the application. (see Fig. 1 below). This condition corresponds to the provisions in Article 12 (1)(i) and (1)(ii)(a) above.

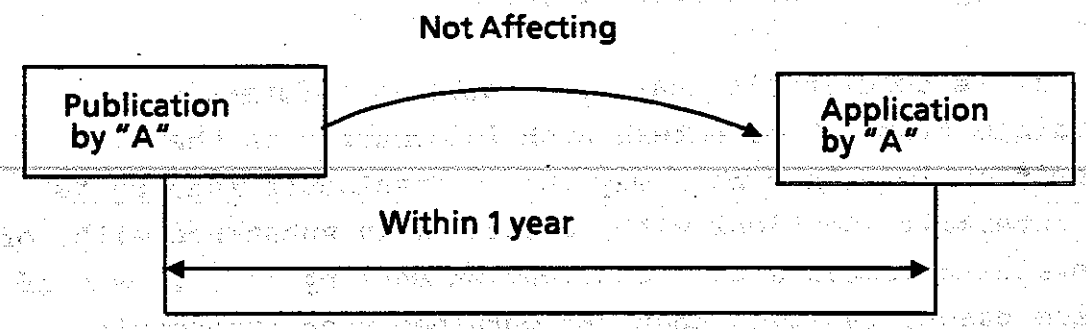


Fig. 1

2) Besides "A", a third party which obtained the information direct or indirectly from "A" also concerns the provisions in Article 12 (1)(ii)(b) and (1)(iii). Such a third party is hereinafter referred to as "B". According to the said provisions, the patentability of the pertinent claims of the invention of "A" will not be affected by any publication made or application filed by "B" which obtained the information from "A" by some method or other (see Fig. 2 below).

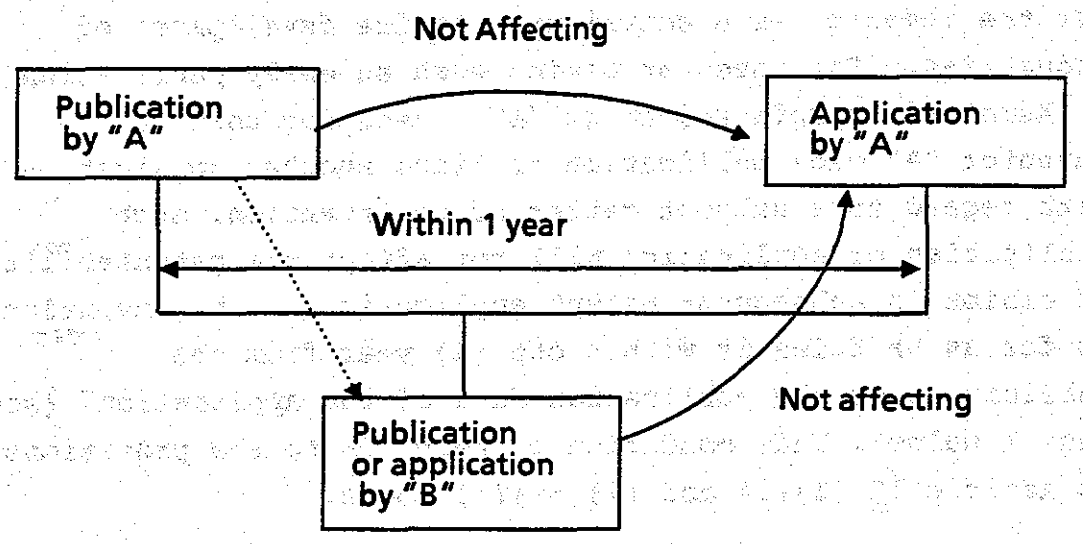


Fig. 2

However, inclusion of these provisions would lead to various problems as described later.

3) It is conceivable that "B" discloses information obtained from "A" or enters such information in the specification, in such a way that a disclosure made by "B" is literally identical with, identical in substance with, or containing contents of a publication made by "A". In any of these cases, the fact that "B" obtained such information from "A" is known only to "B".

Hence come problems which may result from any identity existing between a publication made by "A" and a disclosure

made by "B", and problems which may result from the question whether a disclosure made by "B" is based on a publication made by "A".

4) Invocation of the provisions in Article 12 (1)(ii)(b) and (1)(iii) differs greatly depending on the relationship between a publication made by "A" and a disclosure made by "B". The possible manners of invocation of the said provisions include the following:

(1) To construe a disclosure made by "B" that is literally identical with a publication made by "A" as a secondary publication resulting from "A's" publication.

(2) To construe a disclosure made by "B" that is literally identical with or identical in substance with a publication made by "A" as a secondary publication resulting from "A's" publication.

(3) To construe a disclosure made by "B" that is literally identical with, identical in substance with, or containing contents of a publication made by "A" as a secondary publication resulting from "A's" publication.

The manners of invocation (1) and (2) would restrict the applicable scope of a publication made or application filed by "B" which enjoys a status of secondary publication based on information obtained from "A" nearly to that of an original disclosure in a publication made by "A" while the manner of invocation (3) would extend the said scope to the extent that an improved or related disclosure in an publication made by "A" (see Fig. 3 below) is also entitled to be said secondary publication. Thus, the manners of treating a disclosure made by "B" greatly affect the patentability of an application filed by "A" although this fact is not referred to in the said provisions.

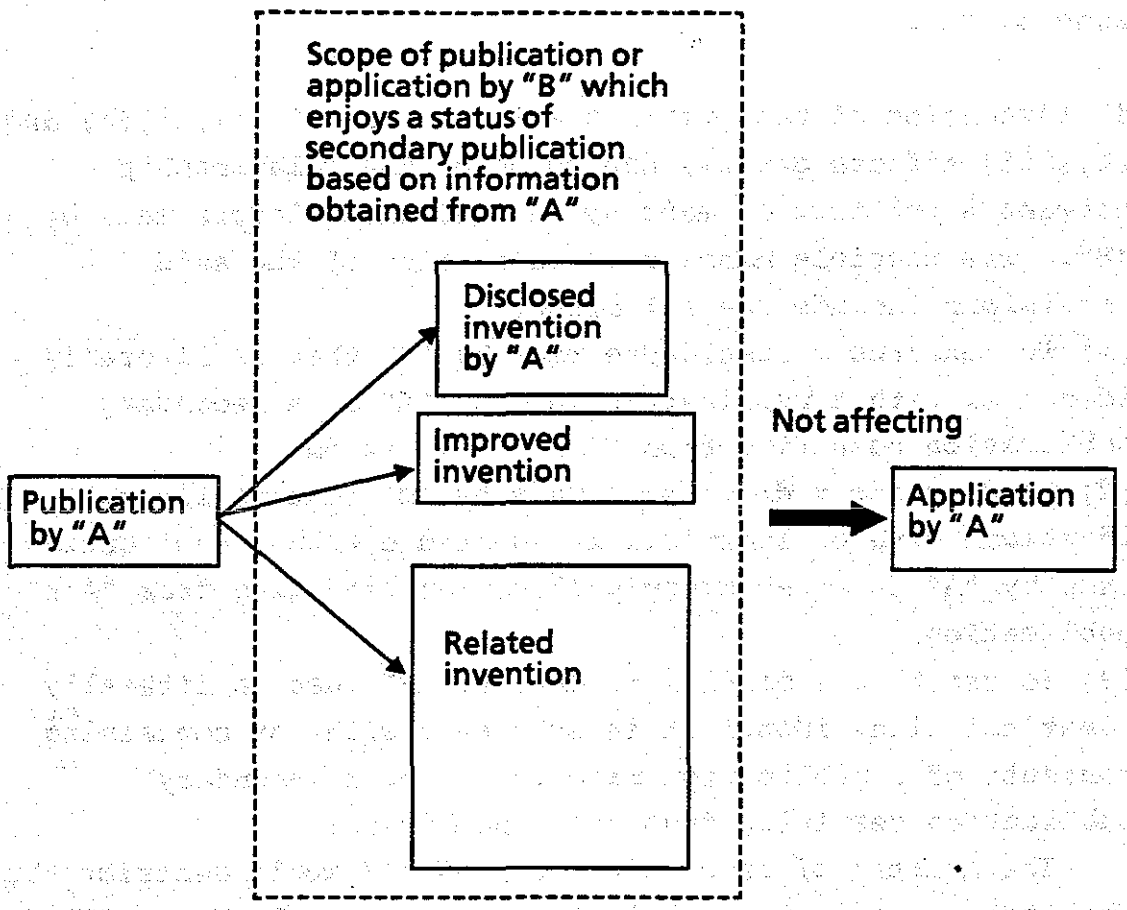


Fig. 3

While the manners of invocation (1) and (2) are expected to cause few problems, the manner of invocation (3) is feared to cause various problems. Assuming that "B" combines an original disclosure made by "A" with an improved related invention conducted by "B", a publication by "B" or an application filed by "B" is naturally cited in the examination process for an application filed by "A". In this case, the pertinent claims of the application filed by "A" will be questioned in terms of inventiveness if "A's" invention shows no inventiveness over the disclosure made by "B" and in terms of novelty if there is any identity existing between the two. If "A" can apply for invocation of the grace period by making an allegation that the date of the publication made by "A" precedes the date of the publication made by "B", the disclosure made by "B" will be assumed to be a secondary publication based on the

publication made by "A". Thus the possibility of approval of the allegation made by "A" would be extremely high. As a result, no consideration will be given to the disclosure made by "B", which otherwise would affect the patentability of the application filed by "A". As far as judgment in terms of identity is concerned, this situation can be permitted, however, with regard to disregarding of lack of inventiveness over "B's" improved invention, we think it problematic since there should be in effect no inventiveness at all in "A's" invention.

5) A major problem is also caused by the fact that it is known only to "B" whether the disclosure made by "B" is derived from the publication made by "A". In Japan, there is a provision that an applicant is exemplified from a novelty rejection based on his publication such as a publication in academic meetings up to three months prior to filing by his own request. However, this system can not be put into practice where secondary publication is made by a third party, "B".

In a case where "B" happens to pursue research and development independently from "A" and files a patent application for a similar invention to that made by "A", "A" is supposed to have the burden of proof in order to make an allegation that a disclosure made by "B" is a secondary publication based on information in a publication made by "A" (Article 12 (4)). It seems that "A" is required only to show that necessary condition of the provision is likely fulfilled. More specifically, a mere allegation made in an examination process to the effect that the date of the publication made by "A" precedes the date of the publication made by "B" leads to an assumption that "B" cannot have failed to view the publication made by "A" prior to the publication made by "B". As a result, there is an apprehension that no consideration is given to the disclosure made by "B" in judging the patentability of the application filed by "A" as described above. Accordingly, an absolute privilege is granted to an inventor making a prior

publication. In this case, where "B" is not involved in the examination process for the application filed by "A", it would seem most likely that "B" can make no direct interference in the examination process for "A" (see Fig. 4 below).

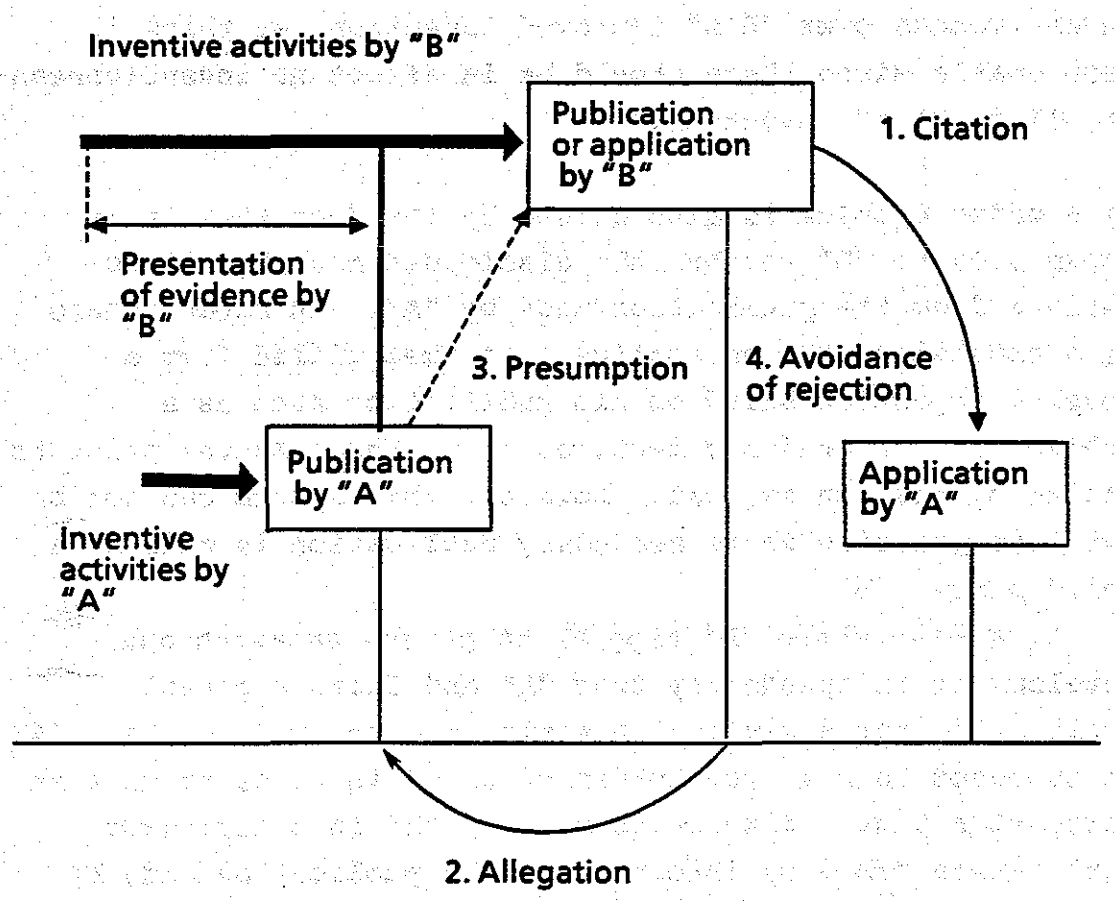


Fig. 4

In a case where a patent is granted to the application filed by "A" and where "B" makes an attempt to invalidate that patent, "B" will have an extremely great difficulty in proving its failure to view the publication made by "A". Such proof requires "B" to present dated evidence testifying activities of experimentation made by "B" prior to the date of the publication made by "A". This creates a situation which makes one feel as if the first-to-publish system were partially put into practice.

In addition, where another third party "C" later enters into a contest with "A" making an allegation of patentability through invocation of the grace period, "C" will also have an extremely great difficulty in proving independent activities of invention made by "B" unless "B" has any direct interest in that contest.

6) Avoidance of double patenting through invocation of the grace period under the provisions in Article 12 requires constant surveillance on all applications filed during the period of 30 months after the filing date of one's own application and close tracing of the examination history of any application for a similar invention to that of one's own application. Namely, in case that a party "Q" filed a patent application invocating the grace period based on a publication made just before a party "P's" filing date after about almost 12 months from the publication, it would take about 30 months to detect such an application in Official Gazette of patent publication. In this case, despite the fact that the application filed by "P" at least apparently precedes the application filed by "Q", there is a possibility that double patents may be granted to the former senior application as well as the latter junior application (see Fig. 5 below).

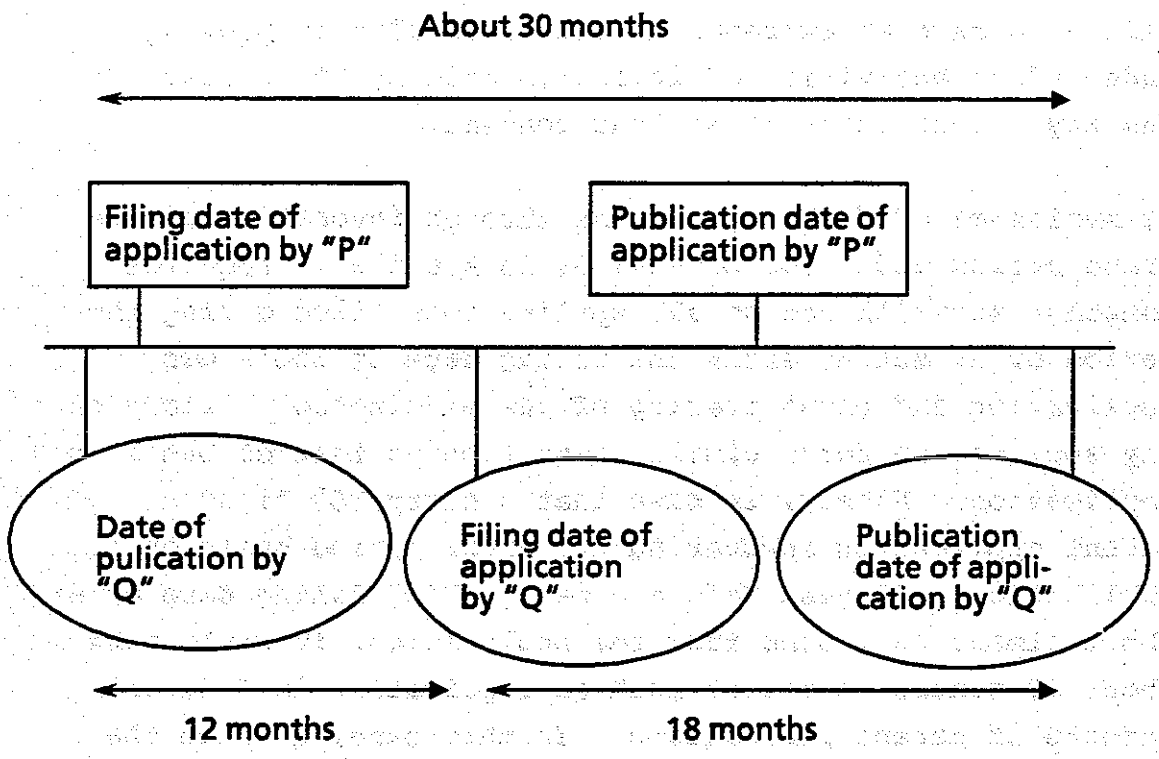


Fig. 5

It is to be recommended therefore to keep track as soon as possible of the examination process for the junior application wherein the junior application may be protected from rejection in the light of the cited senior application by invocation of the grace period, and to make an immediate intervention to a permissible extent in the examination process for the junior application through presentation of appropriate information. Otherwise, there would be a danger that "P" might be misjudged, without its knowledge or any positive evidence, to have filed a patent application for an invention based on information obtained from some publication made by "Q" prior to the filing date of that application. This would result in double patenting, which might, in turn, place a serious obstacle to business operations pursued by "P" within the scope of its patent right.

7) Solution of the problem described in 6) above in the course of an examination procedure requires another complicated examination procedure involving both parties concerned, one making a primary publication and the other making a secondary publication allegedly based on the primary publication. The point at issue in this separate procedure is whether an application filed by "P" is based on information obtained directly or indirectly from a publication made by "Q". Unless this procedure is completed at the stage of examination at the Patent Office, any resulting dispute must be settled at a court of justice.

In view of cost, time, evidence maintenance, and other factors involved, it would also seem preferable to complete the separate examination procedure at the stage of examination at the Patent Office. Once any patent has been issued, there may arise another problem when an applicant for licensing is unable to locate the real patentee.

4. Conclusion

A study of Article 12 of the WIPO Harmonization Treaty has revealed that its provisions involve various problems described above and cannot therefore be freed from legal uncertainty as they stand.

We should not in any way adopt inclusion of the first-to-publish system whereby any prior publication made by an inventor has priority over any subsequent publication made or application filed by any third party. With the provision of Article 12 left as it is, introduction of the grace period of one year would increase uncertain factors of patent rights under the first-to-file system, thus granting partial inclusion of the first-to-publish system. Particularly in need of reconsideration is the wording "by a third party which obtained the information direct or indirectly from the inventor" in Article 12 (1)(ii) and (1)(iii). From a study of Article 12, the authors of the present paper has reached the following conclusions:

1) The grace period of one year is so long that it allows many third parties to make relevant disclosures. It should therefore be reduced preferably to around 6 months.
2) An inventor making a publication on his own should be requested to apply for invocation of the grace period to the Patent Office within a predetermined period after the date of an application filed by that inventor.
3) In principle, the grace period should be invoked subject to a disclosure or publication made directly by an inventor, but may also be invoked in the case of a publication made or an application filed by a third party which obtained information wongfully from the inventor. However, as far as the third party makes an invention independently from the inventor the said wording in Article 12 (1)(ii) and (1)(iii) should be changed in such a manner so as to eliminate the possibility of invocation of the grace period in any case.
4) Where a third party makes any disclosure which is identical in wording (e.g. posting) or in substance with a publication made by an inventor (not as an invention made by the third party independently from the inventor), that inventor may be permitted to invoke the grace period. However, the inventor should be prohibited from invoking the grace period where the third party makes an improved or related disclosure allegedly based on the publication made by the inventor.

III. Interpretation of Claims

1. Background to Interpretation of Claims

1) Basic Proposal

Subject to amendments to five items, Article 21 providing for interpretation of claims in the amended proposal prepared by the WIPO Secretariat remain as in the basic proposal also prepared by the WIPO Secretariat. Below is shown the text of Article 21 in the basic proposal.

Article 21

Extent of Protection and Interpretation of Claims

(1) [Determination of Extent of Protection]

(a) The extent of protection conferred by the patent shall be determined by the claims, which are to be interpreted in the light of the description and drawings.
(b) For the purposes of Subparagraph (a), the claims shall be so interpreted as to combine fair protection of the owner of the patent with a reasonable degree of certainty for third parties. In particular, the claims shall not be interpreted as being confined to their strict literal wording. Neither shall the claims be considered as mere guidelines allowing that protection conferred by the patent extends to what, from a consideration of the description and drawings by a person skilled in the art, the owner has contemplated, but has not claimed.
(2) [Equivalents]
(a) Notwithstanding Paragraph (1)(b), a claim shall be considered to cover not only all the elements as expressed in the claim but also equivalents.
(b) An element ("the equivalent element") shall generally be considered as being equivalent to an element as expressed in a claim if, at the time of any alleged infringement, either of the following conditions is fulfilled in regard to the invention as claimed:
(i) the equivalent element performs substantially the same function in substantially the same way and achieves substantially the same result as the element as expressed in the claim, or
(ii) it is obvious to a person skilled in the art that the same result as that achieved by means of the element as expressed in the claim can be achieved by means of the equivalent element.
(c) Any Contracting Party shall be free to determine whether an element is equivalent to an element as expressed in a claim by reference to only the condition referred to in subparagraph (b)(i) or to only the condition referred to in subparagraph (b)(ii), provided that, at the time of depositing its instrument of ratification of or accession to this Treaty, it so notifies the Director General.

(3) [Prior Statements] In determining the extent of protection, due account shall be taken of any statement limiting the scope of the claims made by the applicant or the owner of the patent during procedures concerning the grant or the validity of the patent.
(4) [Examples] If the patent contains examples of the embodiment of the invention or examples of the functions or results of the invention, the claims shall not be interpreted as limited to those examples; in particular, the mere fact that a product or process includes additional features not found in the examples disclosed in the patent, lacks features found in such examples or does not achieve every object or possess every advantage cited or inherent in such examples shall not remove the product or process from the extent of protection conferred by the claims.
(5) [Abstract] The abstract of a patent shall not be taken into account for the purpose of determining the protection conferred by the patent.

[End of Article 21]

2) Observations

In consideration of the opinions of the WTO member countries on the basic proposal, observations were presented by the WIPO Secretariat subject to amendments to the following five items:

(1) Paragraph (1) [Determination of Extent of Protection] - Subparagraph (b):

It is suggested that the second sentence should be amended as follows:

"Consequently, the claims shall not be interpreted as being necessarily confined to their strict literal wording".

(2) Paragraph (2) [Equivalents] - Subparagraph (a):

It is suggested that this whole sentence should be amended as follows:

"For the purpose of determining the extent of protection conferred by the patent, due account shall be taken of elements which are equivalent to the elements expressed in the claims so that a claim shall be considered to cover not

only all the elements as expressed in the claims but also equivalents".

(3) Paragraph (2) [Equivalents] - Subparagraph (b):
It is suggested that the wording "at the time of any alleged infringement" should be amended to "at the time of the preparation of acts leading to an alleged infringement".

(4) Paragraph (2) [Equivalents] - Subparagraph (b) - Item (ii):
It is suggested that the wording "the same result" should be amended to "substantially the same result".

(5) Paragraph (3) [Prior Statements]:
It is suggested that the wording "any statement limiting" should be amended to "any statement unambiguously limiting" and that this sentence should be followed by an additional wording "in particular, where the limitation was made in response to a citation of prior art".

2. Interpretation of Claims in WTO Member Countries

This section studies the recent trends of interpretation of claims, especially judgment of equivalency, in five of the WTO member countries (Japan, the United States, Germany, Great Britain, and Korea) in comparison with the applicable provisions for interpretation of claims and the standards for judgment of equivalency currently in effect in these countries. Further, this section also reviews the recent precedent cases involving judgment of equivalency and studies the recent trends of judgment of equivalency in these countries in comparison with the provisions of Article 21 of the WIPO Harmonization Treaty.

2 - 1. Interpretation of Claims in Japan

In Japan, precedent cases giving a decision of infringement in the light of the doctrine of equivalents are certainly existent but very few. Nevertheless, there exist not a few precedent cases which gave a decision of non-infringement by presenting a statement on the principle of the doctrine of equivalents or conducting a trial in the light of the doctrine of equivalents. These precedent cases

are suggestive of the fact that the courts of justice in Japan are not negative as to application of the doctrine of equivalents in giving a decision of infringement. In fact, their positive profile toward the doctrine of equivalents can be seen, for example, in a decision given by the Tokyo High Court of Justice in the precedent case of the "Endless Slide Ball Spline Bearing"[1] in 1994.

2-1-1. Applicable Provision

In Japan, the technical scope of a patented invention is interpreted in compliance with the provisions of Article 70 of the Japanese Patent Act.

> Paragraph 1 of Article 70:
> The technical scope of a patented invention shall be based on entries in the claims of the specification attached to an application.

Article 70 was established when amendments were made to the Japanese Patent Act in 1959. In this event, the Deliberative Council on Revision of Industrial Property Right System issued a report on its findings to present the following statement:

> "Rather than sticking fast to rules in interpretation of wording, it would seem safe to say that there is left some degree of latitude which permits an interpretation that any subject matter to such an extent that can be recognized by one of ordinary skill in the art from entries in the claims of the specification may be included in the scope of a patent right."

This statement can be understood to suggest that the deliberative council is not negative as to application of the doctrine of equivalents.

Incidentally, further amendments were made to the Japanese Patent Act on July 1, 1995 to add Paragraphs 2 to Article 70 as follows:

> Paragraph 2 of Article 70:

For the purposes of Paragraph 1, the meaning of terms described in the claims shall be interpreted in consideration of the specification other than claims, and drawings attached to the request.

2-1-2. Standard for Judgment of Equivalency

In Japan, there have conventionally been adopted the following requirements for equivalency:

a. Some elements of a patented invention shall permit substitution by other elements provided that a new structure resulting from such substitution achieves objects and effects identical with those of that invention (possibility of substitution).

b. Such substitution shall be to such an extent that can be imagined naturally by those skilled in the art from entries on the elements of a patented invention at the time of application (inferability (obviousness) of substitution).

Possibility of substitution requires comparison in effects between the original structure of the patented invention and the structure resulting from substitution, and equivalency of the whole patented invention or equivalency of its non-characteristic features.

Inferability (obviousness) of substitution requires judgment of equivalency at the time of application as a standard. There seem to exist, however, some precedent cases showing a flexible view allowing for those exceptional cases in which inferability (obviousness) of substitution also resides in a new structure resulting from substitution after the time of application.

On the contrary, it should be noted that the doctrine of equivalents is not always applied to all cases. It is supposed that publicly known subject matter or free subject matter readily imaginable therefrom, subject matter identical with that disclosed in a senior application, and subject matter intentionally excluded from the claims by the applicant are excepted from application of the doctrine of equivalents.

2-1-3. Recent Judicial Precedent

To the above-mentioned precedent case of "Infinite Sliding Ball Spline Bearing" in 1994, a decision was given to the effect that the accused device was substantially identical with some elements of the invention in question and included in the technical scope of its other elements under the doctrine of equivalents. Although no reference was made at all to "equivalency" in the text of the decision on "the other elements", there is no doubt that the decision refers to application of the doctrine of equivalents. The text of the decision specifies the requirements for equivalency as summarized below:

(a) There shall be no difference between the patented invention and the accused product in terms of technical problems to be solved and underlying technical ideas, with the product under consideration achieving all the core effects of the patented invention.

(b) On the other hand, the accused product shall present no structural variations of the patented invention which embody any particular technical improvements such as achievement of remarkable effects, and shall ensure both possibility and inferability (obviousness) of substitution by such structural variations under the state of the art prevailing at the time of application of the patented invention.

In Paragraph (a) the wording "achieving all the core effects" is used to mean "achieving substantially identical effects" as referred to in the conventional provisions for judgment of equivalency, and can be regarded as representative of the requirement for possibility of substitution. In Paragraph (b), the conventional wordings of "possibility of substitution" and "inferability (obviousness) of substitution" are used with the addition of the requirement of "not embodying any particular technical improvements such as achievement of remarkable effects".

Conversely, if any related structural variations achieve such remarkable effects, the requirement for equivalency as specified in this paragraph will not be satisfied. In other words, this paragraph can be assumed to formulate a clearer definition of non- equivalency as opposed to the conventional definition of equivalency which specifies inferability (obviousness) of substitution as one requirement for equivalency. Further, this paragraph expressly stipulates that equivalency should be judged at the time of application, thus reaffirming the conventional provision for the time of judgment of equivalency.

While it seems open to discussion whether this decision is intended to expand or reduce the scope of equivalency, the positive profile of the courts of justice toward the doctrine of equivalents can certainly be seen in this decision.

2-1-4. Comparison between Japanese Practice of Judgment of Equivalency and Provisions of Article 21 of WIPO Harmonization Treaty

The recent Japanese practice of judgment of equivalency as outlined above is summarized below in comparison with the provisions of Article 21 of the WIPO Harmonization Treaty.

(1) [Determination of Extent of Protection]

The Paragraph (1) seems to match the recent Japanese practice of judgment of equivalency.

(2) [Equivalents]

The Subparagraphs (2)(b)(i) and (2)(b)(ii) are considered to formulate definition of equivalency in the American and European styles, respectively. Some experts are of the opinion that both the American and European definitions are compatible with the Japanese concept of equivalency which is based on "possibility of substitution" and "inferability (obviousness) of substitution" as exemplified in the precedent case of "Infinite Sliding Ball Spline Bearing". It seems more appropriate to assume, however, that the Japanese definition of equivalency is closer to the European definition, which expressly

encompasses the concept of obviousness. Nevertheless, this definition fails to clarify the concept of "possibility of substitution", which is one requirement for equivalency in Japan. Further, this definition differs from the recent Japanese practice in providing for judgment of equivalency in terms of "inferability (obviousness) of substitution" at the time of alleged infringement in contrast to the time of application in Japan. This difference, in particular, seems to exist internationally, some countries insisting on the time of application and others on the time of alleged infringement. The Japanese insistence on the time of application seems not to deny a judgment that any subject matter resulting from substitution should be an equivalent of a patented invention if included in the technical idea of that invention. Assuming various possible cases, however, there seems to be a need for further discussion on judgment of "inferability (obviousness) of substitution" in order to realize international harmony among differing judgment timings, which may, in turn, lead to differing judgment results.

(3) [Prior Statements]

The Paragraph (3) seems to match the recent Japanese practice of judgment of equivalency.

(4) [Examples]

The Paragraph (4) seems to match the recent Japanese practice of judgment of equivalency.

2-1-5. Amendments to Japanese Patent Act in July 1, 1995

In July 1, 1995, amendments were made to Articles 36 and 70 the Japanese Patent Act. In the amendments, Paragraph 5 of Article 36 providing for entries in claims was revised by changing the wording "only entries which are essential for the structure of an invention sought to be patented" to "all entries which the applicant recognizes to be necessary for specifying an invention sought to be patented". Similarly, Article 70 providing for the technical scope of a patented invention was also revised by adding Paragraph 2 to the effect that "the meaning of terms described in the claims

shall be interpreted in consideration of the specification other than claims, and drawings attached to the request".

It is understood that amendments to Article 36 are intended to revise the conventional requirements for entries in the specification in such a manner that they are able to accommodate technical diversity and consistent with an international basis while amendments to Article 70 serves simply to stipulate the conventional practice. In particular, Paragraph 6 of Article 36 was deprived of the wording "only entries which are essential for the structure of an invention sought to be patented", which had been counted among the grounds for disapproving of application of the doctrine of equivalents, but was instead supplemented by the wordings "clarity of an invention sought to be patented" in Subparagraph 2 and for "simplicity of an entry in every claim" in Subparagraph 3, thus retaining the provisions for the extent of protection of a patent, which had been available before amendments to Article 36. It is interesting to note how these amendments will affect future judgment of equivalency by the courts of justice. In any case, it can be expected that these amendments will serve to prevent both restricted interpretation of claims and broadened interpretation of claims, based only on their entries.

2 - 2. Interpretation of Claims in the United States

2-2-1. Applicable Provision

In the United States, there is no legal provision for interpretation of the scope of a patent right unlike in the other WTO member countries. As the United States Patent Act provides in Paragraph 2 of Article 112 that "a claim shall specify the scope of an invention", the scope of a patent right is supposed to be specified by claims above all. In accordance with the case law, the wording of a claim is interpreted in consideration of the specification and drawings, other claims, examination history, and prior art.

> Paragraph 2 of Article 112:
> The specification shall conclude with one or more claims particularly pointing out and

distinctly claiming the subject matter which the applicant regards as his invention.

The concept of equivalency has been adopted since the precedent case of "Winans v. Denmead" [2] in 1853. Although there is no provision for definitions of equivalency and techniques for judgment of equivalency, many precedent cases are existent which gave a decision of infringement in the light of the doctrine of equivalents and are followed as the case law.

2-2-2. Standard for Judgment of Equivalency

(1) Technique for Judgment of Equivalency

In the United States, equivalency has been judged since the precedent case of "Graver Tank & Mfg. Co. v. Linde Air Products Co."[3] through adherence to the concept of the three parts test in this precedent case (providing that any subject matter resulting from substitution of one element for another of a patented invention shall be judged to be an equivalent where such substitution performs substantially the same function and achieves substantially the same result in the substantially the same way as the patented invention).

(2) Other Techniques for Judgment of Equivalency

In the Unites States, equivalency is judged in consideration of entries in the specification, examination history, and prior art like in the other WTO member countries. Namely, any subject matter intentionally excluded from the specification by the applicant is excepted from application of equivalency (intentional exclusion). Similarly, the applicant is also estopped from application of equivalency for the purpose of restoring once abandoned subject matter in claiming patentability in the examination process (prosecution history estoppel). Nor should equivalency be applied to prior art or any subject matter obvious therefrom. As a technique for application of equivalency, the hypothetical claim approach is adopted in some precedent cases such as "Wilson Sporting Goods Co., Inc. v. David Geoffrey & Assoc." [4].

Another factor taken into consideration in judging the scope of equivalency is whether the invention to which equivalency is to be applied is a pioneer invention. If so, equivalency tends to exist in a broad scope.

The mere fact that the accused product or process deserves to be patented independently cannot constitute a ground for restricting equivalency (Hughes Aircraft v. United States [5]).

(3) Timing of Judgment of Equivalency

Equivalency was judged at the time of application in the precedent case of "Graver Tank & Mfg. Co. v. Linde Air Products Co.", but at the time of alleged infringement as a standard in the precedent case of "Atlas Powder Co. v. E. I. duPont de Nemours & Co."[6] according to subsequent decisions given by the courts of justice (Atlas Powder Co., v. E. I. duPont de Nemours & Co., etc.)

2-2-3. Recent Trend of Decisions by CAFC

(1) Decisions Concerning Standards for Judgment of Equivalency

The recent decisions given by the CAFC make strict application of the all element rule (providing that elements of claims or equivalents thereof shall be found in an accused product or process) as a technique for comparison between elements in the three parts test as applied in the precedent case of "Graver Tank & Mfg. Co. v. Linde Air Products Co."

[Dolly Inc. v. Spalding & Evaenflo Co.[7]]

"The doctrine of equivalents does not require a one-to-one correspondence between components of the accused device and the claimed invention. Intel Corp. v. International Trade Comm'n.

* * * * * Equivalency can also exist when separate claim

limitations are combined into a single component of the accused device. See Sun Studs. Inc. v. ATA Equip. Leasing Inc. * * * * * Corning Glass reaffirmed that the (all element) rule requires an

equivalent for every limitation of the claim, even though the equivalent may not be present in the corresponding component of the accused device. * * * * * In short, the concept equivalency cannot embrace a structure that is specifically excluded from the scope of the claims."

In many cases, the recent decisions given by the CAFC avoids application of equivalency in consideration of prior art or examination history.

[Genentech Inc. v. Wellcome Foundation Ltd. [8]]

"An appropriate method for interpreting the function of human t- PA is to avoid those definitions upon which the PTO could not reasonably have relied when it issued the patent. * * * * * The issue of whether the 'way' or 'result' prongs are met is highly dependent upon how broadly one defines the 'function' of human t- PA."

[Texas Instrument Inc. v. United States ITC [9]]

"Having represented that same-side gating does not work, and having distinguished cited prior art as not teaching the functional opposite-side gated process, TI cannot foreclose reliance upon its unambiguous surrender of subject matter. * * * * * For these reasons, the Commission did not err in concluding that TI is estopped from asserting that a same-side gating process is the equivalent of the opposite-side gating process in claim 12."

(2) Decisions Restricting Application of Equivalency

In some cases, the recent decisions given by the CAFC shows more strictness in demanding presentation of evidence to prove the identity of three elements in claiming application of equivalency.

[Malta v. Schulmerich Carillons Inc. [10]]

"What is lacking in the testimony presented by the plaintiff is a sufficient explanation of why the button disclosed in claim 3 is substantially the

same as the slotted and other arrangements of the clapper in the accused product."

While adhering to the concept of the three parts test as applied in the precedent case of "Graver Tank & Mfg. Co. v. Linde Air Products Co.", the CAFC has been inclined to show more circumspection in application of equivalency, as witness its decisions (given in the precedent cases of "International Visual Corp. v. Crown Metal Manufacturing Co." [11] and Talk To Me Products, Inc. v. Lanard Toys, Inc. [12]) to the effect that application of equivalency requires consideration of equity in view of the fact that equivalency is not a principle applied to determine the extent of protection but an exception granted from the viewpoint of equity. This trend is to be welcomed in terms of harmony between the United States and the other WTO member countries.

(3) Hilton Davis Chemical Co. v. Warner-Jenkinson Company Inc. [13]

Despite this trend, however, the truth is that the standards for judgment of equivalency are still lacking in unity. It may be said that the CAFC's attempts to establish some form of standards for judgment of equivalency are reflected, for instance, in its trial through en banc, its questioning on the standards for judgment and application of equivalency, and its approval of presentation of Amicus curiae in response to such questions in the precedent case of "Hilton Davis Chemical Co. v. Warnerjenkinson Company Inc." Below are summarized the questions asked by the CAFC in this precedent case on the standards for judgment and application of equivalency:

i) What is required for detection of infringement based on equivalency besides the three parts test as applied in the precedent case of "Graver Tank & Mfg. Co. v. Linde Air Products Co."

ii) Whether the courts of justice are entitled, in the absence of any infringement in wording, to application of equivalency at its own discretion depending on the conditions of the case concerned.

iii) Whether an issue of infringement based on equivalency should be handled as a remedial matter determined by the courts of justice in the light of equity or as a factorial matter entrusted to the jury in jury trials for such cases as infringement in wording.

To Question i), the major response is that some form of standards for judgment of prior art, prosecution history estoppel, and equity are required besides the three parts test. Further, a certain response (by Prof. Donald S. Chisum) refers to such factors as the nature of the accused device (original developed product or imitation) and facility of substitution of elements by citing the decision given by the Supreme Court of Justice in the precedent case of "Graver Tank & Mfg. Co. v. Linde Air Products Co." To Question ii), the major response is that the courts of justice are entitled to application of equivalency at its own discretion. Further, many responses refer to equity by citing the recent decisions given by the CAFC. To Question iii), some responses (by the AIPLA) insist that an issue of infringement based on equivalency should be handled as a remedial matter and should not be entrusted to the jury even when treated as a factorial matter while other responses state otherwise. Both these responses seem to be greatly influenced by the decision given in the precedent case of "Markman. v. Westview Instruments Inc." described below.

(4) Markman. v. Westview Instruments Inc. [14]

Finally, in response to the question of "whether interpretation of claims should be regarded as a factorial matter to be handled by the jury or as a legal matter to be handled by the judiciary", the latest decision given by the CAFC, though not relating to the practices of judgment of equivalency, asserts that "interpretation of claims should be regarded as a legal matter to be handled by the judiciary" (Markman. v. Westview Instruments Inc.). Indeed, this decision encounters protests from many judges of the CAFC and lawyers CAFC, but it seems to represent an encouraging trend in view of its probability of ensuring stability in interpretation of patent rights, which has been

disturbed conventionally by application of equivalency in jury trials in the United States.

2-2-4. Comparison between American Practice of Judgment of Equivalency and Provisions of Article 21 of WIPO Harmonization Treaty

As can be seen from the above description, the manners of interpretation of claims in the United States tend to make concessions to those in the other WTO member countries, thus seemingly posing no particular problem in relation to the WIPO Harmonization Treaty. The recent American practice of judgment of equivalency is summarized below in comparison with the provisions of Article 21 of the WIPO Harmonization Treaty.

(1) [Determination of Extent of Protection]

As mentioned above, the Paragraph (1) seems to match the recent American practice of judgment of equivalency.

(2) [Equivalents]

As far as conformity to the recent American practice of judgment of equivalents is concerned, the Paragraph (2) seem to cause no particular problem. More specifically, the Subparagraph (2)(b)(i) formulates definition of equivalency on the basis of the concept of the three parts test as adopted in the precedent case of "Graver Tank & Mfg. Co. v. Linde Air Products Co." while the Subparagraph (2)(c) grants any Contracting Party to adopt either one of the definitions of equivalents as provided for in Subparagraphs (2)(b)(i) and (2)(b)(ii). Incidentally, facility of substitution is referred to as a requirement for detection of infringement based on equivalence besides the three parts test by some respondents in the precedent case of "Hilton Davis Chemical Co. v. Warner-Jenkinson Company Inc." as described above. Further, the Subparagraph (2)(b) stipulates judgment of equivalency at the time of alleged infringement, thus conforming to the recent American practice.

(3) [Prior Statements]

As mentioned above, the Paragraph (3) seems to match the recent American practice of judgment of equivalency. It is

to be noted that the wording "limitation made in response to citation of prior art" has been added to this paragraph at the request of the United States.

(4) [Examples]

As mentioned above, the Paragraph (4) seems to match the recent American practice of judgment of equivalency.

2 - 3. Interpretation of Claims in Germany

2-3-1. Applicable Provision

In Germany, the scope of a patent right granted to any application filed on or after January 1, 1978 is interpreted in compliance with the provisions of Article 14 of the German Patent Act.

> Article 14:
> The extent of protection conferred by a patent or a patent application shall be determined by the terms of the claims. Nevertheless the description and drawings shall be used to interpret the claims.

The above provisions of Article 14 of the German Patent Act are entirely identical with the provision for interpretation of patent rights in Article 69 of the European Patent Convention (EPC). As such, Article 14 is supposed to be interpreted in accordance with "the Protocol on the Interpretation of Article 69 of the European Patent Convention".

This protocol provides that the scope of a patent shall be determined in consideration of appropriate protection of a patentee and adequate legal stability for a third party under the two extremes of restrictions, one prohibiting interpretation of claims as per their wording and the other prohibiting interpretation of claims as mere guidelines.

Namely, the protocol provides that the scope of a patent may be determined in such a manner as to exceed that of wording of claims. As such, the protocol serves as basis for application of the doctrine of equivalents in Germany.

2-2-2. Standards for Judgment of Equivalency

Equivalency is defined as shown below in a decision given by the German Federal Court of Justice to make a first attempt to apply the concept of equivalency to any application filed on or after January 1, 1978 in the precedent case of "Moulded Curbstone (Formstein)"[15].

> "the protection provided by Sec. 14 of the 1981 Patent act applicable to the present case can also include equivalent variations of the teaching formulated in the wording of the patent specification. This is regularly the case where the problem solved by the invention can be solved using means of a similar effect that the average skilled person could arrive at using his knowledge and on the basis of a consideration of the invention defined in the patent claims"

Similarly, equivalency is also defined as shown below in a decision given by the German Federal Court of Justice in the succeeding precedent case of "Ion Analysis (Ionenanalyse)" [16].

> "a finding that the protected invention is being used may also be justified if a person skilled in the art, from a consideration of the substance of the claims and hence of the protected invention, could be expected in the light of his technical knowledge to arrive at the means used in the contested embodiment in order to solve the problem addressed by the invention and conclude that such means would have the same effect."

In fact, the decisions given in these two precedent cases were cited to explain the concept of equivalency in the succeeding precedent cases involving judgment of equivalence in various forms. At present, the definitions of equivalency in these decisions serve as the standards for judgment of equivalency in Germany.

Namely, it is supposed that there are two requirements for equivalency:

(1) Identity of effects

(2) Possibility of derivation by those skilled in the art from the invention defined in the patent claims by the use of their technical knowledge (obviousness)

Basically, it seems to be supposed that equivalency should be judged at the time of application (or the priority date where priority is claimed) although this cannot be regarded as perfectly certain because of the failure to locate any precedent case involving the time of judgment of equivalency under the existing patent act. It should be noted in this connection that the extent of protection of a patent seems to include any means of solution known to achieve substantially the same effect as a patented invention after its filing date as long as that means is in circulation at the time of alleged infringement.

Meanwhile, equivalence is restricted typically by free technical level defense (pleading against extension of protection of a patent to any embodiment suspected of infringing where that embodiment is not patentable in the light of the current technical level), limitation, and disclaimer (corresponding to estoppel).

2-3-3. Recent Trend of Judgment of Equivalency As Inferred from Recent Judicial Precedents

In Germany, there are not many precedent cases involving equivalency. However, the relatively recent cases of "Fixing Device II", "Epilady", and "Segmentation Device for Tree Trunks" can be used as a basis for studying the recent German practice of judgment of equivalency.

[Precedent Case of "Fixing Devices II (Befestigungsvorrichtung II)"[17]]

In this precedent case, the decision given in the above- mentioned incident case of "Moulded Curbstone" was cited as the standard for judgment of equivalency. This precedent case is characterized in that an embodiment suspected of infringing a patented invention was patented (by the EPC) on the basis of the difference existing between the suspected embodiment and the patented invention.

While citing the decision given in the incident case of "Moulded Curbstone", the court of justice in charge gave a decision of infringement by applying the concept of equivalency as follows:
"The requirements for patent infringement by equivalent means are also met if one or more elements of the actual embodiment are to be understood as the realization of a more general statement that the average skilled person can deduce to be of equivalent effect to the teaching described in the patent claim and explained in the patent description. Under these circumstances, it is irrelevant whether the actual realization is obvious to the average skilled person, or whether it is inventive."

However, this decision gave rise to a heated argument over the possibility of extending equivalency to those alternative means which achieve substantially the same effect as a patented invention but which are unobvious in the light of that invention and over the danger of extending protection of a patent to the concept of a general inventive idea under the former patent act (applicable to applications filed on or before December 31, 1977).

[Precedent Case of "Epilady" [18]]

In this precedent case, a lawsuit was handled by the responsible high court of justice in Germany and further raised in other countries such as Great Britain, Italy, and Dutch. In this sense, this precedent case is very useful for a comparative study of the German and British practices of judgment of equivalency. In this precedent case, too, it was contended that the embodiment suspected of infringing a patented invention had an advantage in performance over that invention, one point in dispute centering around how obviousness should be

treated in judgment of equivalency. Eventually, the court gave a decision of infringement by citing the decision given in the above- mentioned incident case of "Fixing Device II".

Incidentally, a decision of non-infringement was given to this precedent case in Great Britain.

[Precedent Case of "Segmentation Device for Tree Trunks (Zerlegvorrichtung für Baumstämme)"[19]]

This precedent case is worthy of attention in placing restrictions on the practice of judgment of equivalency as signified by the decision given in the above-mentioned precedent case of "Fixing Device II". This precedent case is also characterized in that an embodiment suspected of infringing a patented invention was patented (by the German Patent Office) on the basis of the difference existing between the suspected embodiment and the patented invention.

Notwithstanding the fact that the responsible high court of justice gave a decision of infringement by citing the decision given in the precedent case of "Fixing Device II", the federal court in charge dismissed the high court's decision by giving a decision to the following effect: "The extent of protection of a patent according to Sec. 14 of the Patent Act 1981 is in any event no greater than the extent of protection of a patent according to the previously applicable law. It does not comprise equivalent derivations based on an inventive step.

A use of the patent according to the principle of the decision in Fixing Device could only be found if the specific embodiment used by the defendant, and the process performed therewith, could be interpreted as a - possibly inventive - concretization of a general technical teaching (also realized in the said embodiment), which must be

considered, in relation to the technical teaching of the contract patent as an obvious derivation - on the same level - with the same effect (equivalent but not, in this respect, as a - superordinate - generalization. Such a partly generalized and partly equivalent technical teaching - depending on the criterion used for comparison - was not formulated or examined by the court of appeals."

Thus, the above decision expressly points out that the protection of a patent under the provisions of Article 14 of the 1981 revision of the patent act should not extend to the concept of a general inventive idea under the former patent act.

The above analyses seem to indicate a tendency in German toward consistent adherence to the practice of judgment of equivalency as signified by the decisions given in the precedent cases of "Moulded Curbstone" and "Ion Analysis", namely the technique of judgment of equivalency in terms of identity of effects and obviousness of substitution. Meanwhile, there was also revealed a danger of extending protection of a patent to unobvious equivalents as in the precedent case of "Fixing Device II", However, it was expressly pointed out that equivalency should not extend to any inventive equivalents in the precedent case of "Segmentation Device for Tree Trunks", which placed restrictions on the practice of judgment of equivalency as signified by the decision given in the precedent case of "Fixing Device II".

2-3-4. Comparison between German Practice of Judgment of Equivalency and Provisions of Article 21 of WIPO Harmonization Treaty

(1) [Determination of Extent of Protection]

The Paragraph (1) seems to substantially match that of Article 14 of the German Patent Act (entirely identical with Article 69 of the EPC) and accordingly match the recent German practice of judgment of equivalency.

(2) [Equivalents]

The Subparagraph (2)(b)(ii) seems to nearly match the recent German practice of judgment of equivalency. More specifically, this subparagraph provides for identity of effects and obviousness of substitution as requirements for equivalency while the German practice makes judgment of equivalency in terms of these two requirements. With respect to obviousness of substitution, in particular, the decision given in the precedent case of "Trunk Cutting Machine" described in (3) above expressly points out that equivalency should not extend to any unobvious equivalents, thus paving the way toward settlement of the argument which arose in the precedent case of "Linking Machine II".

Concerning the time of judgment of equivalency, however, Subparagraph (2)(b) providing for judgment of equivalency at the time of alleged infringement fails to match the generally believed German method which tends to insist the time of application. There seems to be required, therefore, further discussion on this point.

(3) [Prior Statements]

The Paragraph (3) seems to generally match the German practice which restricts equivalency by the concepts of limitation and disclaimer.

(4) [Examples]

The Paragraph (4) seems to match the recent German practice of judgment of equivalency.

2 - 4. Interpretation of Claims in Great Britain

2-4-1. Applicable Provision

(Scope of Invention)
Article 125
(1) For the purposes of this Act, an invention for a patent for which an application has been made or for which a patent has been granted shall, unless the context otherwise requires, be taken to be that specified in a claim of the specification of the application or patent, as the case may be, as interpreted by the description and any drawings contained in that

specification, and the extent of the protection conferred by a patent or application for a patent shall be determined accordingly.

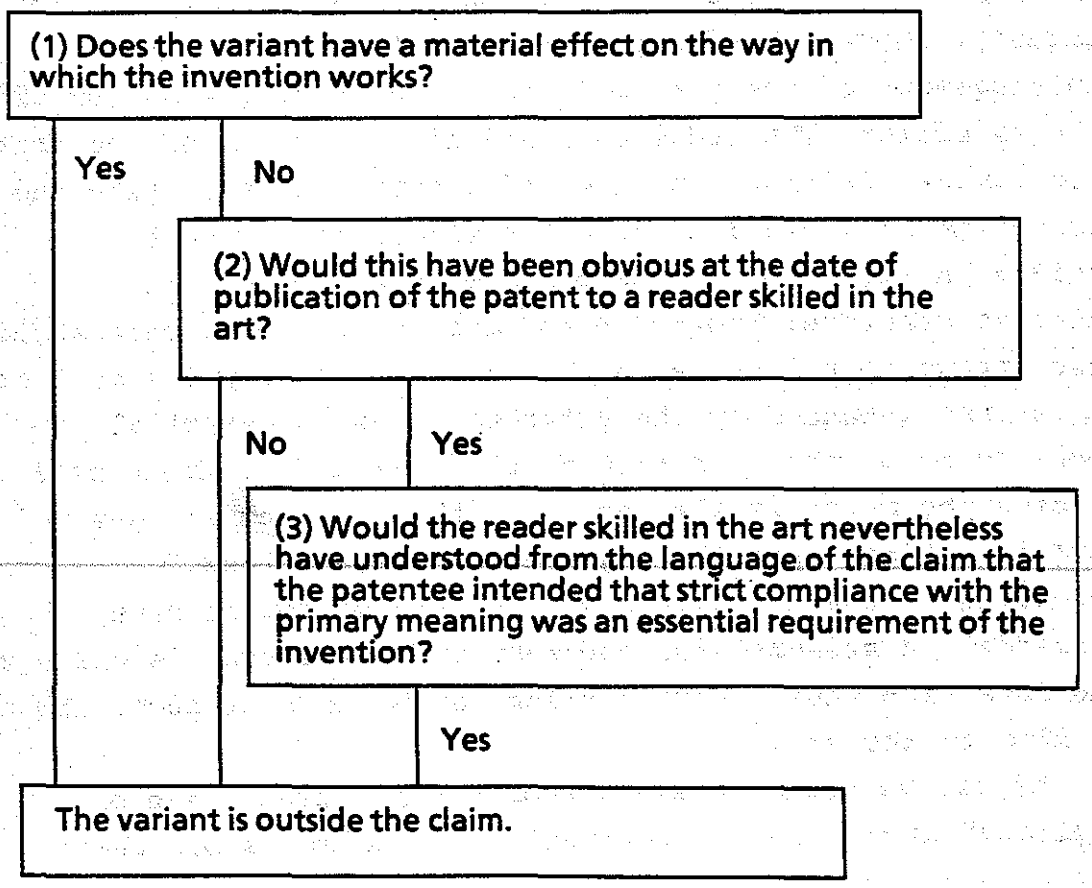
(2) (Omitted.)

(3) The Protocol on the Interpretation of Article 69 of the European Patent Convention which Article contains a provision corresponding to subsection (1) above shall, as for the time being in force, apply for the purposes of subsection (1) above as it applies for the purposes of that Article.

2-4-2. Standard for Judgment of Equivalency

(1) Technique for Judgment of Equivalency

In Great Britain, whether or not an accused invention falls within the scope of a patented invention is determined through judgment of infringement in wording, coupled with the Catnic Test illustrated on the next page.



(2) Time of judgment of Equivalency

In Great Britain, equivalency is judged at the date of publication of the patent in acordance with the second Catnic Test.

2-4-3. Recent Trend of Judgment of Equivalency

In Great Britain, there was a long-standing practice of normally interpreting claims as per their strict literal wording in view of their predetermined requirements and exceptionally judging the possibility of broadening the scope of an exclusive right through application of the doctrine of pith and marrow or the concept of a general invention or of the doctrine of equivalents. It was assumed, therefore, that "textual infringement" and "infringement of the pith and marrow" constituted separate matter of a legal action.

Later, in the precedent case of "Catnic" [20], Lord Diplock established a technique for purposive construction of claims (similar to the technique of the three parts test described in "2 - 2. Interpretation of Claims in the United States"), thereby handling "textual infringement" and "infringement of the pith and marrow" as a single matter of a legal action. The judge gave a decision to the effect that "The textual infringement and infringement of the "pith and marrow" of an invention are but a single matter to be decided in each case on the basis whether persons of relevant practical knowledge and experience would understand that strict compliance with a particular descriptive word or phrase was intended by the patentee to be an essential requirement of the invention so that *any* variant would fall outside the monopoly claimed, even though it could have no material effect upon the way the invention worked.". According to the decision given in this precedent case, therefore, a standard for judgment of equivalency is whether the invention under consideration can be understood by those skilled in the art.

As can be seen, however, from the precedent case of "Epilady" involving interpretation of claims as per their

wording, there is a long-lasting general tendency to interpret the scope of claims as being confined to their strict literal wording without application of equivalency.

Recently, the Court of Appeals gave a decision regarding the third Catnic Test as questionable, and accordingly presented an argument in favor of the interpretation on the Protocol of Article 69 of the European Patent Convention rather than the Catnic Test under the former patent act as an obiter.

Subsequently, however, the Patent Court gave a decision expressing an objection to this obiter and continuing the conventional adherence to the Catnic Test.

Thus, the British practice of judgment of equivalency has been rather fluid in nature. The recent trends of judgment of equivalency by the courts in Great Britain are summarized in the table below.

Courts	Patent County Court	Patent Court	Court of Appeal
Recent trend of judgment of equivalency	Compliance with Article 69 of the EPC Precedent case of "Daily" [21]	Compliance with Catnic Test Precedent case of "Assidoman" [22]	Compliance with Article 69 of the EPC Precedent case of "PLG Research" [23]

In any case, it is certain that the British practice has been progressing in the direction of accepting equivalency, thus opening up the possibility of realizing international harmony in judgment of equivalency.

2-4-4. Comparison between British Practice of Judgment of Equivalency and Provisions of Article 21 of WIPO Harmonization Treaty

(1) [Determination of Extent of Protection]

The Paragraph (1) is satisfied by the 1977 revision of the British Patent Act by the decree of explict provision.

(2) [Equivalents]

In principle, the Subparagraph (2)(b)(ii) is supposed to accept equivalence in compliance with the provisions of Article 69 of the EPC. It seems possible to expect a gradual realization of harmony between the interpretation on the Protocol of Article 69 of the European Patent Convention and the Catnic Test. It is to be noted, however, that the Catnic Test requires judgment of equivalency at the date of publication of the patent as provided for in the second Catnic Test in contrast to the date of alleged infringement as provided for in Subparagraph (2)(b).

(3) [Prior Statements]

In Great Britain, it is assured that estoppel is currently disregarded as existing only in relation to the doctrine of equivalents according to the American practice while equivalency is restricted by limitation and disclaimer as in Germany.

(4) [Examples]

The Paragraph (4) is satisfied by the 1977 revision of the British Patent Act.

2 - 5. Interpretation of Claims in Korea

2-5-1. Applicable Provision

(Scope of Protection of Patented Invention)
Article 97: The scope of protection of a patented invention shall be determined on the basis of the claims.

2-5-2. Standard for Judgment of Equivalency

(1) Technique for Judgment of Equivalency

(a) Pre-1993 Period (excluding 1993)

In Korea, the scope of a patent right was interpreted not as confined to the literal wording of the claims but

based on the detailed description, especially embodiments, and the doctrine of equivalents was then applied to the scope of the patent right thus based on the detailed description. According to the Japanese manners of interpretation, however, the scope of the patent right often fell within the technical scope of the claims.

In application of equivalency, inferability (obviousness) of substitution was judged together with possibility of substitution, which, in turn, was judged in terms of identity of objects and effects. Namely, any difference in objects, functions and effects relative to the embodiments of patented invention was judged to constitute no infringement (see the precedent case of "Roussel Uclaf" [24]).

Further, a judgment was also made as to a dependent invention. In Korea, where the invention under consideration, particularly a process for manufacturing a chemical substance, was interpreted as a dependent invention, its technical concept differs markedly depending on whether it makes use of any catalyst or not. Assuming, therefore, that a manufacturing process making no reference to use of any catalyst involves the same starting material and the product as that making use of some catalyst, the latter was not judged to take advantage of the former except where the use of some catalyst in the latter was considered to be a mere additional valueless step and not intended to establish superiority in terms of effects (see the precedent case of "Bayer" [25]).

(b) Post-1993 Period (inclusive 1993)

It was later decided that entries in claims, where their technical scope was self-explanatory, should not be restricted by entries in any other section of the specification (see the precedent case of "Aktiobolaget Haessle" [26]). Such non- restrictive interpretation of claims allowed testifying to infringement in wording without application of equivalency. In the precedent case of "Blue Dye" [27], in particular, the technical scope of claims was interpreted as per their wording while equivalency was

recognized from the standpoint of obviousness of substitution and possibility of substitution.

At the end of 1994, it was further decided expressly that a circumventing invention could constitute infringement based on equivalency from the standpoint of inferability (obviousness) of substitution and possibility of substitution (see the precedent case of "Cyprofloxacine" [28]).

(2) Other Techniques for Judgment of Equivalency

In Korea, there exist the doctrine of estoppel, intentional exclusion, recognition limitation, etc. as in Japan.

(3) Time of Judgment of Equivalency

Some precedent cases ("Cyprofloxacine" and "Roussel Uclaf" mentioned above) gave a decision insisting on the date of application, but no precedent case expressly specified the date of alleged infringement.

2-5-3. Comparison between Korean Practice of Judgment of Equivalency and Provisions of Article 21 of WIPO Harmonization Treaty

(1) [Determination of Extent of Protection]

Basically, the Paragraph (1) is satisfied by Article 97 of the Korean Patent Act cited above.

(2) [Equivalents]

Although the Korean Patent Act contains no provision corresponding to that of Paragraph (2), Subparagraph (2)(b)(ii) is supposed to accept equivalency in principle. It is to be noted, however, that judgment of equivalency is supposed to be made at the date of alleged infringement in theory but seems to be made at the date of application in actual precedent cases.

(3) [Prior Statements]

In Korea, estoppel exists in theory.

(4) [Examples]

In Korea, many precedent cases in the pre-1993 period (excluding 1993) involves interpretation of claims as confined to embodiments while none of the recent precedent cases involves such interpretation, thus securing improved compliance with the Paragraph (4).

3. Summary

The recent trends of judgment of equivalency in five of the WTO member countries as described above are summarized in Table 1 in comparison with the provisions of Article 21 of the basic proposal of the WIPO Harmonization Treaty. The findings of the comparative study by the present paper are summarized below.

1) Article 21 provides for two conditions for equivalent elements in the American and European styles: the American condition being the three parts test (in Subparagraph (2)(b)(i)) and the European condition being that it is obvious to a person skilled in the art that the same result as that achieved by the element expressed in the claim can be achieved by the equivalent element (in Subparagraph (2)(b)(ii)).

It seems only natural that the American condition for equivalent elements should be satisfied by the American practice of judgment of equivalency and the European condition by the German and British practices. It is not certain, however, whether both these conditions also reflect the Japanese and Korean practices which present "possibility of substitution" as one requirement for equivalency. It seems desirable, therefore, that the Subparagraph (2)(b) should reflect the Japanese practice of judgment of equivalency in some definite manner.

2) As the time of judgment of equivalency, the United States adopt the time of alleged infringement while the other four WTO member countries adopt the time of application (as can be seen in many precedent cases) in violation of Article 21 providing for "the time of preparation for an infringing act".

3) Despite these mismatches in the equivalent elements and the time of judgment of equivalency, however, the recent practices of judgment of equivalency in the five WTO member countries provide adequate protection for the rights of applicants (or inventors) in due consideration of the disadvantages of third parties, thus indicating the steady progress of harmony in judgment of equivalency among these countries.

4) Concerning the provisions of Article 21, further discussion seems to be required for ensuring their universal reflection of the practices of judgment of equivalency in the WTO member countries in an effort to realize international harmony in interpretation of claims.

IV. Conclusion

At the present time, it is completely unpredictable when the WIPO Harmonization Treaty will be concluded. There will be no gainsaying that an indispensable prerequisite for future conclusion of the treaty is a shift from the first-to-invent system to the first-to-file system in the United States.

Besides the provisions for the first-to-file system in Article 9 of the treaty, there are a large number of important provisions, such as those discussed in the present paper, on which adequate discussion seems to be required for future conclusion of the treaty.

Nothing will give the co-authors more pleasure than to see that the present paper will serve this purpose.

Acknowledgment: In preparing the present paper, the co-authors are indebted particularly to the Patent Committee for valuable information derived from the article titled "Interpretation of Claims" in its journal "Management of Patents" (Vol. 38, No. 7, 1988, etc.).

Table 1 Comparison between Provisions of Article 21 of WIPO Harmonization Treaty and Recent Trends of Judgment of Equivalency in Five WTO Member Countries

	Basic proposal of WIPO Harmonization Treaty	Japan	United States	Korea	Germany	Great Britain
Precedent case		(1) "Infinite Sliding Ball Spline Bearing"	(1) "Graver Tank & Mfg. Co. v. Linde Air Products Co."	(1) "Roussel Uclaf" (2) "Brayer" (3) "Aktiobolaget Haessel" (4) "Blue Dye" (5) "Cyprofloxacine"	(1) "Moulded Curbstone (Formstein)" (2) "Ion Analysis (Ionenanalyse)" (3) "Fixing Device II" (4) "Epilady" (5) "Segmentation Device for Tree Trunks"	(1) "Catnic" (2) "PLD Research" (3) "Assidoman"
Standards for judgment of equivalency ◆Three parts test ◆ Inferability (obviousness) of substitution ◆Possibility of substitution	○ OR ○	△[1] ○ ○[4]	○ △[2] △[3]	△ ○ ○	△ ○ ○	△ ○ ○
Other standards for judgment of equivalency				Confining the scope of patent rights to embodiemtns Recognizing infringement by a circumventing invention and a dependent invention.		Article 69 of the EPC
Doctrine of reduction of equivalency	Prior statements	Estoppel Doctrine of intentional exclusion Free technical level defense	Estoppel Doctrine of intentional exclusion Necessity in terms of equity Free technical level defense	Estoppel Doctrine of intentional exclusion Free technical level defense	Limitation and disclaimer (estoppel) Legal stability test Free technical level defense	Limitation and disclaimer (estoppel) Doctrine of intentional exclusion
Time of judgment of equivalency	Time of alleged infringement	Time of application	◆ Time of application: (1) ◆ Time of alleged infringement: Others	Time of application	Time of application:	Time of publication

1. Possibility of substitution is judged in terms of identity of purposes, effects, functions, and means.
2. (1): The three parts test and the obviousness of possibility of substitution to those skilled in the art are regarded as two requirements for equivalency.
3. In the decision given in the precedent case of "Lining for Sintering Furnace", unobviousness of any alteration made to an accused product was presented as an important requirement in evaluation of substantial identity in the three parts test. Similarly, sufficiently different structures to be patented and sufficiently great efforts of research to create such structures were also presented as grounds for rejection of equivalency.
4. It seems that the Japanese practice of judgment of equivalency draws a clear distinction between possibility of substitution and inferability (obviousness) of substitution in contrast to the German and British practices which include the former in the latter.

References:

1. In this precedent case, a decision was given by the Tokyo High Court of Justice on February 3, 1994.
2. 15 How. 330 decided in 1853
3. 85 USPQ 328
4. 14 USPQ 2d 1942
5. 219 USPQ 473
6. 224 USPQ 409
7. 29 USPQ 2d 1767
8. 31 USPQ 2d 1161
9. 26 USPQ 2d 1018
10. 21 USPQ 2d 2039
11. 26 USPQ 2d 1588
12. 31 USPQ 2d 1062
13. 1993 U.S. App. LEXIS 38138
14. 34 USPQ 2d 1321
15. GRUR 1986, 803 (18 IIC 795 (1987))
16. GRUR 1988, 896 (22 IIC 249 (1991))

17. GRUR 1991, 436 (23 IIC 111 (1992))
18. GRUR Int. 1993, 242 (24 IIC 838 (1993))
19. GRUR 1994, 597 (26 IIC 261 (1995))
20. 1982 RPC 183 (H.L.)
21. 1991 RPC 587 (PCC)
22. 1995 RPC 287
23. 1995 RPC 321
24. Supreme Court 907 960
25. Supreme Court 907 1499
26. Supreme Court 917 1908
27. Supreme Court 927 1906
28. 91 Koto 437

TITLE: **MARKING OF PATENTED ARTICLES**

SOURCE: Misc. Publications

AUTHOR: Bidyut K. Niyogi, Harris Corporation

KEYWORDS: "Marking" / "Patent Articles"

ABSTRACT:

This paper outlines situations in some regions of the world where "marking" of "patented articles" will gradually assume a greater degree of importance, as multinational corporations spread their product manufacturing on a global basis. At the present time, little or no serious appreciation has been given to product marking, thus leaving the door wide open to infringers, specifically, counterfeiters, and similarly to unscrupulous business entities who are looking for loop-holes due to a lack of familiarity on the part of patentees, licensees, and related business interests with marking practice.

A. INTRODUCTION

The marking of articles which are patented or to be patented has always remained obscure and casually applied although the laws relating to it are somewhat interlinked with some aspects of infringements,which is evaluated with significant seriousness. Consequently, property values and rights are eroded away through lack of appreciation and awareness of the commercial significance of marking a patented article or process.

Historically, marking of patented articles was generally necessary in Canada, Holland & Chile, and with the ever changing intellectual property laws this factor has declined leaving Chile as the only country where marking still appears necessary. In Chile every patented object should bear the marking of the number of the patent, in the usual manner. The omission of any form of marking does not affect the validity of the patent. This is always true not only in Chile, but in most industrialized countries of the world. Marking has always brought into legal use several forms of laws and regulations relating to infringement, notably, it's impact on popular consumer products, toys, household goods, and pharmaceutical products.

B. HYPOTHETICAL CONSIDERATIONS

As one surveys the intellectual property laws of different countries, marking laws and regulations are so different everywhere. A hypothetical consideration of a multinational patented product or article will now be evaluated within

Europe, with the marking applied somewhat casually and without considerations of the legal impact of infringement and local country penalties or restrictions. In cross-border product flow of the same patented article granted under the European Patent Convention, for example, from between Italy to Switzerland to Germany in it's first stage of journey the Italian Patent Law does not require any indication of the Patent or Application number on the article as a condition for enforcing the patent in Italy. This is due to an established principle underlying Italian legal systems to which a patented article is per se considered as known to third parties and thus needs no further publicity in order to be enforced against potential infringers.

As the same patented article or product flows through Switzerland, it is allowable to mark this patented products e.g. by "Schweizer Patent No. 123456" provided the corresponding patent is granted and still in force in Switzerland . If the corresponding patent application in Switzerland is pending, the same product can be marked by "Schweizer patent angeweldet" or "Swiss patent pending". Even the word "Schweizer" or "Swiss" may be deleted.

As this patented article or article to be patent continues on its journey to Germany, the marking on this patented article will run into stricter marking laws and regulations. Had this article been merely a patent pending situation with the article marked "patent pending" the article would not allowed entry into Germany unless there was a granted publication after acceptance of the Patent Application in Germany. An article that is only the subject of a pending patent application must

not be marked as patent pending in Germany. If the Swiss "patent pending" markings in this article existed, it would in Germany result in false marking with consequent restriction of entry and resulting penalties.

Moreover, should the article be patented in Germany and did reach Germany, the owner of the patent would be obliged at the request of any interested third party, to give the patent number (or patent application number) and furnish full details of the patent or patents in question. This situation in marking raises considerable questions in trans-border manufacture within the European Patent system and the various individual national systems of Europe. We are all aware of the problems that were raised by the movement of patented or to be patented products in different parts of Europe in the nineteen seventies, specifically in consumer goods and within the pharmaceutical industries. Accordingly, with the gradual expansion of Japanese and U.S. manufacturing bases throughout the E.P.C. countries, the consequential impact of marking if the country designation is omitted, serious questions could be raised. For example, in lieu of Swiss Patent No. 123456 or Swiss Patent Pending No. 123456, "Swiss" is omitted and the product is in components fabricated in France or Italy and assembled in Switzerland, what are the resulting legal implications when the article then patented only in Switzerland enters where a patent application is still pending, such as Germany or Holland.

These are only some of the situations that may arise, although they appear at the moment hypothetical or speculative, the trend of manufacturing products in a global environment

will subsequently raise these questions, and it would be interesting to see in due course how these questions are eventually resolved.

C. SPECIAL SITUATIONS FOR JAPAN AND UNITED STATES

We have looked at some of the speculative situations that may arise in Europe. However, let us examine the implications of marking in two of the largest global economic centers, namely the U.S.A. and Japan.

As you will appreciate, in Japan, under Article 187 of the Japanese Patent Law, not only is the Patentee permitted to mark a patented article, but also an exclusive or non-exclusive licensee is permitted to do so as prescribed in an ordinance of the Ministry of International Trade. This principal is also applicable for process patent products.

However, in the United States under Section 287, the marking notice on the patented article may be applied not only by the Patentee(s), but also any person(s) under license making or selling any patented article. This provides notice to the public that the same is patented either by fixing thereon the word "patent" or "pat" and the corresponding number either on the article or packaging. As you will appreciate, this provides a wide latitude to mark a product even through sales and distribution outlets not owned by the Patentee. In view of this latitude in marking patented articles, sales and distribution outlets could repack and mark the patented article(s), without the patentees continuing permission, because of the exhaustion of rights.

Thus far the elements of marking has been dealt with on a general basis. However, this aspect is quite different with regard to the question of infringement of a patent with which

patent owner(s) provide significant importance and is outside the scope of this paper.

D. INTERLINKING MARKING WITH INFRINGEMENT

Infringement has at least two distinct interlinking with marking. Let us first consider the term "innocent" infringer, an apt expression in some British Commonwealth countries, notably the U.K. An innocent infringer, specifically a limited or incorporated company who can prove that at the date of infringement, the company was not aware and had no reasonable grounds for supposing that the patent existed is not liable to pay for damages for the infringement. However. other forms of infringement relief such as injunction and destruction of the infringing articles are not affected. This "innocent" infringer provision clearly shows that in spite of marking patent articles, some infringers might be totally unaware that marked patented articles do exist, and no liability occurs.

The second aspect of this is "wilful" or "deliberate" infringement by irresponsible persons who regard themselves as above the law, and in spite of honest marking by patent owners, this form of infringement prevails, sometimes on an extensive scale. The serious question is, whether marking of patent articles entices these persons or pirates to continue to infringe has not yet been researched although this problem of infringement is wide spread. Counterfeiting or copying with the deliberate intent to sell patented articles is so wide spread on a global basis, that even the correct patent number is clearly marked on the article by the infringer.

E. FALSE MARKING AND PENALTIES

Before concluding, let me at least make a reference to "false" marking which some persons etc. do deliberately and wilfully indulge in and some others that participate in "false" marking results from a lack of understanding of intellectual property laws. There are criminal penalties in most countries for deliberate and wilful false marking, but such laws are rarely enforced.

F. MISC. MATTERS

One other aspect of marking which is common place, is for manufacturer's to continue marking articles even when the patent has either expired or lapsed, with patent numbers on the product or packaging, since the dies or other manufacturing processes are not changed even with the expiry of the patent. It should also be noted that marking has absolutely no effect on the validity of a patent.

G. CONCLUSIONS

It would be inconclusive, if some remarks were not made as to when an article is to be marked. The suggested time frame would be after notice of allowance or acceptance of the patent application in that particular country. Moreover, safeguards should be incorporated within the patent department that when the patent is allowed to lapse for non-payment of maintenance or renewal fee or expires in time, steps should be taken to remove the marking, if the product is still being made, used, or sold, to avoid any false marking.

Prior User Rights - Worldwide View

What is a Prior User Right?

The Prior User Right is a defense to a charge of infringement based on equity principles.

[The equity principles are that a patent should not be able to prevent someone from doing what he was previously doing legitimately, i.e., should be not retrospective.]

- When does Prior User Right arise?
  - Party obtains a patent on an invention.
  - A second party (the prior user) has used the invention secretly before the filing date or priority date of the patent.
  - Prior Use is not "prior art".
  - The second party continues to use invention.
  - Patentee brings an infringement action against second party.

Reasons Supporting Prior User Rights

1. Person who has invested time and money to use invention should be able to continue so investment is not destroyed.

2. Person who learned nothing from patentees disclosure should owe nothing to patent holder.

3. Provide protection to trade secret users. To strengthen trade secrets - not at expense of patents since trade secret protection is very limited.

Reasons Against Prior User Rights

1. Goes against philosophy of reason for granting patents.

2. Patentee has spent time and money to obtain patent.

3. Decreases value of a patent.

4. It is a compulsory license.

Specific Country Laws

Australia

In circumstances where immediately before the priority date of a claim the respondent was making a product or using a process named in that claim, or had taken definite steps (whether by contract or otherwise) to make that product or use that process, the respondent may, despite the grant of the patent, continue to make the product or use the process in the patented area without infringing the patent. This defense is available provided that the respondent did not derive the subject matter of the invention from the patentee and had not stopped or abandoned the making of the product or using the process, other than temporarily, before the priority date. (Section 119 of the Act)

Belgium

Exist for all acts which can be proved to have occurred in Belgium before the filing (or priority) date **but** limited to the activities and amount at the filing (priority) date.

Denmark

Extends to any person who was exploiting the invention commercially or who had made substantial provisions to do so. Limited to the "general character" of the prior activities. Only case law refused prior rights for importation as the only activity but probably would be now overturned following the work preparatory to the 1967 Act. There are no restrictions on amount but the nature of the activity cannot be changed nor can the embodiment utilized.

Federal Republic of Germany

Personal prior use gives the prior user the right to continue his prior use within his own manufacturing plant without giving him the right to grant sublicenses. However, manufacture by subsuppliers strictly for the purpose of the prior user is not excluded.

Personal prior use under Sec. 12 of the 1980 Act requires that the prior user must have had possession of the inventive concept before the priority date of the patent and in addition must have either used such inventive concept or at least started activities directed to immediate use. Thus, the mere testing of whether the inventive idea is workable does not qualify as personal prior use. On the other hand, tests for converting the inventive idea into industrial manufacture are sufficient, even if a prototype of the patented device has not yet been manufactured.

It is further necessary that the prior user has used the invention continuously up to the priority or application date, with no interruption indicating that the prior user has definitely dropped the use of the inventive idea.

However, it should be pointed out that the defense of prior use is only a personal defense of the prior user and does not affect the validity of the patent or the enforceability of the patent toward third parties.

Finland

A person who, at the time when the corresponding patent application was filed, was commercially exploiting the invention in Finland may continue to do so under certain conditions. The prior user's right is bound to the enterprise in question and is not assignable.

France

Exist for persons "in possession of the invention" before the priority date. There are no quantity limitations imposed by law. The degree of proof is high. Also a high degree of documentary evidence of sales and other use would be needed. The prior user right is an exception to the general law and so must be narrowly construed. Whatever is allowable must be done in accordance with the knowledge acquired before the priority date. One manner of proof is the purchase of an envelope from the Patent Office and filing the envelope in the Patent Office.

Japan

Where, at the time of filing of a patent application - or at the time of filing of the original patent application or of submission of an amendment when the patent application is deemed to have been filed at the time of submission of the amendment in accordance with Section 40 -, a person who has made an invention by himself without knowledge of the contents of an invention claimed in the patent application or has learned how to make the invention from a person just referred to, has been commercially working the invention in Japan or has been making preparations therefor, such person shall have a non-exclusive license on the patent right under the patent application. Such license shall be limited to the invention which is being worked or for which preparations for working are being made and to the purpose of such working or the preparations therefor.

Mexico

An effective defense can be based on the fact that the defendant was already using the same invention covered by the allegedly infringed patent, or a substantially similar invention, prior to the filing date of the corresponding patent application in Mexico. In this respect, Article 39 of the Law on Inventions and Trademarks establishes that the rights conferred by a patent have no effect with respect to anyone who, prior to the filing date of the patent application in Mexico or the validly claimed priority date, manufactures the product or uses the process covered by the patent or takes the necessary steps to carry out such manufacture or use. It is clear then that this hypothesis also offers numerous defense possibilities in a patent infringement suit.

From the technical standpoint, the appropriate defense would be to destroy with technical elements a claim by the plaintiff that the defendant's product or process constitutes a patent infringement by virtue of its similarity to what the plaintiff has a right under the claims of his patent.

As to defense in the second stage of patent litigation in Mexico, it is advisable for patent counsel to retain a criminal lawyer for the defense in a criminal action and a trial attorney for any action for damages.

Netherlands

A person who, without having acquired his knowledge from the patentee, on the day of the application has already used the patented process or manufactured the patented product , cannot infringe the patent. This right of "prior use" can only be transferred together in the Netherlands or the Netherlands Antilles with the business.

Norway

In the Norwegian Patent Act §4, prior use is recognized as a defense in an action for infringement. Anyone who can prove to have exploited the invention commercially in Norway before the priority date of the patent application can continue to do so, provided that such exploitation does not imply an abuse of the rights of the patentee or its successors. Also, substantial preparations for commercial use of the invention will be considered as prior use according to §4 of the Patent Act.

Peoples Republic of China

Article 62 of the Patent Law lists a number of exceptions that are not deemed to be an infringement of the patent. One of those exceptions is a prior user right.

> (1) Where, after the sale of a patented product that was manufactured by the patentee or with the authorization of the patentee, any other person uses or sells that product. This is the application of the doctrine of exhaustion of patent protection. The doctrine also applies to the use or sale of the patented product manufactured by a prior user, a compulsory licensee, or a government-designated exploiter.
>
> (2) Where, before the date of filing of the application for patent, any person who has already made the identical product, used the identical process, or made necessary preparations for its making or using, continues to make or use it within the original scope only. To retain the right of prior use, the prior user needs to prove that his knowledge is based on his own research or was legally acquired from a source other than the patentee.

Republic of Korea

Anyone who was, in good faith, engaged in the business of working a patented invention or who was setting up the facilities required for such work at the time of filing of a patent application shall have the right as a non-exclusive licensee to use the patent concerning the invention to the extent that the party's business requires.

Where, at the time of filing of a patent application, a person who has made an invention without having knowledge of the contents of an invention described in a patent application, or has learned how to make the invention from such a person and has been working the invention commercially and industrially, in good faith, in the Republic of Korea, or has been making preparations therefor, shall have a nonexclusive license on that patent right under the patent application. Such license shall be limited to the invention which is being worked, or for which preparations for working have been made, and to the purpose of such working or preparations.

Sweden

Prior user rights are regulated by Section 4 of the Patent Law which reads as follows:

> "Anyone who, at the time when the application for patent was filed, was using the invention commercially in this country may, notwithstanding the patent, continue such use while retaining its general character, provided the use did not constitute evident abuse in relation to the applicant or his predecessor in title. Such right of use shall also be due on corresponding conditions to anyone who had made substantial preparations for commercial use of the invention in this country."

The right according to the preceding paragraph can only be passed to others together with the business in which it originated or in which the use was intended to take place.

Switzerland

The patent cannot be invoked against a party who prior to the filing of the patent application had in good faith made commercial use of the invention or at least may have made particular investments and technical measures preparatory to such use (Art. 35, Patent Act). However, the defendant, to feel secure, should have made actual use of the invention because the criteria adopted by the courts regarding preparation for use are difficult to satisfy.

Europe (in general)

The application of the novelty and inventiveness requirements under the EPC presupposes that effective prior user rights exist under the historical laws of the member states. However, the reality is that such prior user rights are unlikely to give adequate freedom to enable the earlier secret user to continue to practice effectively at a commercial level.

The attached table is a summary of the various prior user rights in the listed countries.

Country/Regional Treaty	Right to Use Patented Invention Based on Possession, Preparations for Use or Use Before Filing Date or Priority Date						
	PREREQUISITES: Facts Giving Rise to Rights of Use				SCOPE: Right of Use Limited to		
	Possession	Preparations for Use	Use	Knowledge Must Not Be Derived from Patentee	Scope of Original Use or Preparations	Needs of Own Business	Particular Provisions
OAPI		yes	yes			yes	
Argentina							
Australia		yes	yes	yes			
Austria		yes	yes			yes	
Belgium	yes	(1)	yes				
Bolivia		yes	yes				
Brazil							
Bulgaria		yes	yes	yes			
Canada							(2)
Chile							
China		yes	yes		yes		
Colombia		yes	yes				
Czech Republic		yes	yes	yes			
Denmark		yes	yes		yes		(3)
Ecuador		yes	yes				
Finland		yes	yes		yes		(3)
France	yes	(1)	(1)				
Germany		yes	yes	(4)		yes	
Greece		yes	yes			yes	
Hungary		yes	yes	yes			
India							(5)
Ireland							(5)
Israel		yes	yes			yes	
Italy			yes		yes		
Japan		yes	yes	yes	yes		
Luxembourg		yes	yes				
Mexico							
Morocco							

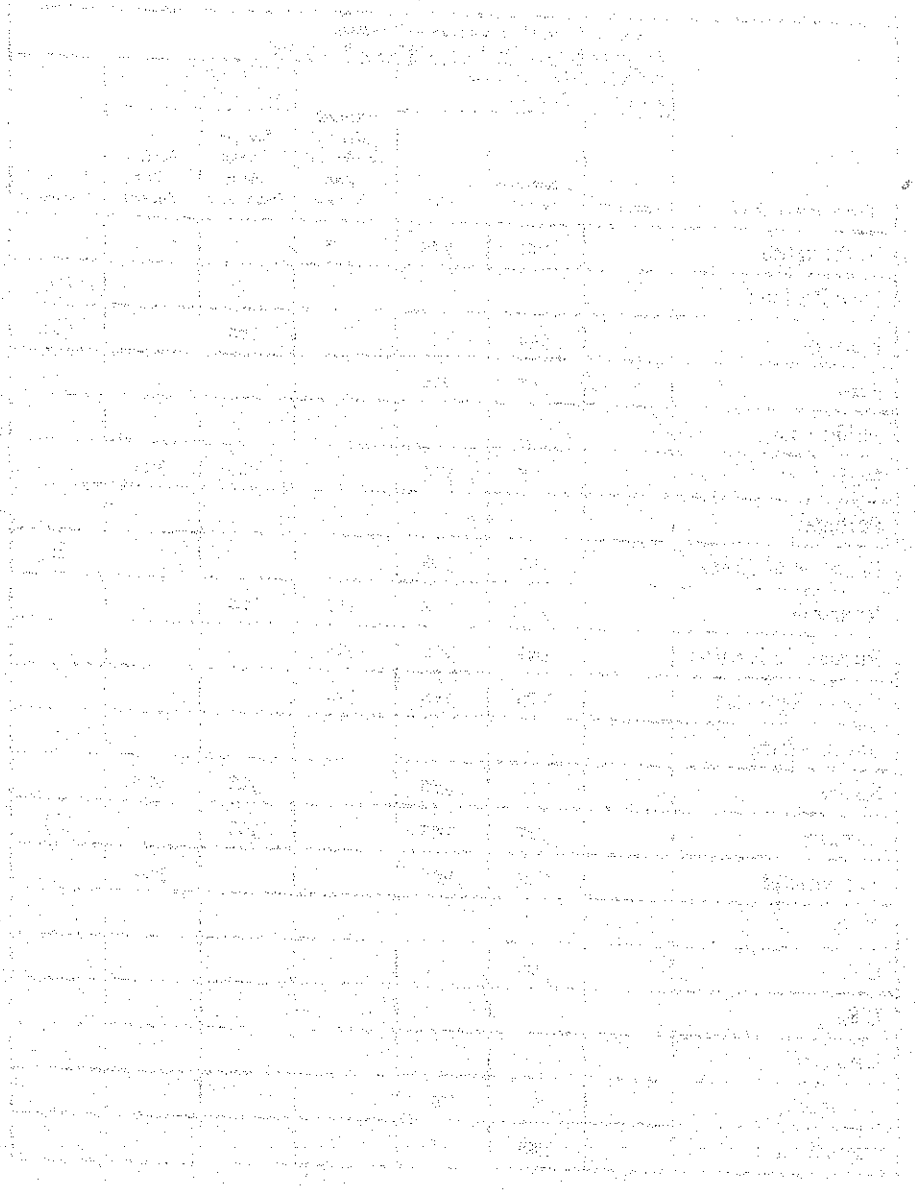
Country/Regional Treaty	Right to Use Patented Invention Based on Possession, Preparations for Use or Use Before Filing Date or Priority Date						
	PREREQUISITES: Facts Giving Rise to Rights of Use			Knowledge Must Not Be Derived from Patentee	SCOPE: Right of Use Limited to		Particular Provisions
	Possession	Preparations for Use	Use		Scope of Original Use or Preparations	Needs of Own Business	
Netherlands		yes	yes[1]	yes			
New Zealand							(5)
Norway		yes	yes		yes		(3)
Peru		yes	yes				
Philippines							
Poland		yes	yes		yes	yes	
Portugal							
Republic of Korea		yes	yes			yes	(6)
Romania		yes;	yes	yes	yes		
Russian Federation		yes	yes	yes			
Slovak Republic		yes	yes	yes			
South Africa							(7)
Spain		yes	yes		yes	yes	
Sweden		yes	yes		yes		(3)
Switzerland		yes	yes			yes	
Turkey							
U.K.		yes	yes				
U.S.							
Uruguay							
Venezuela		yes	yes				
Yugoslavia		yes	yes[1]				

Explanations

"Yes" means that the solution indicated in the heading of the table is provided for in the applicable legislation. (If there is no "yes" under the heading "Facts Giving Rise to Right of Use," possession, preparation for use or use before the earliest effective filing date do not create a prior user right).

Footnotes

1. Since possession is sufficient, it is assumed that preparations for use or use create the same right as possession.



GLOBAL PATENT COSTS MUST BE REDUCED

Talk by

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at

PIPA Conference

San Francisco, CA

October 3-5, 1995

I would like to talk this morning about global patent costs because I think they have gotten way out of control -- and there seems to be no sign of improvement. We are rapidly approaching a situation where our members can only afford to obtain and maintain patents in one or two countries — and the rest of the world is allowed to freely practice our inventions because we can't afford to obtain and maintain protection there. And the amazing thing is that this is happening at the same time that we hear about wonderful progress on harmonization, and at the same time that we are on the threshold of finally achieving a good worldwide patent law regime with the implementation of TRIPS.

The companies that are members of PIPA probably represent the great bulk of the inventive genius that has made the US and Japan into the economic and trade powers that we are.

Lets face it, we win where we have the technology -- whether we're talking about fibers or pharmaceuticals, computers or chips, aircraft engines or heavy construction equipment -- we win when we have the technology.

And we spend billions each year to develop this technology -- but then I'm afraid too many of us, in effect, dedicate our inventions because we can't afford the system.

The companies that are members of PIPA are probably one of the Worlds largest consumers of services from the Worlds patent offices. In 1994, I believe 49% of the patent applications filed in the EPO came from the US and Japan and probably a large part of those applications came from our members.

Why am I saying this? -- Because I think its time for us individually and as organizations -- as customers -- to complain to anyone and everyone who will listen about the high cost of obtaining and maintaining patents -- and to lobby every place we can for cost control and reductions. We can't let the Worlds patent offices take away through pricing what they are required to provide in their patent law by TRIPS and other trade agreements. We must make sure that what is technically required under TRIPS is also available as a practical matter and is not denied by pricing.

With the implemention of GATT, we can expect a number of countries to reform their patent legal systems or to put into place patent legal systems to comply with the TRIPS agreement. We should expect these countries to look to the Trilateral patent offices -- that is the USPTO, EPO and JPO -- we should expect them to look to these patent offices for guidance and for examples of best practices that should be followed. So what I would like to do now is concentrate on patent costs in the EPO, Japan and the US to see what example is being set for these countries.

The numbers that I will show you, are based on the following assumptions:

- September '94 exchange rates
- a 20 page application
- 10 claims
- 2 sheets of drawings
- 2 office actions and 2 amendments, but in the US we have used the cost of preparing the original application -- but to compensate for that we have not included translation fees
- published fee schedules have been used to compute agent fees in Europe and Japan
- and we use 1993 population estimates and 1992 GDP numbers

With those assumptions, the total cradle to grave patent cost in the 17 EPO countries is $134,401, the total cost in Japan is $30,498 and the total cost in the US is $14,370. Except as I have indicated, these numbers include all amounts paid to patent offices, translation costs and all fees paid to agents. The frightening thing is that this chart also shows that the grand total cost for patents on a single invention in the US, Japan and Europe is $179,269. So if a PIPA member averages just 50 applications per year, we're looking at an annual running rate of about $18 million a year. There aren't many companies that can afford an annual patent portfolio budget of $18 million. Yet there are many companies that issue more than 100 US or Japanese patents a year and some that issue 1000. Protection at this level in the US, Japan and Europe for the full 20 years that you are entitled to would lead to costs of $180 million a year. Outrageous on its face.

It seems clear that if the system is to work -- and if we are to have a level playing field, -- if we really mean what we say about stimulating progress and technology development by making patents available for inventions -- we need large reductions in patent costs.

In the EPO or Europe, we show a total cost for the original 10 EPO Countries of $102,044. I have shown the costs for these countries because in October of '93 I attended the 10th anniversary of the Trilateral cooperation between the EPO, JPO and the USPTO and I had the opportunity, as part of the program, to ask the three Commissioners questions that represented concerns of US Industry. As a large customer of all three patent offices, I indicated that it was encouraging to hear at the meeting about the great progress the three offices had made in harmonizing their activities and improving their cooperation. But I indicated that we were greatly disappointed that this progress had not brought about any cost reductions and on the contrary that over the 10-year period that was being celebrated, costs had skyrocketed. The research that we had done at that time showed that from 1983 to 1993 the official fees paid to the EPO and the EPO national patent offices had increased at a compounded average annual growth rate of about 11% a year -- which means those costs were doubling every 6-1/2 years --- far in excess of any inflation rate during the same period.

As we look at these numbers, we should keep in mind that the market or economic unit that is defined by the EPO is about the same size as the US in terms of Gross Domestic Product and population, and is about three times the size of Japan.

This chart shows what these markets looked like in terms of GDP in 1992.

And this chart shows what these markets looked like in terms of population in 1993.

If you view the market solely in terms of population, then the US is comparable to France, Germany, Italy, Netherlands and the UK combined, so in all of the cost comparisons we will also show that cut.

Going back to our total cost chart, you can see that depending on how you want to slice the EPO, it ends up being from 4 to 9 times more expensive than the US for patents covering essentially the same size market.

For Japan we show the total cost for a patent containing ten claims as $30,498. If the same patent had only 2 claims, the cost would be reduced to $22,885.

Let's now look at the various elements that were included in and make up these total patent costs.

The official fees paid to the respective offices from filing through grant are shown on this chart. The $10,831 in the EPO is more than 5 times the amount in Japan and the US. I should point out that the fees for the EPO include the fees paid to the national patent offices during the nationalization phase of the EPO patent.

Translation costs during the nationalization phase in the EPO are $15,543 versus $3,000 in Japan. We have not included an amount for translation for the US and perhaps we should. But we feel we have more than compensated for that omission by including the cost of preparing the original patent application and two amendments as the patent attorney fees in the US, while the fees that have been included for Japan and Europe are simply for filing and prosecuting the corresponding application.

Looking now at agent fees, here again Japan and the US are about equal and the EPO is about twice as expensive at $12,258.

But here is what really drives the cost -- here is the real killer -- the taxes we pay to keep our patents alive. This is what makes Japan more expensive than the US and what makes the EPO virtually unaffordable. Maintenance fees in Europe are over $95,000. For the original 10 EPO countries they are over $74,000 and they are $48,000 for the 5 largest EPO countries. This compares with $19,591 for ten claims in Japan or $11,615 for two claims, and $5,790 in the US.

Of course, the value of a patent in any particular country or territory is clearly a function of the size of the market or the level of economic activity in the territory that is covered by the patent. As we mentioned earlier, one way to measure a market is to look at the Gross Domestic Product for the covered territory. Another way is to look at the total population in the market covered by the patent.

Dividing the US population into the total US patent cost yields a per capita patent cost in the US of $56 per million people, -- while the same per capita cost in the EPO is 6-1/2 times higher -- and Japan is from 3 to 4 times higher.

Dividing the US GDP into the total US patent cost yields a per capita patent cost in the US of $2.60 per billion dollars of GDP -- while the EPO is 8 times higher at $21 -- and Japan is from 4 to 5 times higher.

We have to ask ourselves whether we are setting a good example and precedent for the less developed countries as they modify their laws to comply with TRIPS, and, if we are not, we simply have to find a way to get it fixed.

The EPO is really the best example we have in the world of harmonization. We file one application in English, we go through one prosecution and then register the resulting patent in many countries. Its very efficient, but look at what has happened to costs. From 1983 to 1993 official fees increased at an average annual growth rate of 11%. I'm afraid we have taken our eye off the ball -- we have made sure that all the i's and t's are dotted and crossed the same way, but we have let costs go what ever way they want -- and when that happens, they only go up.

I don't want anyone to misunderstand me, I am 150% in favor of harmonization. But its not because I crave neatness. It's because harmonization should provide speed and predictability and lower cost. We can't forget cost.

Its a little like the metaphysical question -- if a tree falls in the woods does it make a noise if no one is there to hear it?

If the worlds patent costs make obtaining patents on an invention around the world unaffordale, as a practical matter we will lose all of the benefits that we expected to flow from harmonization and TRIPS.

I believe we have to link harmonization to lower costs. Costs that can be afforded by all of our members. And no one should think that just because a company is large it can afford to pay outrageous fees. If its not economic for the small entity, its not economic for the large entity, one is just a multiple of the other.

I believe this is a critically important issue for all of us and the timing is critical. It should be one of the top strategic initiatives for PIPA. This is clearly a long term project that's not going to be easy -- and we need the help of PIPA -- as an organization that represents US and Japanese intellectual property owners we simply can't afford not to push this issue until we win. And we're going to need all the help you can give. Thanks.

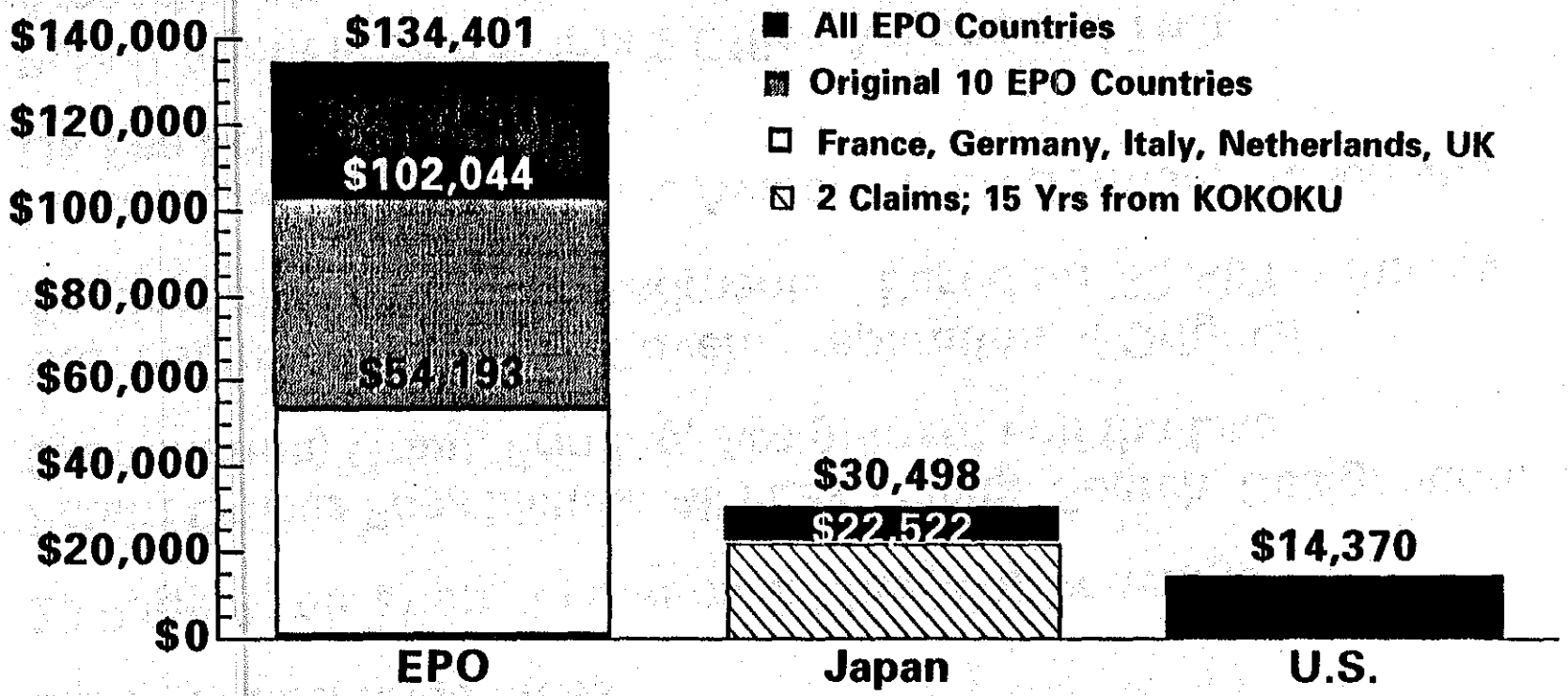
Patent Cost – EPO/Japan/U.S.

Major Assumptions

- Sept. '94 Exchange Rates
- 20 Page Application, 10 Claims, 2 Sheets of Drawings
- Patent Offices Fees Include All Fees – Filing, Search, Designation, Examination, Grant, Printing, Assignment and the Like
- U.S. Patent Attorney Fee Covers Preparation of Original Application and Two Amendments – Based on '93 AIPLA Survey
- Patent Agent Fees for EPO is Average from German, French and UK Fee Schedules
- Patent Agent Fees Assume 2 Office Actions and Two Amendments
- '93 Population; '92 GDP

Patent Cost

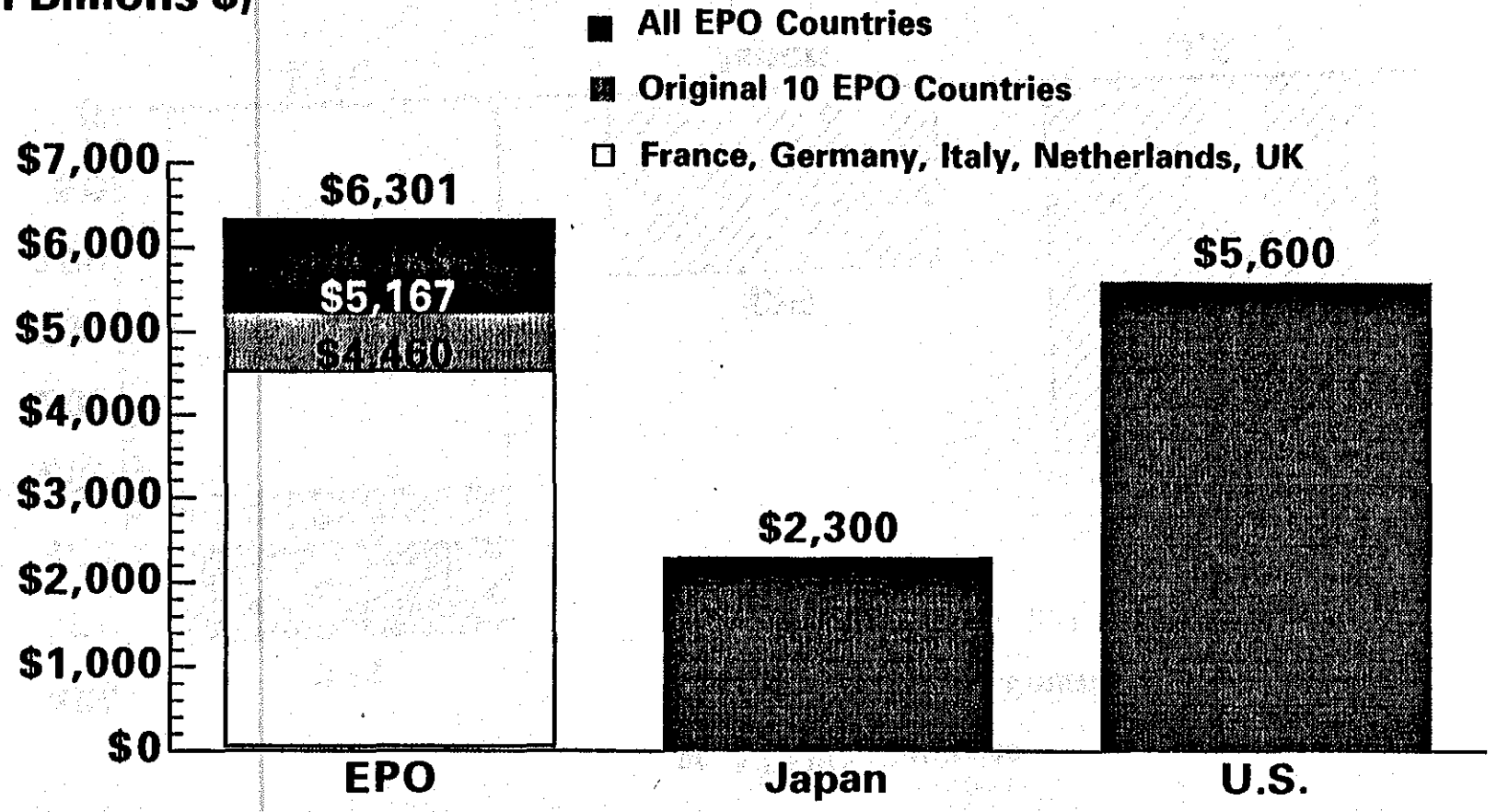
Total Cost-Cradle to Grave



950669/ 9

Patent Cost

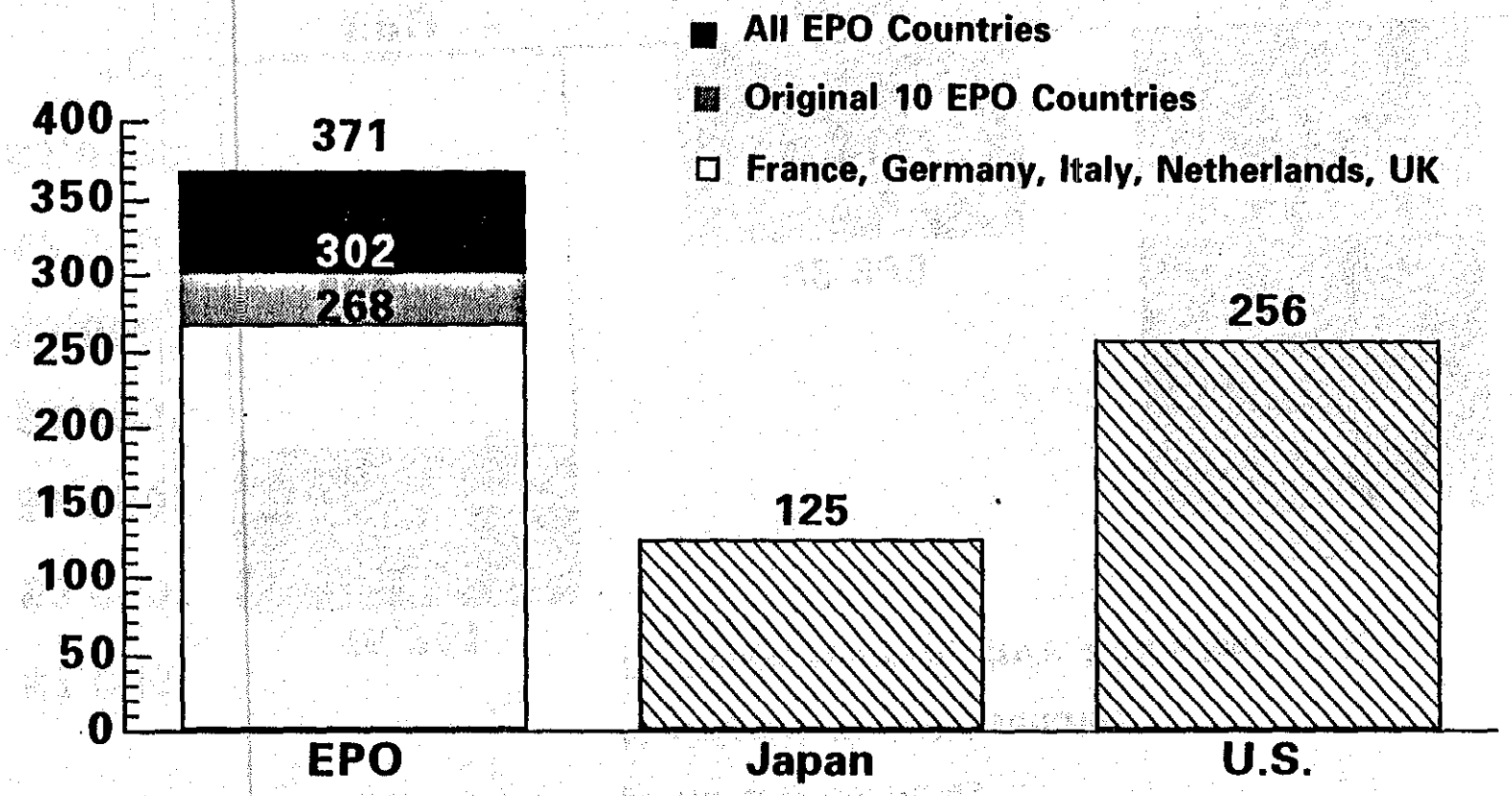
'92 GDP (In Billions $)



950669/ 10

Patent Cost

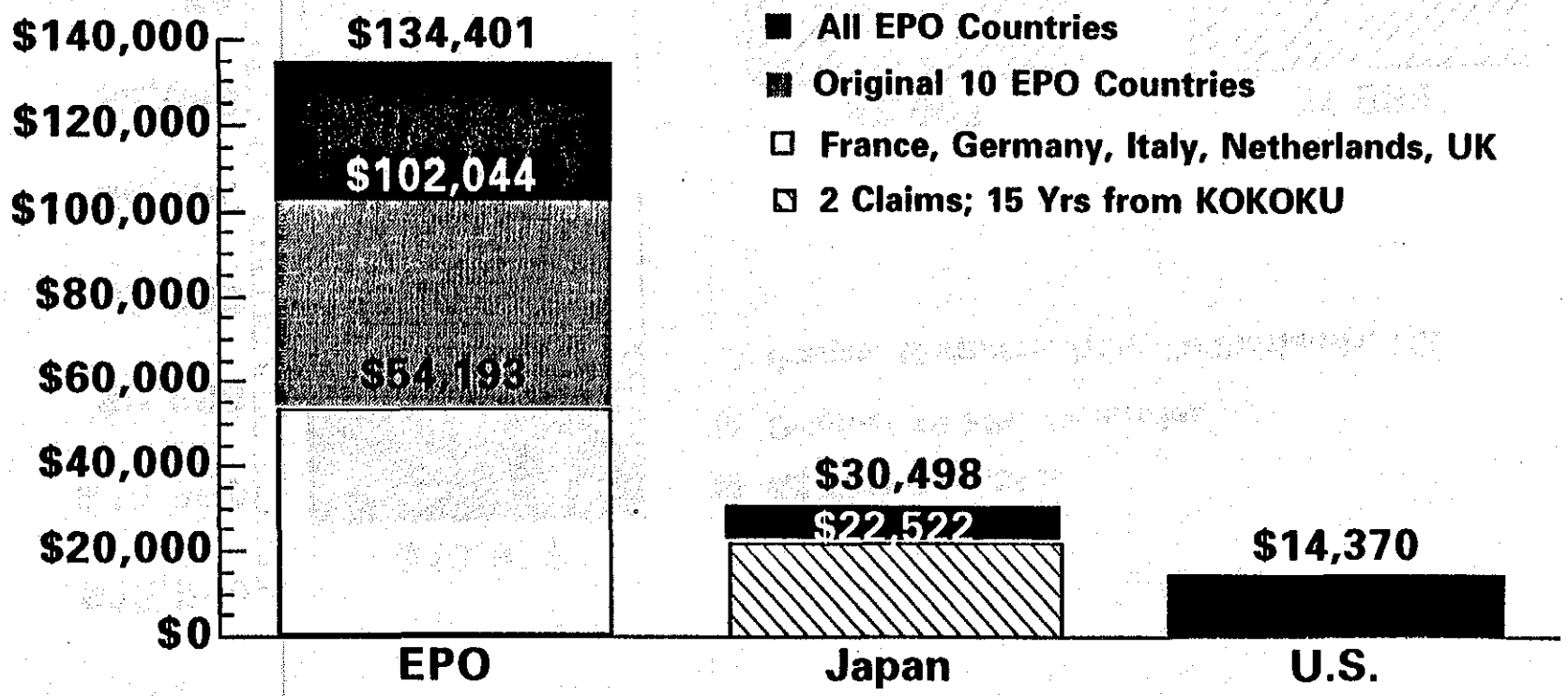
Population
(In Millions – '93 Est.)



950669/ 11

Patent Cost

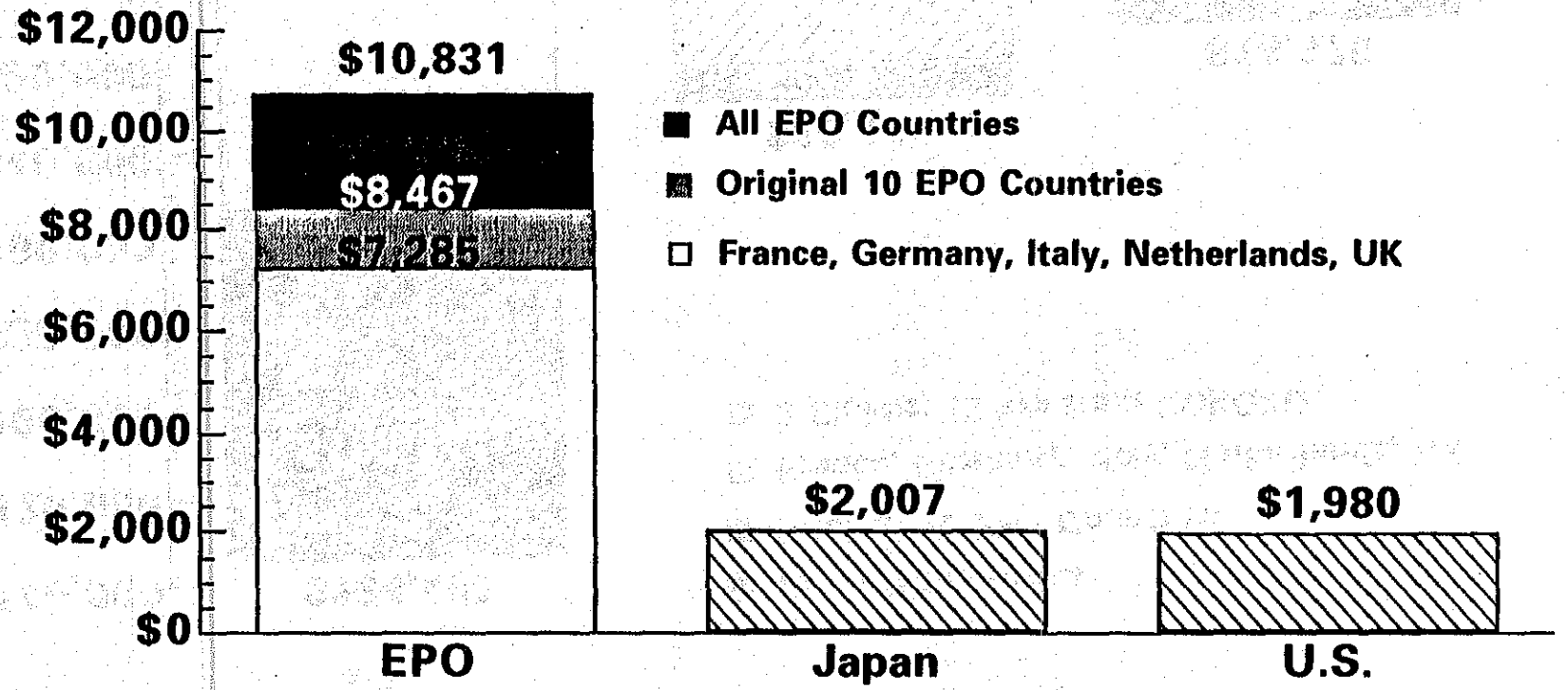
Total Cost-Cradle to Grave



950669/ 12

Patent Cost

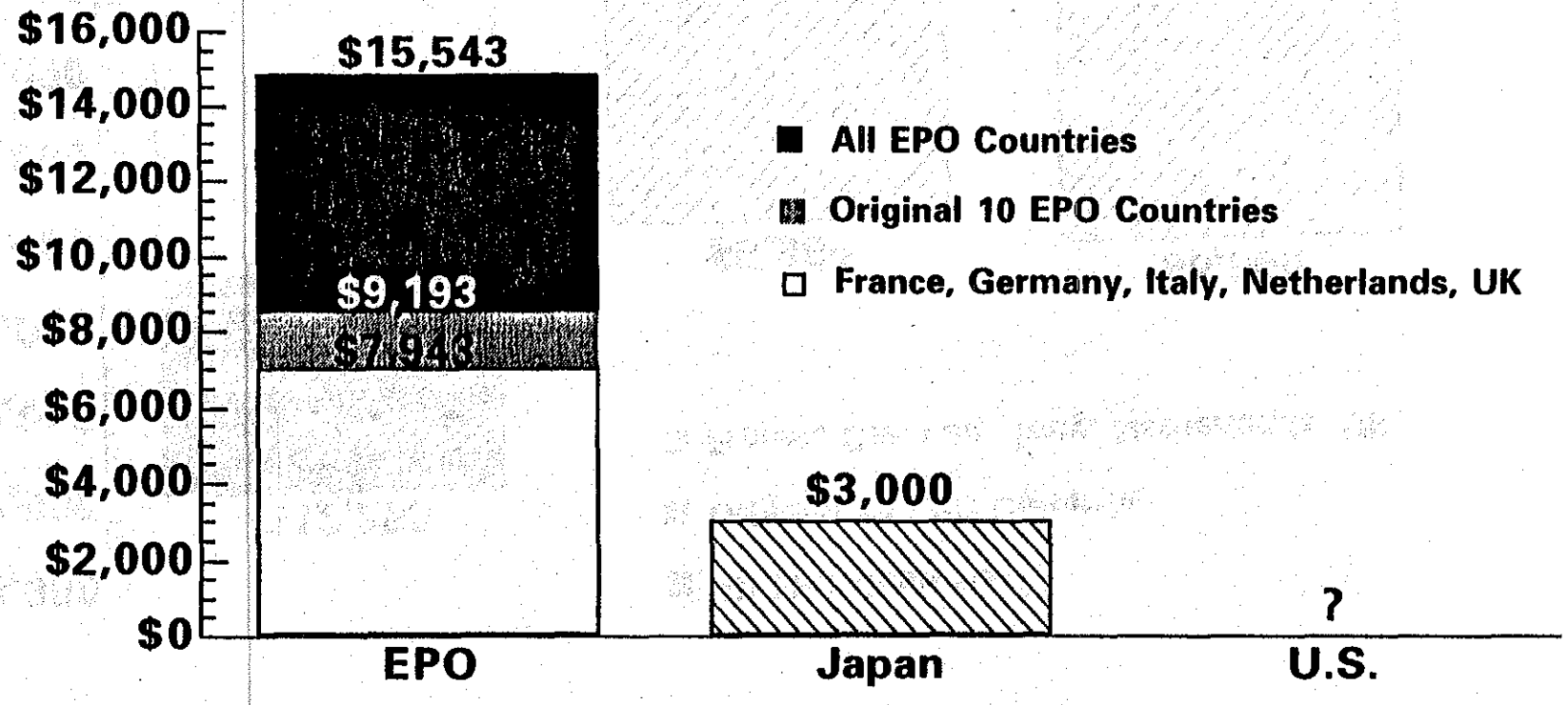
Official Fees
Filing Through Grant



950669/ 14

Patent Cost

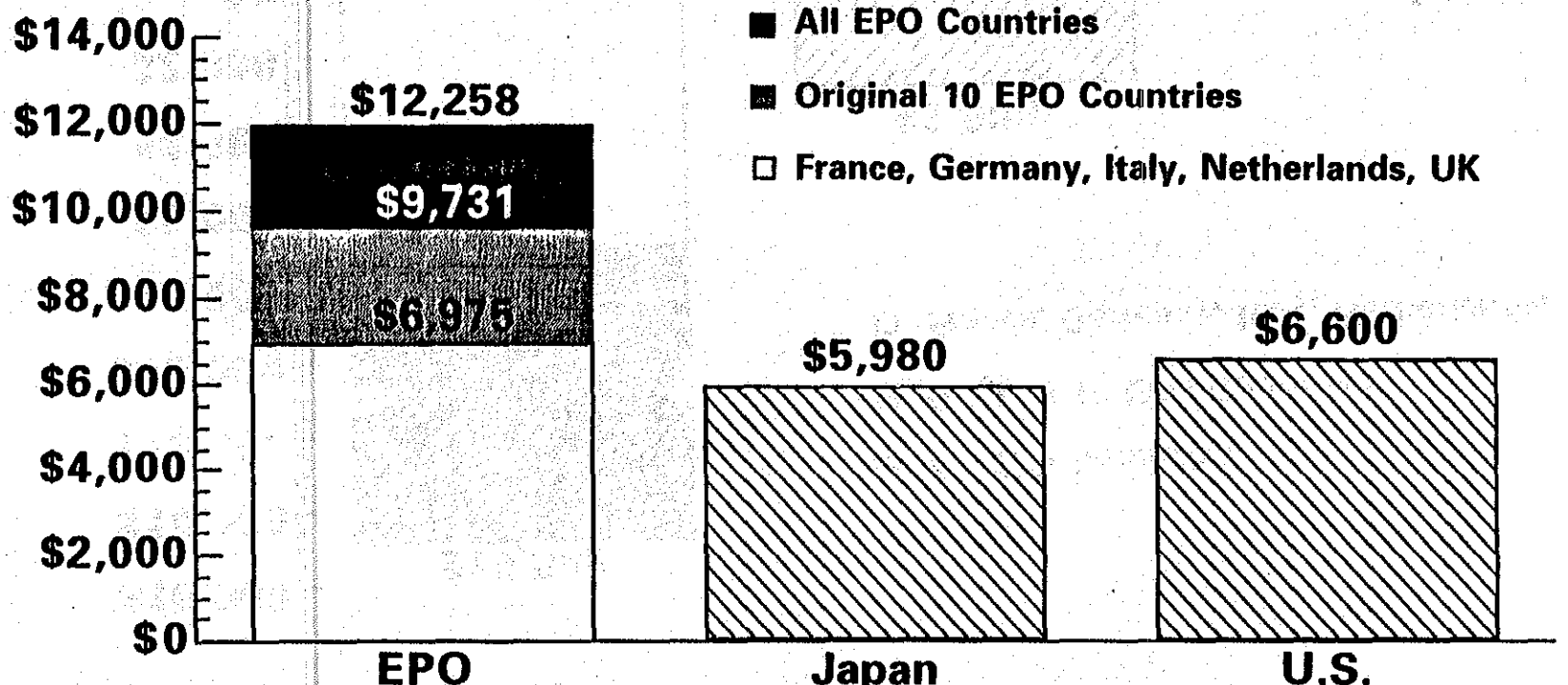
Translation Cost



950669/ 15

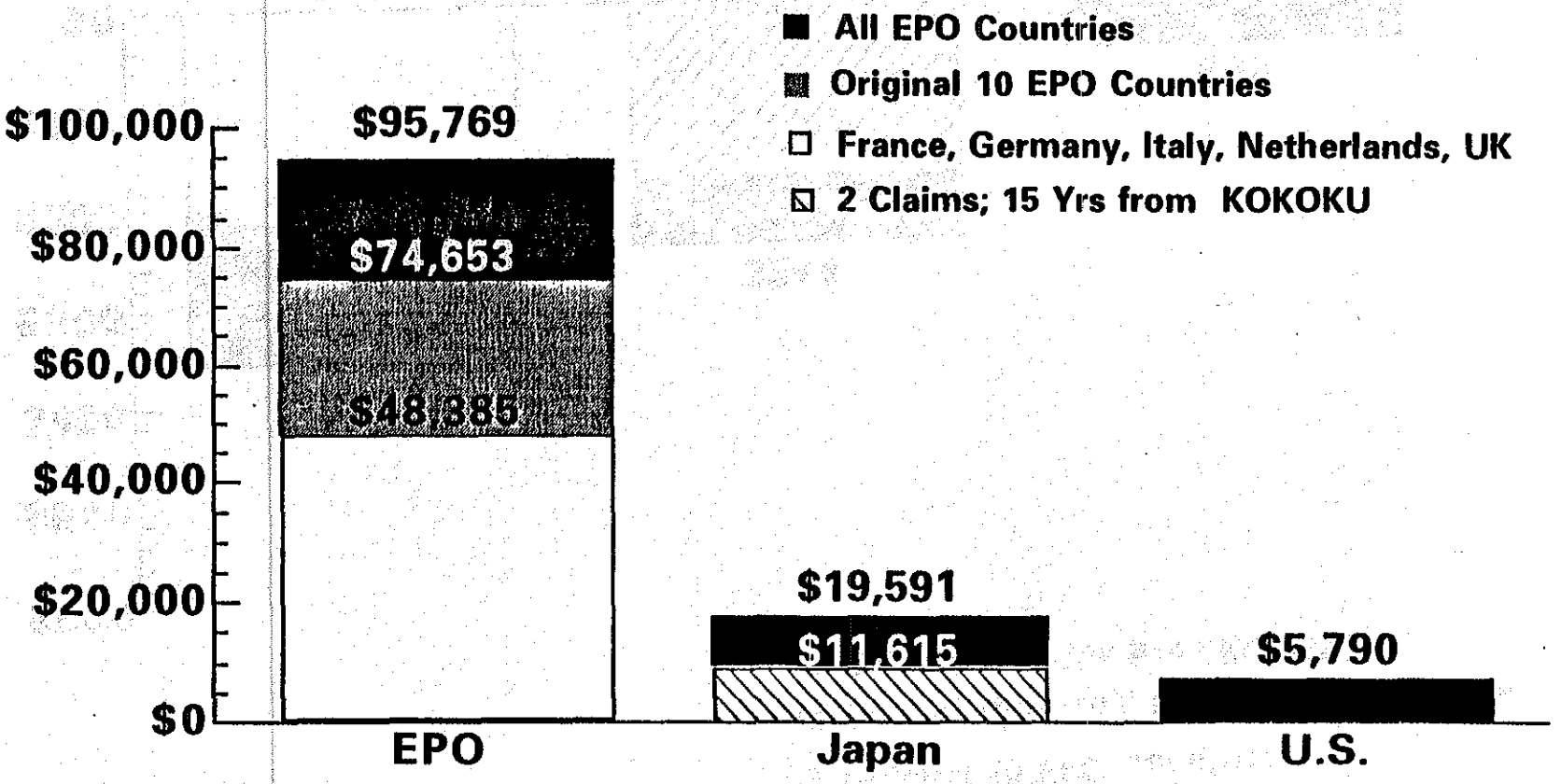
Patent Cost

Agent Fees
Filing Through Grant



Patent Cost

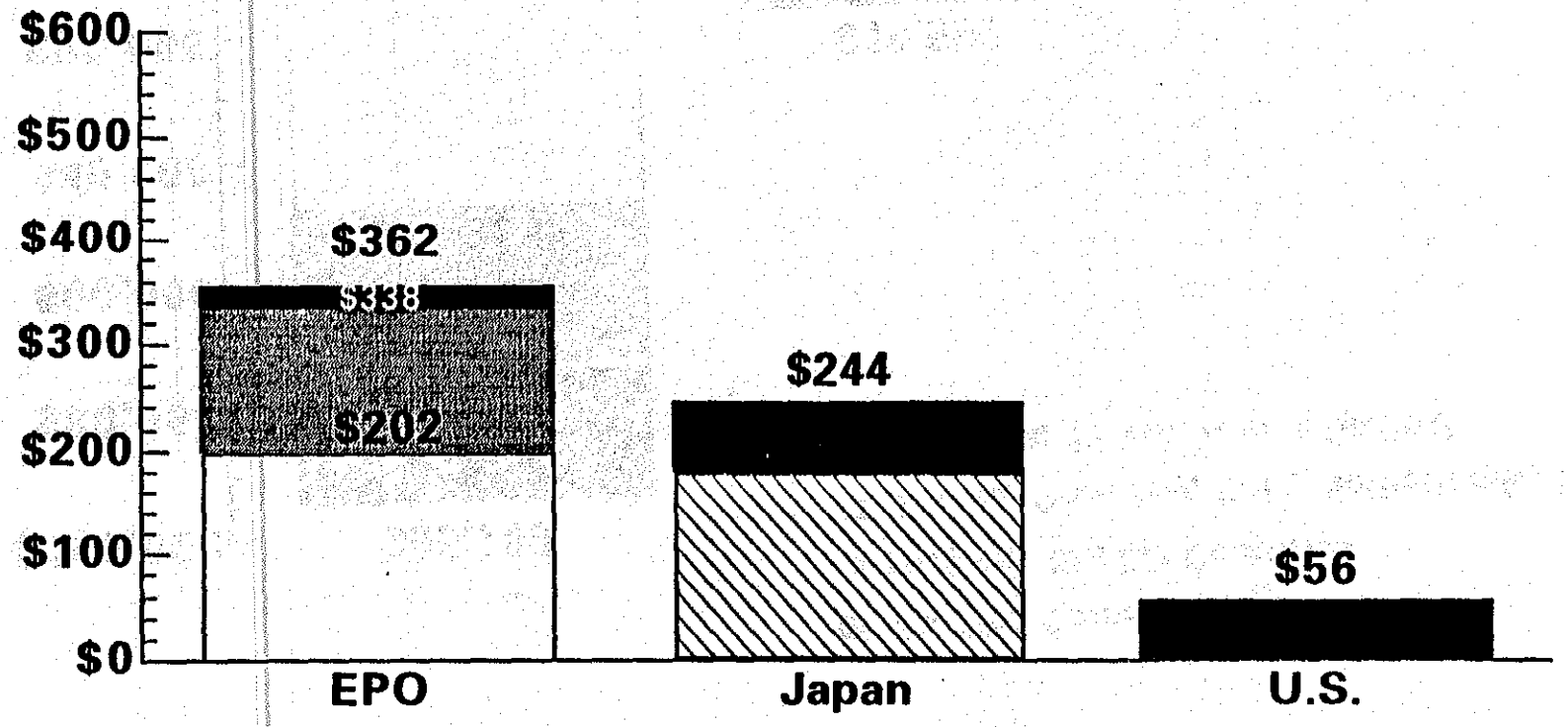
Maintenance Fees



950669/ 17

Patent Cost

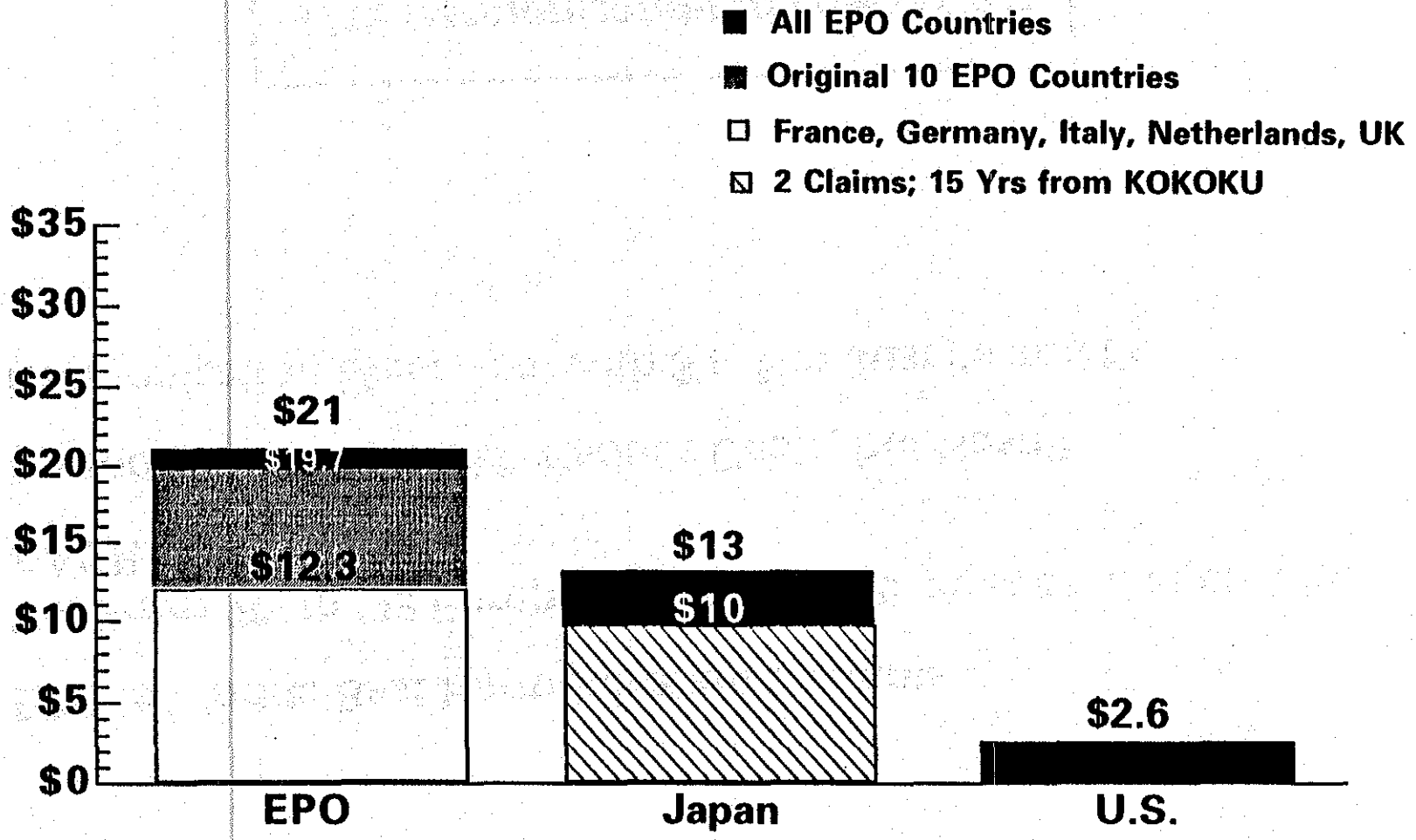
Patent Cost/Million Population



950669/ 19

Patent Cost

Patent Cost/Billion $ GDP



950669/ 18

Patent Cost

- EPO is Worlds Best Harmonization Example
- Yet From '83 to '93 European Patent Costs Increased at an 11% AAGR
- Harmonization SHOULD Reduce Costs, but Hasn't
- Harmonization Must Deal with $'s, Not Just i's and t's

Link Harmonization to Lower Cost

(1) Title:

ENGLISH LANGUAGE PATENT APPLICATION SYSTEM AND PRACTICE IN JAPAN

--- From the Viewpoint of Foreign Applicants ---

(2) Date:

October 1995 (The 26th International Congress in San Francisco)

(3) Source:

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

(4) Authors:

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(5) Key words:

Foreign language application, English language application, Translation, Mistranslation correction form

(6) Statutory Provisions:

Japanese Patent Law, Article 36(2),Article 17(2)

(7) Abstract:

Effective July 1st, 1995, Japan adopted the system to accept the filing of patent applications in English language. The Authors have surveyed the outline of this English application system and the guidelines to implement the system. Based on the survey, this document illustrates the procedural flow of the overall application procedures and outlines the new system in a tabular form. Further, the advantages and disadvantages of the English language application system are also discussed in comparison with the traditional Japanese language application system.

As the patent applications in English are now accepted, mistranslations, which have been an issue in the past, can be corrected. However, permissible corrections of mistranslations are limited after the period for responce to a first office action has expired, and the scope of rights granted in Japan is determined by the specification and claims as they appear in the Japanese translation text which will be submitted after the English text application is filed. As such, the present English language application system does not solve a problem arising from language difference.

I. Introduction:

On the occasion of the U.S.-Japan Framework Talks, the United States requested that patent applications in English should be accepted on the ground that mistranslations, if any, of original English specification cannot be corrected based on the content of the original specification, posing the possibility of patent rights being forfeited.

Also, the acceptance of patent applications in foreign languages has been incorporated in Article 8 of the proposed WIPO Harmonization Treaty.

Meanwhile, the United States accepts applications in languages other than English under certain exceptional circumstances where, for example, the filing of an application ought to be completed in a short time, say, within the priority right period.

As a result of thorough discussions, reflecting these circumstances, at the U.S.-Japan Framework Talks, agreement was reached in January 1994 to accept patent applications in English and such patent applications became legally valid as from July 1st, 1995 under the latest amendment to the Patent Law.

This report summarizes the results of investigations made by the Authors about English language application system in Japan and its implementation guidelines. In addition, the report refers to foreign language application systems of other countries, and discusses certain points which foreign applicants utilize this new application system.

II. The Japanese-language Application System and its Problems:

The traditional Patent Law accepted only Japanese language patent applications. When foreign applicants were to file applications in Japan, they normally had to claim priority based on a foreign language application in the first-filed country, in accordance with the Paris Convention, and then file the application accompanied by the Japanese translation of a specification and related drawings. The substantive examination was carried out based on the Japanese-language specification and drawings. If there were any mistranslations, the applicant was not permitted to correct them once the application had been filed. Such rules and practices made it likely that patent right could be forfeited owing to mistranslations.

In the past, the following cases were disputed in Japan (at the Tokyo High Court) with respect to correction of mistranslations.

(1) Tokyo High Court decision 3/24/1983 (1981 <gyou-ke> No. 82)

(2) Tokyo High Court decision 6/27/1978 (1977 <gyou-ke> No. 46)

In each of the above two cases, a procedural amendment form was filed asserting mistranslations based on the descriptions given in the specification of relevant applications in the first-filed country (Priority Certificate). These amendments were rejected, however.

The first case listed above was an invention regarding a "Diffusion Bonding Process" for which priority right was claimed based on a patent application filed in the United States on April 1, 1971 (U.S. Application No. 130149). Upon being assigned Application No. 32522 on March 31, 1972, a procedural amendment was filed to amend part of the specification attached to the application form. Then, a decision was given to reject the amendment on December 18 of the same year, and an appeal was made to the Board of Patent Appeals of the Patent Office on March 12, 1980. As a result, decision was issued on the appeal, i.e. Appeal No. 23 of 1980, on November 11, stating that there was no basis to request the appeal. Being dissatisfied with this decision, the applicant filed a suit for retraction of decision with the Tokyo High Court.

In this case, attempt was made to amend the word "bromine" to "boron" in the description of the specification including the claims. As a basis for the requested amendment, the applicant asserted, mistranslation by relying on the fact that the patent specification of the first-filed country (Priority Certificate) contained the word "boron". On the ground of mistranslation, the applicant requested that the amendment should be permitted. In other words, the applicant's assertion was that the requested amendment did not change the subject of the specification but simply corrected the mistranslation.

The Board of Patent Appeals of the Patent Office and the Tokyo High Court rejected the assertion of the applicant for the following reasons.

A) The patent specification in the first-filed country is nothing more than a material to judge or certify the priority right.

B) The patent specification in the first-filed country, submitted as priority certificate does not serve as a specification for an application in Japan or its supplementary material.

C) The invention that is the subject of the patent application should be identified by the descriptions of the specification and drawings first attached to the application form. If the amendment of the specification or the drawings is deemed to constitute an invention different from the invention of the original application, such amendment is not allowed on the ground that it

changes the subject of the invention, unless the amendment is intended to correct those matters which are clearly found to be errors in transcriptions judging from the specification or drawings originally submitted.

In the second case, attempt was made to amend "polyvinyl acetate" in the specification to "polyvinyl acetal" on the ground that the term "polyvinyl acetal" had been described in the patent specification of the first-filed country (Priority Certificate). Like the above first case, the requested amendment was not accepted for the reason of a change in the subject of the specification, in other words, that the amendment, if accepted, does not keep the invention within the scope described in the specification which was attached to the application form originally filed.

Thus, the conventional patent system in Japan did not permit corrections of mistranslations and carried the problem that any mistranslations related to the subject of the invention might result in the virtual forfeiture of the patent right itself.

III. The Foreign Language Application System in Japan:

Fig. 1 illustrates "Procedural Flow of Foreign Language Applications in Japan". Table 1(a) and Table 1(b) show "Outline of Foreign Language Application System in Japan", which is summarized below.

Incidentally, this report explains certain legal provisions relating to the patent system after adoption of the post-grant opposition system which will be enacted from January 1, 1996. With respect to foreign language applications, the Patent Law does not specify the kind of foreign language which can be used, but its enforcement regulation currently allows the use of English only as the foreign language. Therefore, in this report, a foreign language means English language unless otherwise specifically indicated.

A) Patent application will be considered formal and the application date established (and first-to-file right also ensured) if the application prepared in Japanese is filed, accompanied by documents prepared in a foreign language (specification, drawings, abstract, etc.).

B) No amendments to the documents prepared in a foreign language will be accepted at all. However, in the case of PCT applications in a foreign language, amendments under Article 19 and Article 34(2)(b) of the treaty are permitted.

C) A translation of foreign language documents which have been submitted along with the application form must be filed within 2 months from the application date. If such translation is not so filed, the application will be

considered withdrawn. The translation must be a strictly true and literal translation of the foreign language documents which have been attached to the application form. Items which were not in the foreign language documents cannot be added for the purpose of reinforcing the contents of the documents **(called textual new matter)** in the process of translation. Also, all rights such as patent rights and right to demand compensation with the exception of first-to-file right, are granted on the basis of the Japanese translation text.

D) If the translated text contains any mistranslation with regard to the specification and drawings, the mistranslation can be corrected, prior to dispatch of the certified copy of the notice of allowance, at any time before the end of a period for response to a first office action for rejection, on the ground of descriptions contained in the original foreign language documents which were attached to the application form. After the period for response to the first office action has expired, correction can be accepted only during a period specified by the Patent Office or the Patent Law.

E) If a mistranslation is found after the period for response to the first office action has expired, the correction of the mistranslation can be accepted only to the extent that it does not essentially expand or change the scope of the claims.

F) Similar to normal Japanese patent applications, if amendment is to be made about the specification etc. of a foreign language application, such amendment must in any event be based on those items described in the translation, and amendments based on items described in the foreign language documents without filing a mistranslation correction form may be rejected as **translation text new matter.**

III-1. Judgment Criteria of Textual New Matter in Foreign Language Applications:

Under the foreign language application system, it is necessary as described above, to file the Japanese translation of documents, such as specification, prepared in a foreign language. After the substantive examination or patent registration is completed by the Patent Office the scope of rights granted will be interpreted on the basis of this Japanese translation. The Patent Law, Article 17(2)(iii), sets forth that in normal Japanese language applications, amendments to specification and drawings must be limited to items described in the relevant specification etc.

Concerning foreign language applications, the Patent Law Articles 49, 113

and 123 provide that the inclusion in the translation of those items which were not within the scope of items disclosed in the specification and drawings attached to the patent application form for the foreign language application should constitute a ground for rejection, opposition or invalidation of the patent.

Therefore, the translation not only is important, like applications in Japanese, but also must correspond completely to the text of foreign language documents which were first submitted with the application. Otherwise, the application will be rejected as the introduction of a textual new matter.

The Japan Patent Office has drawn up guidelines about criteria for judgment of such textual new matter, the contents of which are as follows.

A) In principal, foreign language documents must be translated into appropriate Japanese, word for word and according to the context of the foreign language documents (literal translation).

B) However, the preparation of the Japanese language documents not strictly based on word for word translation may be permitted only where such translation, rather than a word for word translation, will accurately express the technology in question, leaving no ambiguity in correspondence between the foreign language documents and the translated specification.

C) Translation of the foreign language documents prepared by changing the sequence of sentences etc. contained therein does not constitute the introduction of textual new matter only insofar as the translated specification does not contain items not described in the foreign language documents.

D) Where the descriptive content of the foreign language documents is essentially changed by accidental omission in the translation thereof, the application may be rejected as textual new matter being introduced.

Thus, the translated documents must in principal be a literal translation of the foreign language documents. Even if unclear descriptions or insufficient descriptions are found with respect to the contents of the foreign language documents at the stage of filing the translation, no addition or correction is permitted in the translation process.

Incidentally, the Japan Patent Office in its enforcement guidelines has given examples of decisions about textual new matter for the reason of omission in the translation of foreign language documents relating to the above item D) These examples are presented below.

1. While embodiments a1, a2, a3 and a4 are described in Claim A of the foreign language documents, a4 was omitted in the translation:

The omission is not deemed as the introduction of textual new matter since it is not that the specification describes a matter not described in the foreign language documents.

2. While the foreign language documents contains the description "rubber treated to be heat-resistant", this phrase was translated incorrectly as "rubber":

This mistranslation is deemed as the introduction of textual new matter, since the foreign language documents describes only "rubber treated to be heat-resistant" and does not specify general rubber in the specification.

III-2. Judgment Criteria of New Matter in Translation Text in Foreign Language Applications:

General amendments to foreign language applications ought to be limited to the scope of matters described in the translation of the foreign language specification. The Patent Law, Article 17(2)(iii) provides that amendment to a specification or drawings, must be limited to the scope of matters described in the translated of the foreign language specification.

The Patent office has indicated the following guidelines regarding the judgment criteria for new matters in translation text. Briefly, general amendment is deemed to be an amendment adding a new matter in translation text in the event that the requirements of Patent Law Article 17(2)(iii) are not satisfied or, in other words, if either of the following instances (A) and (B) apply.

(A) In the event that no mistranslation correction form has been filed, General amendment adds, in the specification and drawings, those items which do not fall within the scope of items described in the documents to be deemed as the translation of the specification or drawings.

(B) In the event that a mistranslation correction form has been filed, Amendment adds, in the specification and drawings, those items which do not fall within the scope of items described either in the specification and drawings to be deemed as the translation of the specifications and drawings or in the specification and drawings as amended by filing a mistranslation correction form.

Unlike the introduction of textual new matter, if general amendment is

made based on matters described in the foreign language documents without filing a mistranslation correction form, the application may be rejected. However, as long as such amendment is not construed to be the addition of textual new matter, it does not constitute grounds for objections or patent invalidation.

III-3. Filing Procedure of Mistranslation Correction form for Foreign Language Application:

The mistranslation correction form is intended to correct mistranslations which might be found in the translated text of the foreign language specification etc. after the translated text has been filed.

The correction procedure for the specification, etc. by use of a mistranslation correction form differs from the procedure for general amendments based on a procedural amendment form, as shown in Table 2, in that the former procedure purports to clarify to third parties and Patent Office Examiners that the content of the mistranslation correction is an appropriate correction of matters within the scope of descriptions contained in the foreign language documents, by clearly stating the content of the mistranslation, reasons for the correction, etc.

Accordingly, the mistranslation correction form must state not only a reason for the correction, but also the following in order to state clearly that the correction is intended to rectify the mistranslation of matters within the scope of the descriptions contained in the foreign language documents:

(1) Descriptions in the foreign language documents and their specific locations,

(2) Translation before correction and reason for inadequacy of the translation, and

(3) Translation after correction and reason for adequacy of the corrected translation.

IV. Advantages and disadvantages of Foreign Language Applications and Japanese Language Applications:

The foreign language application system offers the advantage of alleviating problems arising from mistranslations which were found in the preparation of the specification for the Japanese application by translating the foreign language patent specification. Apart from this aspect, it cannot be necessarily concluded that the new patent application system excels the previous system based on the Japanese language.

Table 3 compares the advantages and disadvantages of the foreign language application system and the Japanese language application system.

[Application expenses]

In the case of a foreign language application, total amount of expenses for the filing of application with the Patent Office, patent attorney services for the application filing and the translation filing by patent attorney will be ¥260,000 as shown in Table 3(1). On the other hand, an ordinary application in the Japanese language will cost ¥186,000. Thus, the foreign language application costs more by ¥74,000 per application. Incidentally, these amounts do not include expenses commonly incurred by the foreign language applications and the Japanese language applications (translation fees, computer on-line application fees, etc.). If these expenses are added, actual application expenses will be much higher.

From the viewpoint of costs above, therefore, the use of the traditional Japanese language application is preferable.

[Descriptions of specification]

Under the foreign language application system, the application can be filed in Japan by attaching the English specification of the first-filed country to a Japanese application form, followed later by the submission of its Japanese translation, and, if necessary, correction of mistranslations if any. Thus, this system is capable of preventing the loss of patent right due to mistranslation, as explained in the beginning of this document.

However, it must be understood that the foreign language application system has the following restrictions.

(1) Foreign language (English) documents attached to the application form cannot be corrected or amended even if errors are found after filing.

It is an usual practice of an average Japanese patent firm that the in-house technical staff of the firm will translate into Japanese the English language specification received from an overseas applicant after understanding the technical content of the specification. If the English specification contains unclear or insufficient descriptions, the technical staff will contact the applicant to clarify or supplement the descriptions and finalize the Japanese language specification.

Consequently, risk of mistranslation can be reduced, and, furthermore, the

content of the English specification will be improved and translated into a Japanese language specification.

On the other hand, if a patent application is filed in Japan in the form of a foreign language (English) application with the use of the English language specification in the first-filed country, the content of the specification normally is not reviewed owing to time constraint and the specification is filed in if original form. Although the traditional patent application system provided the opportunity of improving the content of the English language specification in the process of its translation into Japanese, the foreign language application system does not allow the amendment of the English language specification itself. As a result, even if descriptive insufficiencies of the English specification are found in its translation at the time of filing the translation, they cannot be rectified.

Therefore, if the Japanese patent attorney office the foreign applicant uses is reliable, it will be preferable to complete the Japanese translation prior to filing in Japan, rather than taking procedures under the foreign language application system, although all depends on the quality of the Japanese patent attorney firm and the descriptive sufficiency of the patent specification in the first-filed country.

Note: The translation must in principle be a word for word translation. Errors in the original (English) specification, if found during its translation, cannot be amended.

(2) Once even if mistranslations are found after the period for responce to a first office action has expired, no corrections, including corrections of mistranslation, which may expand or change the scope of the claims are permitted.

Among the legal cases mentioned above take the example of correcting the term "bromine" to "boron" for the reason of mistranslation as the term appears in the description of the specification including claims. The correction is allowed if it is made prior to the period for responce to a first office action has expired. After the period for responce to a first office action has expired, however, the correction is not permitted because it changes the scope of the claims. Since many of the foreign applicants will be unable to understand Japanese language, the chance of discovering mistranslations will be small, unless so pointed out by someone else.

Accordingly, success at the examination stage depends on the ability of the patent attorney firm which represents the applicant in Japan. Also, even if

mistranslations are found which will affect the interpretation of granted rights when exercised after the patent is registered, the possibility that the mistranslations cannot be overcome is high, since, as described above, corrections of mistranslations to expand or change the scope of the claims are not permitted after the period for responce to a first office action has expired. It is necessary to understand that the foreign language application system is not a perfect solution to alleviating problems arising out of mistranslations.

V. Outline of Foreign Language Application Systems in Major Countries:

Tables 4(a) and 4(b) summarize the results of surveys about the foreign language application systems in major countries.

Among the 13 countries surveyed and member countries of the European Patent Convention (EPC), those that adopt patent applications in languages in addition to its official language or English language are the United States, Norway, Hungary, Taiwan, Thailand, Singapore and the Philippines. However, Singapore and the Philippines require the submission of translations at the time of the application filing. In the United States in particular, applications in foreign languages is regarded exceptional regulation, and the unlimited use of such applications is restricted.

Also, under the EPC, English, French and German languages can be used in filing patent applications. For applications in those member countries of EPC in which an official language is other than these three languages, the use of the country's official language is permitted in the patent application.

The time limit for submitting translations prepared in the language of application is determined to be within 2 to 3 months from the date of application, although Norway and Hungary appear to have no enforcement regulations or the like which specify the time limit.

VI. Summary:

A full-scale implementation of the foreign language application system in Japan has not yet started. In principle, a patent application in Japan should be filed with a complete specification prepared in Japanese, since under the Japanese patent system patent rights are formed and interpreted in Japanese language.

As such, it seems desirable that the foreign language (English) applications should be treated as an exceptional arrangement, for example, being restricted to emergency applications as in the foreign language application

system of the United States.

In addition, since chances to overcome mistranslations are essentially limited to after the period for responce to a first office action has expired, it must be born in mind that there are many cases where mistranslations cannot be overcome after the period for responce to a first office action has expired.

Figure 1

PROCEDURAL FLOW OF FOREIGN LANGUAGE APPLICATIONS IN JAPAN

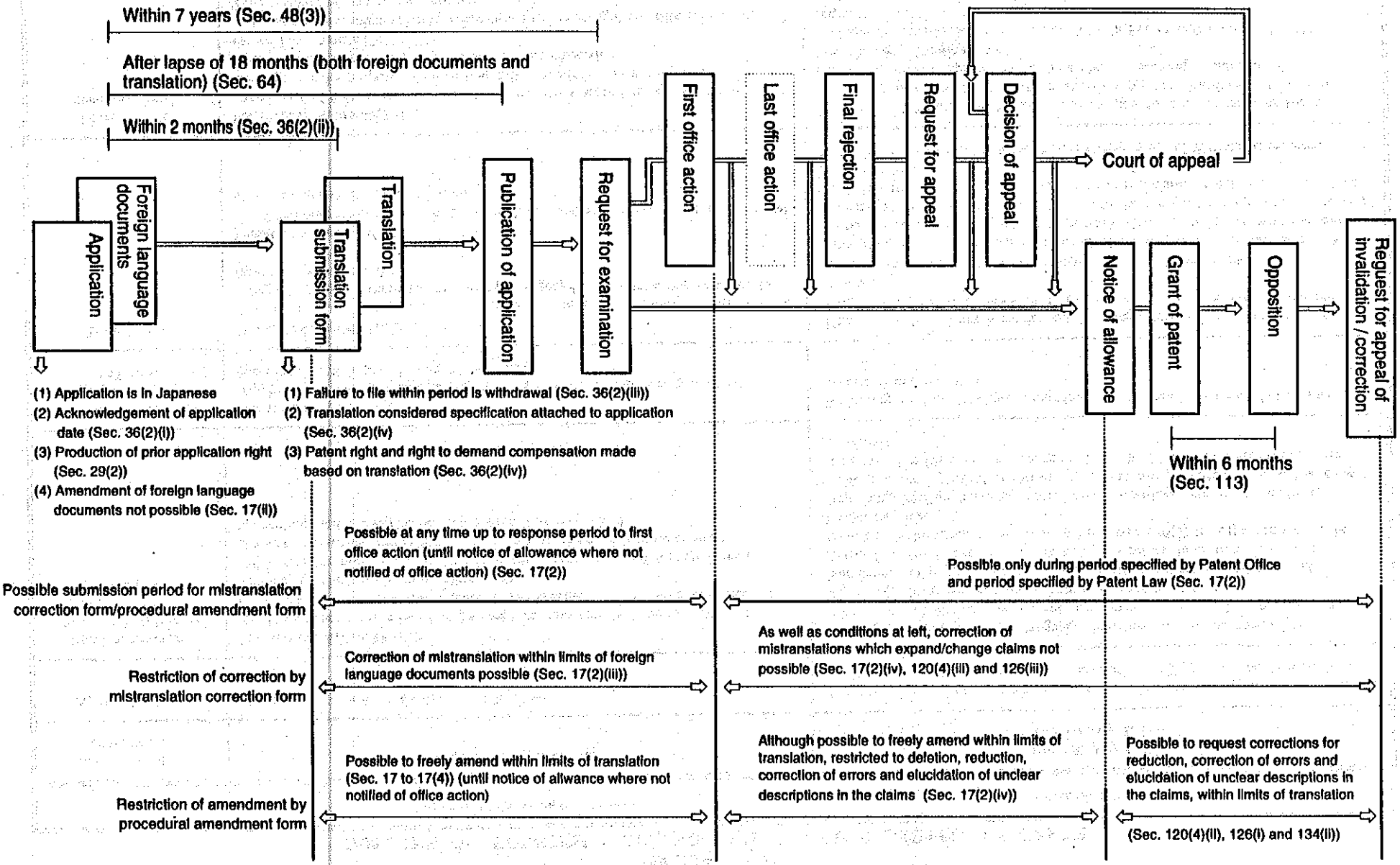

Table 1(a)
OUTLINE OF FOREIGN LANGUAGE APPLICATION SYSTEM IN JAPAN

Item	Outline of Main Amended Articles	Explanation of Articles
Time of patent law amendment	1994 Amendment Act	Enacted July 1, 1995 and January 1, 1996
Application form	Application form must be drafted in Japanese.	It is necessary to enter a description to the effect that the application is a "patent application according to the Patent Law Article 36(2)(i)" in the application form.
Foreign language documents & foreign language abstract document	Patent Law, Article 36(2)(i): (1) Documents written in a foreign language and foreign language abstract documents can be attached in place of the specification, required drawings and abstract attached to the application form. (2) Where the application, foreign language documents and foreign language abstract documents are submitted, they are received as legitimate patent application and the application date thereof is recognized.	Although the type of foreign language is determined in the Patent Law enforcement regulations, at present only English is specified. Consequently, the only foreign language explained here is at present English. The foreign language documents are not the specification and drawings specified in the Patent Law Article 36(2), but rather items which are to be disclosed in the specification (Patent Law Article 36(3) to (6)) described in the foreign language. Regarding PCT applications, specification, drawings, etc. of international application on day of international application are permitted (note that languages other than English which are recognized by the PCT as PCT applications are permitted).
Amendment of foreign language document application	Patent Law, Article 17(2): Applicants of foreign language applications cannot amend foreign language documents and foreign language abstracts.	Regarding PCT applications, amendments are permitted under Patent Law Articles 19 and 34(2)(b).
Translations	Patent Law, Article 36(2)(ii): (1) Applicants of foreign language applications must file Japanese translations of foreign language documents and foreign language abstracts within two months from the application date. Patent Law, Article 36(2)(iii): (2) When translations have not been filed, this will be recognized as a withdrawal of the foreign language application.	Filing of the translation is carried out by filing a translation submission form, within which there is a statement to the effect that the translation is true and accurate. Even where an explanation is not included in the drawings filed on the application date, it is necessary to file all of the drawings as a translation. A translation document (a word-for-word translation into Japanese with the same context and in one-to-one phraseology with the foreign language documentation) which is a true and accurate final translation in Japanese must be submitted as the translation. In filing the translation with the Patent Office, a fee of ¥30,000 is required.
Correction of mistranslations	Patent Law, Article 17(2)(ii): Applicants of foreign language applications, when amending the specification or drawings for the purpose of correcting mistranslations, must submit a mistranslation form stating the reasons for the corrections. Patent Law, Article 184(12)(ii): Submission of a mistranslation correction form is recognized with regard to PCT foreign language patent applications.	The period for filing a mistranslation correction form is the same as for the period in which amendments to the specification and drawings can be filed (there is a related explanation in the section concerning "Amendment of Specification, Drawings, etc."). In filing the mistranslation correction form, a Patent Office fee of ¥19,000 is required.
Specification, drawings & abstract	Translations of foreign language documents and foreign language abstracts are recognized as specifications and drawings filed attached to the application form, and abstracts filed attached to the application form.	Once the translations are filed, since under the Patent Law the filed translations are recognized as specification and drawings, thereafter where amendments are made to the specification and drawings, these amendments change the content of the documentation recognized as the specification etc.

Table 1(b)
OUTLINE OF FOREIGN LANGUAGE APPLICATION SYSTEM IN JAPAN

Item	Outline of Main Amended Articles	Explanation of Articles
Amendment of specification, drawings, etc.	Patent Law, Article 17 to Article 17(4): When amending the specification or drawings, this must be done within the limits of items described in the translation of the foreign language document.	In foreign language applications, as opposed to Japanese language applications, there are cases where amendments to items not described in the translation are made based on the description of the foreign language documentation. Also, where such amendments are carried out, a mistranslation correction form must be filed as a procedure distinct from the amendment procedure for specification or drawings by means of a normal procedural amendment form (Article 17(4)).
Subject of substantive examination and granting of patent right etc.	Patent Law, Article 36(2)(iv): In foreign language applications, the translation is recognized as the specification and drawings attached to the application form.	In the substantive examination, the specification and drawings submitted as the translation are examined to ascertain whether they satisfy the description requirements, patent requirements, etc. Also, patent right and right to demand compensation are granted based on the specification and drawings described in Japanese translation.
Basis of judgment of textual new matter in the original text	Patent Law, Article 49(v), 113(v) and 123(v): In the case of foreign language applications, items not disclosed in the foreign language documentation filed on the application date, where they are added to the translation or thereafter the amended specification, will be reason for rejection, opposition, or invalid.	The standard for judging textual new matter in the original text is always the foreign documentation describing the content of the invention at the time of application. This regulation also applies to PCT foreign language patent applications.
Basis of judgment of new matter in the translation text	Patent Law, Article 17(2)(iii) and Patent Law, Article 49: Where items not within the scope of items disclosed in the translation are added to the specification or drawings without filing a mistranslation correction form, they will be subject to rejection.	Even with amendments which exceed the scope of the disclosure in the translation of the foreign language specification, if they are within the scope disclosed in the foreign language documents filed at the time of application, although they will be the subject of a rejection, will not be grouds for objections or patent invalidation.
Effect as prior art	Patent Law, Article 29(2): When the invention of the patent application is the same as an invention which is another patent application prior to the date of the relevant patent application and an invention described in a foreign language document originally attached to an application the "patent publication" of which has been issued or which has been laid open after the relevant patent application, such invention cannot receive a patent (however, this does not apply where the applicant of the relevant application is the same person as the applicant of the other patent application).	Where the foreign language application is filed prior to other applications, since the foreign language application filed on the prior application date is laid open at a later date, inventions filed thereafter which are the same as the invention disclosed in the foreign documents do not disclose to society any type of novel invention. Consequently, where the foreign language application is another patent application as defined in the Patent Law, Article 29(2), the effect of prior art based on the foreign language document which is a unique document disclosing the content of the invention filed on the date of application occurs.
Division of applications	Patent Law, Article 44: Foreign language applications are received as formal domestic applications, therefore divisional applications based on foreign language applications are recognized.	Since divisional applications have the effect of being regarded as having been filed on the application date of the original application, the suitability thereof is judged on the basis of the foreign language documents which describe the content of the invention at the time of application.
Domestic priority right	Patent Law, Article 41: Foreign language applications are received as formal domestic applications, therefore assertions of domestic priority right based on foreign language applications are recognized.	Because the document disclosing the content of the invention filed on the application date is the foreign language application only, the effect of domestic priority right is produced by the foreign language document.

Table 2

MISTRANSLATION CORRECTION SUBMISSION PROCEDURE FOR FOREIGN LANGUAGE APPLICATIONS IN JAPAN

Item	Explanation
Purpose of mistranslation correction form procedure system:	The correction procedure for specifications or drawings by a mistranslation correction form differs from the general correction procedure by a procedural amendment form, and is a procedure provided for the purpose of clarifying for third parties and the Examiner that the contents of the mistranslation correction(s) are appropriate corrections within the limits described in the foreign language document, by clearly indicating the contents of the mistranslation(s), reasons for correction, etc.
Items which must be described in the mistranslation correction form:	In the mistranslation correction form, the reasons for correction must be described and that the mistranslation correction is correction of mistranslations within the limits of items described in the foreign language documents must be clarified. For this reason, the following items are required. (1) Descriptions in the foreign language documents and their specific locations, (2) Translation before correction and reasons for inadequacy of the translation, and (3) Translation after correction and the reasons for adequacy of the corrected translation.
Materials necessary for explaining the reason for mistranslation correction:	Where materials for enabling those skilled in the art to easily understand the content of the correction and that the reasons therefor are appropriate are required, "necessary materials for explanation of reasons for correction" must be attached. Where it is necessary to show the content of the correction and that the reasons therefor are appropriate by using materials, for example as when correcting mistranslations of technical terminology, in order to show that such correction content is appropriate, reference to materials such as dictionaries etc. is necessary, in which case a copy of the relevant page of the dictionary etc. must be attached as necessary material to the explanation of the reasons for correction.
Restrictions on filing mistranslation correction forms after notice of allowance:	Mistranslation correction by a mistranslation correction form after the end of a period for responce to first office action cannot be carried out if the mistranslation correction essentially expands or changes the scope of the claims for patent.

Table 3

ADVANTAGES AND DISADVANTAGES OF FOREIGN LANGUAGE APPLICATIONS AND JAPANESE LANGUAGE APPLICATIONS

1. Application Expenses:

Item	Foreign Language (English) Application	Japanese Language Application
Patent Office Application Fee	¥35,000	¥21,000
Patent Attorney Application Fee	¥195,000	¥165,000
Patent Attorney Translation Filing Fee	¥30,000	N/A
Total	¥260,000	¥186,000

Note: Necessary expenses for both foreign language applications and Japanese language applications (translation fee, on-line application fee, etc.) have been omitted, therefore actual application fee is higher.

2. Description of Specification:

Item	Foreign Language (English) Application	Standard Japanese Application
- Checking of application specification prior to filing by Japanese representative	Filing is possible in English form, thus it is thought that cases where the application is not reviewed due to the time constraint etc. are numerous.	Reviewing the content of the foreign language specification to the extent of a translation from English to Japanese is standard, and it is possible to improve the Japanese language specification.
Amendments to the specification	Correction of the foreign language documents is not possible. Only correction of mistranslations is possible. Even where there are errors in the English specification and these are discovered after filing of the application during the translation process, correction is not possible.	Only amendment of the specification of the Japanese application is possible; corrections returning to the English original are not possible.
Interval of mistranslation correction and possibility of discovery of imagined mistranslations	Although mistranslation corrections may be freely carried out up until the end of a period for responce to first office action, after that they are restricted to limits where they do not substantially expand or change the patent claims. Since many of the foreign applicants will be unable to understand Japanese language, the chance of discovering mistranslations will be small. Accordingly, success at examination stage depend on the ability of the patent attorney firm which represents the applicant in Japan. Also, when enforcing rights after patent registration, even where a mistranslation has been indicated by the other party and discovered, this cannot be remedied.	After filing the Japanese application, corrections returning to the English original are not possible. However, it is thought that at Japanese patent firms translation from the English original to the Japanese text is normally carried out with an understanding of the technical content and the possibility of mistranslation is low, while on the other hand there are advantages where translation can be carried out while replacing vague sections etc. of the English specification.

Table 4(a)

OUTLINE OF FOREIGN LANGUAGE APPLICATION SYSTEMS IN MAJOR COUNTRIES

Country	Language of Applications	Submission Period for Translation	Procedure for Correcting Mistranslations etc.	Comments
U.S.A.	Foreign language application possible	Within 1 month from issuance of instruction or 2 months from date of application, whichever is latest.	Submission of preliminary self-generated amendment for carrying out necessary corrections within limits which do not add new matter as prohibited under the Patent Act, Article 132 allowed. (For details, refer to M.P.E.P. 60801)	This system is definitely an atypical regulation, misuse of which is restricted.
Canada	English/French			
E.P.C.	English, French, German Where official language of Contracting Parties other than above, application is possible in such official language	Translation into any one of the three languages is submitted within 3 months from date of application.	Correction of mistranslation is possible during examination.	Applications from countries having official languages other than those specified at left are recognized in that language of that country only when it is one of the Contracting Parties of the E.P.C.
Norway	Norwegian Provisional application in languages of other countries possible	Submission of translation to Norwegian required without delay.	Not specified.	
Hungary	Hungarian Application in languages of other countries possible	Submission of translation to Hungarian required without delay.	Not specified.	
Australia	English			
China	Chinese			

Table 4(b)

OUTLINE OF FOREIGN LANGUAGE APPLICATION SYSTEMS IN MAJOR COUNTRIES

Country	Language of Applications	Submission Period for Translation	Procedures for Correcting Mistranslations etc.	Comments
South Korea	Korean			
Taiwan	Chinese Mother language applications for foreigners possible	Submission of translation required within 2 months from date of application.	If there is mistranslation, correction possible prior to issuance of first assessment. Where there is indication from Examiner of mistranslation, correction is possible together with filing of remarks.	Note that where there is indication from Examiner of mistranslation, there is no concept of translation corrections changing the subject of the specification.
Thailand	Thai Application in languages of other countries possible	Submission of translation required within 90 days of date of application.	Correction of mistranslations possible at any time up to publication.	
Malaysia	English or Malaysian			Patent publication is only in gazette, procurement of full specification available on request. Publication except for bibliographic items is disclosed in language written by applicant, as is full specification.
Indonesia	Indonesian			
Singapore	English Applications in languages other than English possible	Translation into English must be attached when first filing application. (Regulation 23/117)	Not specified.	
Philippines	English, Spanish, Philippine (Tagalog) Application in languages of other countries possible	When language other than English, translation into English must be attached when first filing application. (Regulation 44)	Not specified.	

3-15

(1) Title:

The Present and Future Situation over Protection of Intellectual Property in Developing Countries under the WTO system

(2) Date:

October, 1995 (The 26th International Congress in San Francisco)

(3) Source:

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

(4) Authors:

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(5) Key words:

GATT, TRIPS, WTO, developing countries, priority, compulsory license, Southeast Asia, Latin America

(6) Statutory Provisions:

GATT, TRIPS Agreement Articles 27, 28, 31, 33, and 34

(7) Abstract:

The TRIPS Agreement signed in 1994 was to be administered by the WTO. The Members of the WTO are thus required to provide their national laws related to intellectual property rights in accordance with the principles defined in the TRIPS Agreement.

Such amendments, however, are being implemented rather in developed countries including Japan and the U.S. In the developing countries in Southeast Asia and Latin America, by contrast, some of them have not signed to the WTO, and even in Member countries, their legal systems are sometimes poorly organized, or are insufficiently enforced.

In this regard, we conducted a questionnaire to PIPA Member firms on several aspects of intellectual property, in Southeast Asia and Latin America, especially

with respect to obtainment, maintenance, and protection of patents.

In this report, we analyze the result of questionnaire to make clear the present situation, at the time still shortly after the establishment of the WTO system, over protection of intellectual property in those countries. We also compare the present situation of those countries with main patent-related provisions in the TRIPS Agreement.

1. Introduction

The Uruguay Round, the Multilateral Trade Negotiation started in 1986 of GATT (the General Agreement of Tariffs and Trade), was finally reached virtual consent in the end of 1993 and formal signing was obtained at the Morocco meeting in April, 1994. With this, all Members to GATT signed several individual agreements, including TRIPS (Trade-Related Aspects of Intellectual Property Rights). The TRIPS Agreement was to be administered by the newly established WTO (the World Trade Organization), thus the agreement came into effect in January, 1995. The TRIPS Agreement assures that every Member will promise to organize an internationally unified protection system with respect to intellectual property rights. The WTO requests the Members to carry out their promise.

With the aim of eliminating the differences between the provisions of TRIPS Agreement and the related national laws, developed countries including Japan and the US are steadily moving toward amendment of laws associated with intellectual property rights. On the other hand, the TRIPS Agreement allowed developing countries a transitional period before full implementation of the provisions of the Agreement, for which the completion of their legal amendment is expected to take long time.

Meanwhile, sudden rise of yen in Japan forced many companies to shift their production lines overseas, especially to Southeastern Asian countries.

This called for, in these countries, more consumption in the region, more trade with Japan, and more transfer of technology from Japan. Under such circumstances, stronger protection of intellectual property in these countries is

becoming necessary to Japan to maintain her interest. Similarly, for the United States, it is necessary in Latin American countries to properly implement intellectual property-related laws so that the NAFTA is smoothly managed.

References 1 and 2 in our report show the number of patent applications in Southeast Asian and Latin American countries. Reference 3 demonstrates the accession of those countries to the international intellectual property-related agreements or convention.

Though it is still a short time after since the WTO was established, and there remains uncertainties regarding this issue, it can be said that this year is very important as a first step for the global harmonization. We sent questionnaires to PIPA members to know some aspects of patent application, patent examination systems, watching system over infringement of rights, practice of enforcement of rights in several countries in Southeast Asia and Latin America. We also asked for their opinions concerning the TRIP Agreement and the WTO. Responses to our questionnaire are considered to be precious data to show how patent applicants see the present situations of protection of intellectual property in those countries. The responses are based on the past experiences of member firms, which therefore may not necessarily reflect the actual development of legal reorganization currently under way in those countries.

We compared the patent-related provisions in the TRIPS Agreement with the current patent laws in Southeast Asian and Latin American countries to discuss their propriety and required improvements.

Reference - 1

The Number of Patent Applications (including Utility Models) based on the Number of Priority Documents issued by the Patent Office of Japan (1989-1993)

	1989	1990	1991	1992	1993
[Southeast Asia]					
Korea	10,636	10,336	8,713	8,805	7,870
China	1,649	1,404	1,218	1,442	2,958
Indonesia	147	61	261	364	394
Malaysia	422	439	356	403	357
Taiwan	158	500	414	342	274
Thailand	158	111	113	111	260
Philippines	212	223	240	239	186
Singapore	9	4	17	45	38
[Latin America]					
Brazil	538	386	337	291	263
Mexico	160	213	228	403	346
Argentina	63	74	65	51	78

The Patent Office Annual Report, 46th issue, H.5

Reference - 2

The Number of Patent Applications
by Japan and the U.S. in Southeast Asia

		Japan	U.S.
China	1991-93	3,510	5,583
Taiwan	1990-92	9,087	10,263
Hong Kong	1990-92	803	1,206
Korea	1991-93	19,524	13,352
Malaysia	1991-93	1,065	3,016
Thailand	1990-92	1,050	2,394
Indonesia	1991-93	1,105	2,573
Philippines	1991-93	525	2,877

Masashi Kurose, The Asian Strategy for Intellectual Property (the Diamond)

Reference - 3

Ratification by Southeast Asian and Latin American Countries of the Paris Convention, PCT, and WTO (as of March, 1995)

	Paris Convention	PCT	WTO
[**Southeast Asia**]			
Korea	Yes	Yes	Yes
China	Yes	Yes	No
Indonesia	Yes	No	Yes
Malaysia	Yes	No	Yes
Taiwan	No	No	No
Thailand	No	No	Yes
Philippines	Yes	Yes(signed only)	Yes
Singapore	Yes	Yes	Yes
[**Latin America**]			
Brazil	Yes	Yes	Yes
Mexico	Yes	Yes	Yes
Argentina	Yes	No	Yes

2. Questionnaire

2-1. Outline of the survey

"Questionnaire on Patents in Southeast Asian and Latin American Countries," which was sent to the member firms of PIPA Japanese group collected responses from approximately 80 percent of them, namely 65 firms. (Refer to Table 1-1.)

The questions concern 11 countries in Southeast Asia and Latin America, regarding following 4 main themes.

(A) The number of patent applications filed in Southeast Asian and Latin American countries, and reasons for applying or for not applying.

(B) Problems, improvements to be made, or essential points to applicants with respect to the patent examination systems in those countries.

(C) Detection of infringements after obtaining a patent, practice of enforcement, and compulsory license.

(D) Opinions on the TRIPS Agreement, and requests to the WTO.

2-2. Analysis of the result

The analysis of the result of the questionnaire is hereunder shown in order from main theme (A) through (D).

2-2-1. The number of patent applications filed in Southeast Asian and Latin American countries, and reasons for applying or for not applying.

(1) The total number of patent applications by member companies in 1992-1994

The responses listed on Table 1-1 and Graph 1-1 imply following features.

1) Most applications were filed in Korea, then in Taiwan, followed by China. These three countries represent 85 percent of all applications. (It is notable that Korea alone accounts to 53 percent.) These countries are followed by Malaysia, Thailand, Indonesia, Singapore and Mexico, with Philippines Brazil and Argentina coming last.

2) By industry, the electric appliance industry filed by far largest number of applications in all industries. The average total number of applications per each company is about

660 applications. This number is 3.5 to 5 times as large as those of the machinery & metal, chemical (excluding pharmaceutical) and pharmaceutical industries. The pharmaceutical industry comes second to the electric appliance industry.

3) Different industries apply in different countries.

Electric appliance industry:
Most applications, or 62 percent of them were filed in Korea. Following the three main countries, they make relatively many applications in Malaysia, Thailand and Singapore.

Machinery & metal: Like the electric appliance industry, this industry intensively applies in Korea, Taiwan, and China. Over 90 percent of their applications are brought to the three countries.

Chemical (excluding pharmaceutical):
Though the number is small compared with the main 3 countries, Korea, Taiwan, and China, applications were equally filed in other counties.

Pharmaceutical: The concentration to Korea, Taiwan, and China represented slightly over 60 percent, marking the lowest in the 4 industries. Instead, the industry filed relatively many applications in Thailand, Indonesia, the Philippines, and Mexico, showing the highest diversification to the surveyed countries.

(2) Reasons by country for applying for patents

The responses listed on Table 1-2 and Graph 1-2 imply the following features.

1) The largest number of companies questioned give "G: for the sake of our future business" as a reason for applying in a country. Reasons "D: the presence of our competitor(s) plants in the country" and "E: the presence of a large market" come second and third, respectively.

2) This trend is seen almost commonly in all countries,

except for the a few features.

China: Most companies chose "E" and "G", from which the applicants' expectation for business opportunities in China is seen.

Korea: Few chose "C: the presence of our own plant." Instead, relatively many companies gave "L: the presence of licensees."

Countries other than Korea, China and Taiwan:
Most companies gave "G" as a reason for applying in these countries. However, the reason "C" is strong in Thailand, Malaysia, and Indonesia.

(3) Reasons by country for not applying for patents

The responses listed on Table 1-3 and Graph 1-3, imply the following features.

1) Most companies gave almost the same reasons for all countries. Among them, "C: our small exports," "F: the small market in the country," and "Q: unclear protection practice" are major reasons, followed by "D: our small sales" and "D: the absence of our own plant."

2) The reasons for not applying for patents other than in Korea, Taiwan, or China, mainly come from the perception of poor business opportunities in these countries, rather than from the problems associated with their patent systems.

(4) Member company's' prospect of patent application in the future, and their present application in each country

The responses imply following features.

1) Each industry referred China as the country in which they intended to file for more applications. Among them, this trend is especially remarkable in the machinery & metal industry and the electric appliance industry.

2) "Overall Southeast Asian countries" came next to China. On the other hand, the companies questioned are less attracted with the Latin American countries, probably because of their small exports to and sales in those countries.

3) Other than the 11 countries in Southeast Asia and Latin America, the most companies show interest in Hong Kong. India and Vietnam are also named by plural member companies.

Table 1 – 1 The Number of Patent Applications Filed from 1992 to 1994 in each country

Industry	No.of Ans.	China	Taiwan	Korea	Malay.	Thai.	Indon.	Phili.	Singa.	Brazil	Argen.	Mexico	Total
Mechanical, Metal	9	20.5	30.0	78.3	1.7	1.6	1.1	0.4	1.7	2.0	0	1.2	138.7
Electric equipment	15	81.7	107.5	407.9	24.1	11.1	3.2	2.5	12.9	3.5	0.1	2.9	657.3
Chemical	26	16.0	31.6	57.2	3.9	4.3	4.8	0.8	2.8	4.2	3.1	3.4	132.0
Pharmaceuticals	9	28.3	42.1	45.1	1.8	14.4	14.7	17.3	1.1	1.4	3.4	17.1	186.9
Others	6	4.2	12.8	12.5	1.8	0.5	3.7	0.2	2.7	0.3	0	0.5	39.2
Average	Total 65	32.4	48.6	135.3	7.8	6.5	5.2	3.4	4.7	3.0	1.7	4.6	

Fig. 1 – 2 The Number of Patent Applications Filed from 1992 to 1994 in each country

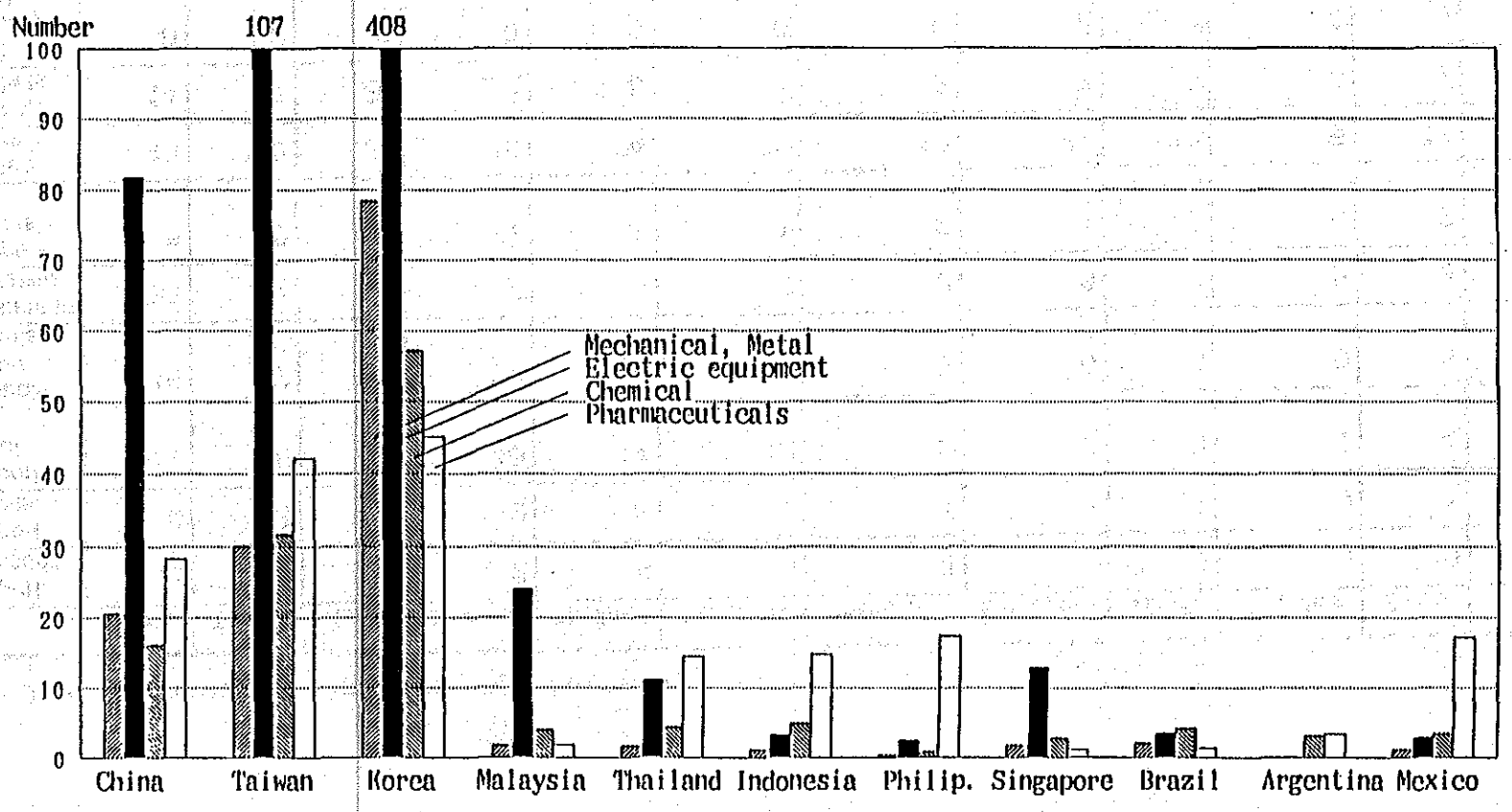


Table 1-2 Reasons for Applying for Patents

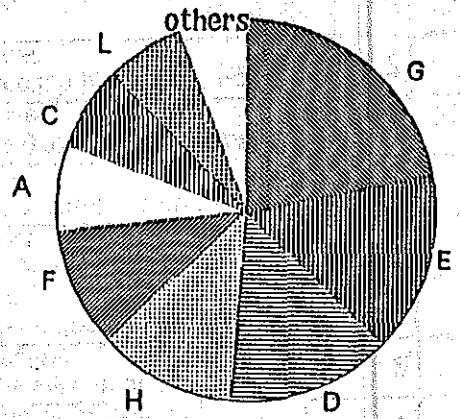
	China	Taiwan	Korea	Malaysia	Thailand	Indonesia	Philippines	Singapore	Brazil	Argentina	Mexico	Total
To support large exports	7	15	16	2	4	3	2	1	0	0	0	50
To support large sales	6	8	8	0	0	1	1	1	1	0	1	27
To support own local plant	12	16	9	10	14	12	2	7	3	1	4	90
To compete with other local plants	15	27	30	7	5	6	2	6	6	0	3	107
To compete in large markets	38	17	26	2	3	5	3	3	8	2	3	110
To compete with others' product	6	20	27	1	2	1	2	1	3	0	2	65
To foresee the future	48	30	35	19	24	25	13	17	13	5	15	244
To prevent counterfeits	14	27	20	4	5	1	3	3	2	0	1	80
A patent being easily obtained	0	0	0	0	0	0	0	2	0	0	0	2
To easily detect infringements	0	0	0	0	0	0	0	0	0	0	0	0
To effectively enforce rights	0	0	0	0	0	0	0	0	0	0	0	0
To give license	7	5	22	4	4	5	4	1	3	2	6	63
Other	4	2	2	1	0	0	0	0	1	0	2	12
Total	157	167	195	50	61	59	32	42	40	10	37	

Table 1-3 Reason for Not Applying for Patents (including those reluctant to apply)

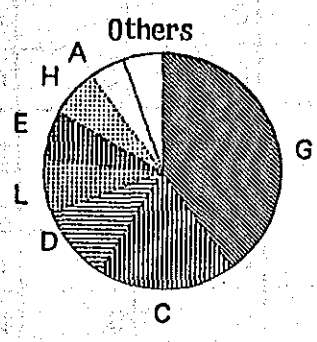
	China	Taiwan	Korea	Malaysia	Thailand	Indonesia	Philippines	Singapore	Brazil	Argentina	Mexico	Total
Being out of the scope of protection	0	0	0	0	0	0	0	0	7	3	0	10
Having no priority	0	6	0	0	2	0	0	0	0	1	0	9
Exports being small	6	4	3	20	18	19	24	24	23	24	23	188
Sales being small	2	2	1	12	13	12	18	15	20	24	20	139
Having no local plant	2	2	0	13	12	9	16	16	14	20	15	119
Market being small	3	5	3	18	20	20	25	29	15	19	21	178
Being no competitors' plant	0	0	0	5	7	7	10	4	7	12	11	63
Competitors' products being few	0	0	0	7	10	10	12	8	5	12	10	74
Counterfeits being few	1	1	2	3	2	2	2	2	2	3	3	23
Examination procedure being too complex	0	1	0	0	0	0	0	0	0	0	0	1
Being unable to obtain large scope of protection	0	0	0	0	0	0	0	0	0	0	0	0
Legal system being defective	2	1	0	3	4	4	1	0	2	2	1	20
Legal enforcement being weak	5	1	1	3	3	3	5	1	3	4	3	32
Infringements being hard to detect	6	2	1	5	2	5	6	4	5	6	6	48
Infringements being hard to prove	2	0	0	2	0	1	3	1	1	3	2	15
Having to give compulsory license	0	0	0	0	0	1	1	0	0	1	1	4
Protection practice being unclear	7	3	1	20	19	22	21	15	19	21	20	168
Other	0	0	0	1	3	0	1	4	4	3	5	21
Total	36	28	12	112	115	115	145	123	127	158	141	

Fig. 1 – 2 Reasons for Appling Patents

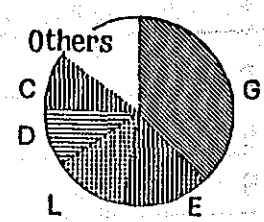
China, Taiwan & Korea



Others of Southeast Asian



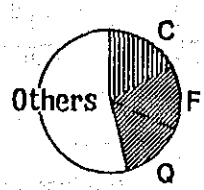
Latin America Countries



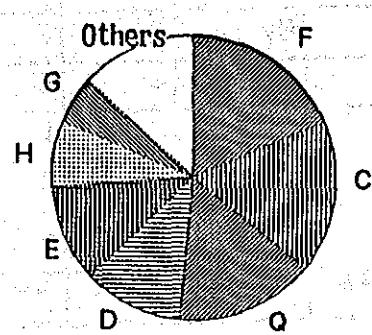
Notes :
A : To support large exports
B : To support large sales
C : To support own local plant
D : To compete with other local plants
E : To compete in large markets
F : To compete with others' product
G : To foresee the future
H : To prevent counterfeits
I : A patent being easily obtained
J : To easily detect infringements
K : To effectively enforce rights
L : To give license
M : Other

Fig. 1 – 3 Reasons for Not Applying for Patents (including those reluctant to apply)

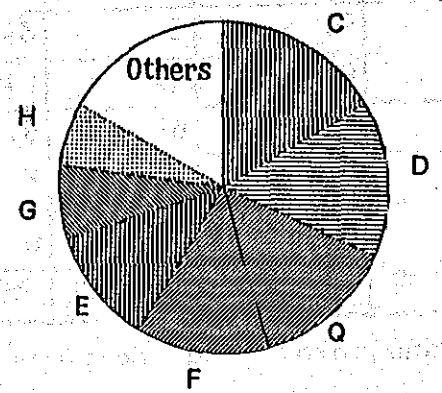
China, Taiwan & Korea



Others of Southeast Asian



Latin America Countries



Notes :
A : Being out of the scope of protection
B : Having no priority
C : Exports being small
D : Sales being small
E : Having no local plant
F : Market being small
G : Being no competitors' plant
H : Competitors' products being few
I : Counterfeits being few
J : Examination procedure being too complex
K : Being unable to obtain large scope of protection
L : Legal system being defective
M : Legal enforcement being weak
N : Infringements being hard to detect
O : Infringements being hard to prove
P : Having to give compulsory license
Q : Protection practice being unclear
R : Other

2-2-2 Examination and obtainment of effective rights

(1) Desired improvements concerning examination practice in each country

1) On the whole, "the examiners' level" was referred as the greatest problem, followed by "the judgment of patentability," "the comprehension level and response of local agents," "translation of specifications into the local language," and "reasons for rejection."

2) Responses by industry

Machinery & metal

Most responses concern China, Taiwan, and Korea. The comprehension level and response of local agents," and "reason for rejection" were commonly referred."

Electric appliances

As same as the machinery & metal industry, most responses concern China, Taiwan and Korea. Their common complaints are "the examiners' level," and "determination of patentability."

Chemical

By far the most responses referred "translation of specifications into a local language." for China, Taiwan, Korea and Brazil, which showed their dissatisfaction with the translation of the technical terms in the chemical field. Except for Argentina, all countries surveyed are named for having problems with "examiners' level" and "the comprehension level and action of local agents."

Pharmaceutical

"Examiners' level" was referred for all countries. This complaint was followed by "determination of patentability" for China, Taiwan and Korea.

3) Responses by country

a. "Examiners' level" and "judgment of patentability" are two main complaints made against some countries such as Malaysia, Thailand, Indonesia, the Philippines and Singapore, where examination system is not well practiced. These complaints can be interpreted as Japanese companies' request

for proper examination of their inventions. For these countries, many chose "Other problems," without, however, pointing out specific problem.

b. Companies showed dissatisfaction with "examiners' level" and "judgment of patentability" for such countries as China and Korea, where examination system is well practiced. Improvement in "local agents' comprehension level and response" and "translation of specifications into the local language" were also pointed out. This indicates the respondents' strong hope for acquisition of effective rights. Some complained about "the requirements for specification and the scope of granted right in Korea, noting that, in many cases, the scope of right is intentionally restricted to that of working examples, and that the determination of the scope is based too much on the working examples.

c. Taiwan is the exception of the countries where examination is well practiced, against which complaints were cited in the order of "Examiners' level," "judgment of patentability," "the details of reasons for refusal," and "the requirements of a specifications and the scope of granted rights". This seems to be due to the country's unique external examiner system. In this regard, rejection without cited reference, the limitation of the scope of a patent to that of working examples, rejection on account of similarity in structure regardless of difference in technological concepts.

d. With respect to Indonesia and Malaysia, some complained about the short "patent term." In connection with the GATT/TRIPS Agreement, the patent term is supposed to be extended to 20 years after application in both countries. "The patent term" was also regarded as a problem in Thailand and China. However, the current patent laws of both countries define their patent term as not exceeding 20 years after application, which will not cause any trouble in both countries.

e. As for Brazil and Mexico, "local agents' comprehension level and their action" was cited as the most puzzling to the respondents. "Translation of specifications into the local language" was also referred regarding Brazil. "Examiners'

level" and "judgment of patentability" are added on the problem list for Mexico. The number of responses with regard to Latin American countries including Argentina is too small to allow proper evaluation.

(Refer to Table 2-1 and Graph 2-1.)

(2) Important points to obtain effective rights in each country

1) On the whole, "the selection of a local agent" was mentioned as the most important, followed by "comprehension of the legal system and practice of the country."

2) By industry, the pharmaceutical industry considers "comprehension of the legal system of the country" as essential. "The selection of a local agent" comes next.

3) Material difference between the counties is not found.

4) No other special points seem to exist.

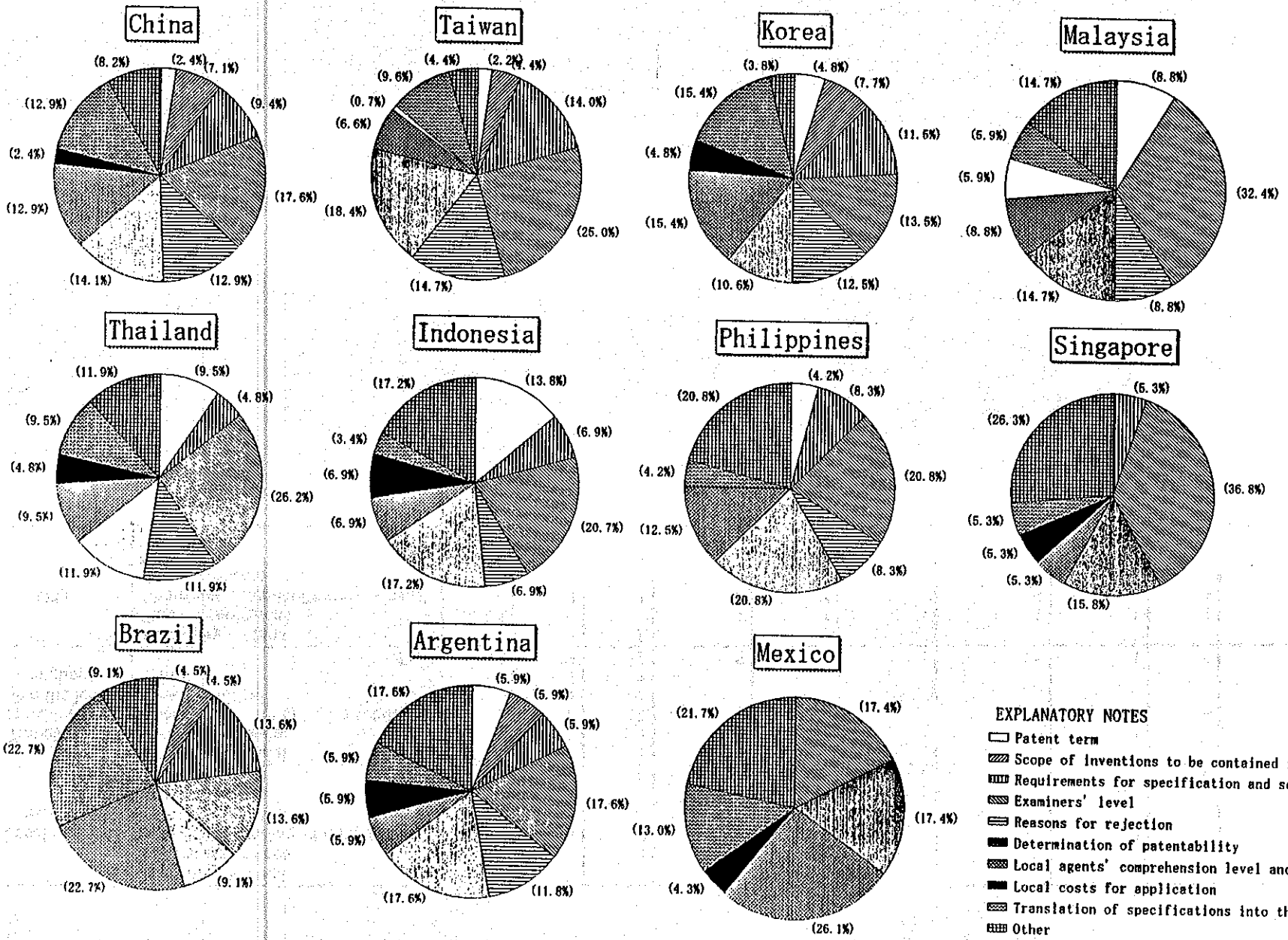
(Refer to Table 2-2 and Graph 2-2.)

Table 2-1

Option	Industry	China	Taiwan	Korea	Malaysia	Thailand	Indonesia	Philippines	Singapore	Brazil	Argentina	Mexico	Total
Patent term	Machinery & Metal	1		3			1			1			6
	Electric appliances		1	1	2	3	2	1					10
	Chemical(excluding Pharmaceutical)	1	2	1	1	1	1						7
	Pharmaceutical										1		1
	Others												0
	Total	2	3	5	3	4	4	1	0	1	1	0	24
Scope of inventions to be contained in one application	Machinery & Metal		2	2									4
	Electric appliances	1	3	2									6
	Chemical(excluding Pharmaceutical)	4	1	4						1			10
	Pharmaceutical	1									1		2
	Others												0
	Total	6	6	8	0	0	0	0	0	1	1	0	22
Requirements for specification and scope of granted right	Machinery & Metal		2	3				1	1				7
	Electric appliances	2	4	3			1						10
	Chemical(excluding Pharmaceutical)	5	6	4		1				3			19
	Pharmaceutical		6	2		1	1	1			1		12
	Others	1	1										2
	Total	8	19	12	0	2	2	2	1	3	1	0	50
Examiners' level	Machinery & Metal		4	3	1	1					1		10
	Electric appliances	4	10	3	1	1	1		1	1			22
	Chemical(excluding Pharmaceutical)	7	12	3	7	6	3	3	5	1		3	50
	Pharmaceutical	3	6	4	2	3	2	2	1	1	2	1	27
	Others	1	2	1									4
	Total	15	34	14	11	11	6	5	7	3	3	4	113
Reasons for rejection (prior art, reason for rejection, etc.)	Machinery & Metal	3	3	4									10
	Electric appliances	3	6	4	1	1							15
	Chemical(excluding Pharmaceutical)	3	7	2		3	1	1					17
	Pharmaceutical	1	3	1	2	1	1	1			2		12
	Others	1	1	2									4
	Total	11	20	13	3	5	2	2	0	0	2	0	58
Determination of patentability	Machinery & Metal		4	3									7
	Electric appliances	4	5	3	1	1	1	1	1	1	1	1	20
	Chemical(excluding Pharmaceutical)	4	10	2	3	3	3	3	2	1		3	34
	Pharmaceutical	3	5	2	1	1	1	1			2		16
	Others	1	1	1									3
	Total	12	25	11	5	5	5	5	3	2	3	4	80
Local agents' comprehension level and response	Machinery & Metal	2	2	6								1	11
	Electric appliances	4	1	3	1			1		1		1	12
	Chemical(excluding Pharmaceutical)	5	5	7	1	3	1	1	1	2		2	28
	Pharmaceutical		1		1	1	1	1		1	1	2	9
	Others									1			1
	Total	11	9	16	3	4	2	3	1	5	1	6	61

Local costs for application	Machinery & Metal	1											1
	Electric appliances	1		1									2
	Chemical(excluding Pharmaceutical)		1	4	2	2	2		1				12
	Pharmaceutical										1	1	2
	Others												0
	Total	2	1	5	2	2	2	0	1	0	1	1	17
Translation of specifications into the local language	Machinery & Metal			1									1
	Electric appliances	1	2	1	2	2	1	1	1	1	1	1	14
	Chemical(excluding Pharmaceutical)	9	9	12		2				4			36
	Pharmaceutical		1	1								2	4
	Others	1	1	1									3
	Total	11	13	16	2	4	1	1	1	5	1	3	58
Others	Machinery & Metal	1	2	2									5
	Electric appliances	1			1	1	1	1	1	1	1	1	9
	Chemical(excluding Pharmaceutical)	4	4	1	4	4	4	4	4	1	2	4	36
	Pharmaceutical												0
	Others	1		1									2
	Total	7	6	4	5	5	5	5	5	2	3	5	52

Graph 2-1


China
(2.4%)
(7.1%)
(9.4%)
(17.6%)
(12.9%)
(14.1%)
(12.9%)
(2.4%)
(12.9%)
(8.2%)
Taiwan
(2.2%)
(9.4%)
(14.0%)
(25.0%)
(14.7%)
(18.4%)
(6.6%)
(0.7%)
(9.6%)
(4.4%)
Korea
(4.8%)
(7.7%)
(11.5%)
(13.5%)
(12.5%)
(10.6%)
(15.4%)
(4.8%)
(15.4%)
(3.8%)
Malaysia
(8.8%)
(32.4%)
(8.8%)
(14.7%)
(8.8%)
(5.9%)
(5.9%)
(14.7%)
Thailand
(9.5%)
(4.8%)
(26.2%)
(11.9%)
(9.5%)
(4.8%)
(9.5%)
(11.9%)
(11.9%)
Indonesia
(13.8%)
(6.9%)
(20.7%)
(6.9%)
(17.2%)
(6.9%)
(6.9%)
(3.4%)
(17.2%)
Philippines
(4.2%)
(8.3%)
(20.8%)
(8.3%)
(20.8%)
(12.5%)
(4.2%)
(20.8%)
Singapore
(5.3%)
(36.8%)
(15.8%)
(5.3%)
(5.3%)
(5.3%)
(26.3%)
Brazil
(4.5%)
(4.5%)
(13.6%)
(13.6%)
(9.1%)
(22.7%)
(22.7%)
(9.1%)
Argentina
(5.9%)
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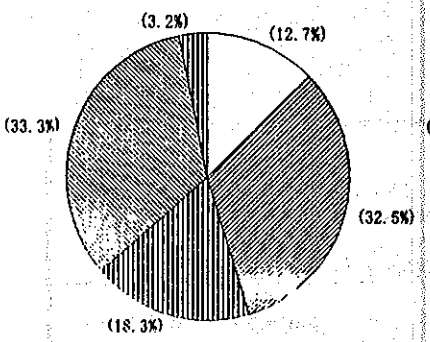
(5.9%)
(17.6%)
(11.8%)
(17.6%)
(5.9%)
(5.9%)
(5.9%)
(17.6%)
Mexico
(17.4%)
(17.4%)
(26.1%)
(4.3%)
(13.0%)
(21.7%)
EXPLANATORY NOTES
Patent term
Scope of inventions to be contained in one application
Requirements for specification and scope of granted right
Examiners' level
Reasons for rejection
Determination of patentability
Local agents' comprehension level and response
Local costs for application
Translation of specifications into the local language
Other

Table 2-2

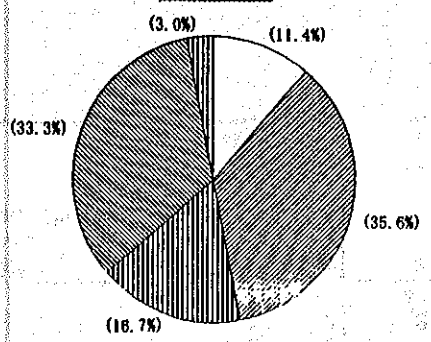
Option	Industry	China	Taiwan	Korea	Malaysia	Thailand	Indonesia	Philippines	Singapore	Brazil	Argentina	Mexico	Total
Selection of a domestic agent	Machinery & Metal	3	4	3	1	1	1	1	1	1	1	1	18
	Electric appliances	1	1	1	1	2	1	1	2	1		1	12
	Chemical(excluding Pharmaceutical)	11	9	6	4	4	3	3	2	5	2	2	51
	Pharmaceutical				1	1	1						3
	Others	1	1	1	1	1	1	1	1	1	1	1	11
	Total	16	15	11	8	9	7	6	6	8	4	5	95
Selection of a local agent	Machinery & Metal	7	7	9	1	2	1	1	1	1	1	3	34
	Electric appliances	7	7	8	5	7	5	6	5	4	4	5	63
	Chemical(excluding Pharmaceutical)	19	23	21	11	9	9	10	10	15	9	10	146
	Pharmaceutical	5	7	6	3	3	2	3	2	2	3	4	40
	Others	3	3	3	2	2	2	2	2	2	2	2	25
	Total	41	47	47	22	23	19	22	20	24	19	24	308
Proper instructions from the applicant	Machinery & Metal	6	5	6	1	1	1	1	1	1	1	2	26
	Electric appliances	7	7	9	3	5	4	3	2	3	2	3	48
	Chemical(excluding Pharmaceutical)	8	8	7	5	3	2	2	2	2	2	4	45
	Pharmaceutical	2	2	2	2	2	2	2	1	1	2	3	21
	Others												0
	Total	23	22	24	11	11	9	8	6	7	7	12	140
Comprehension of the legal system and practice in the country	Machinery & Metal	6	6	7	2	3	2	2	2	2	2	4	38
	Electric appliances	7	12	5	6	7	7	5	6	4	5	4	68
	Chemical(excluding Pharmaceutical)	21	16	18	11	9	8	7	9	9	10	6	124
	Pharmaceutical	6	7	7	3	2	3	4	2	2	4	6	46
	Others	2	3	3	1	1	1	1	1	1	1	1	16
	Total	42	44	40	23	22	21	19	20	18	22	21	292
Other	Machinery & Metal	2	2	2									6
	Electric appliances	1	1	1						1	1	1	6
	Chemical(excluding Pharmaceutical)					1	1						2
	Pharmaceutical												0
	Others	1	1	1									3
	Total	4	4	4	0	1	1	0	0	1	1	1	17

Graph 2-2

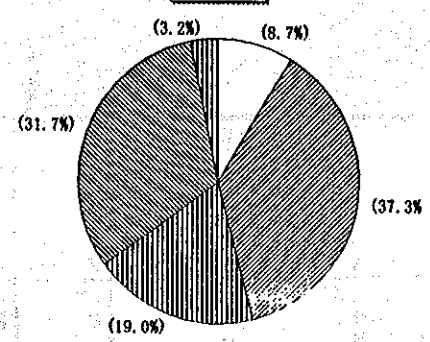
China



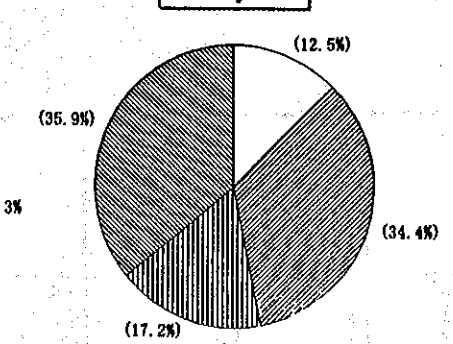
Taiwan



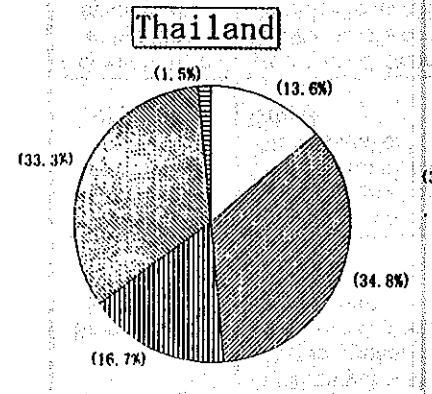
Korea



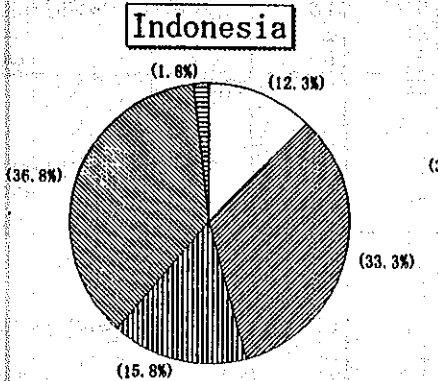
Malaysia



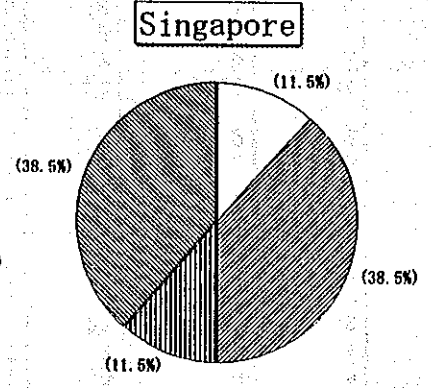
Thailand



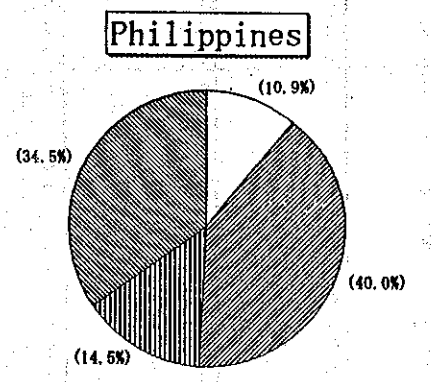
Indonesia



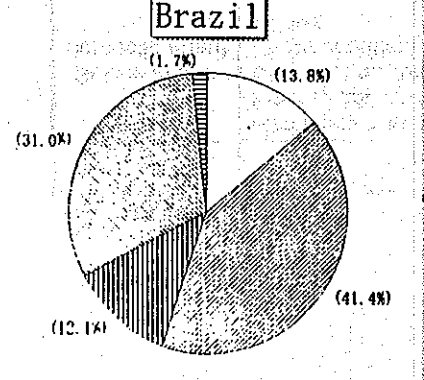
Singapore



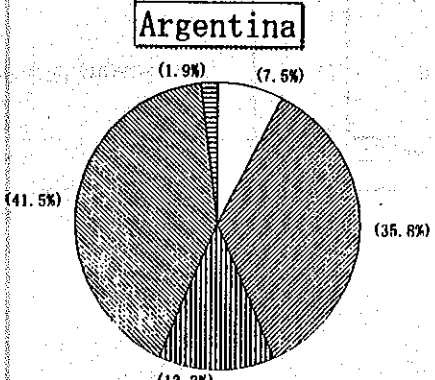
Philippines



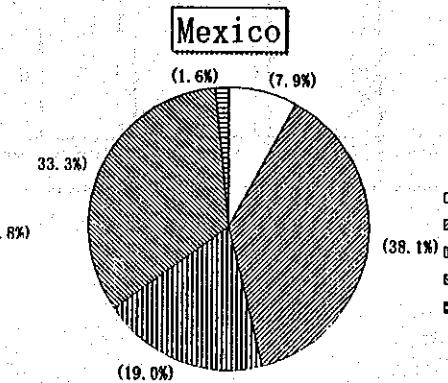
Brazil



Argentina



Mexico



EXPLANATORY NOTES

- Selection of a domestic agent
- Selection of a local agent
- Proper Instructions from the applicant
- Comprehension of the legal system and practice in the country
- Other

2-2-3. Detection of infringements after acquisition of patents, the present state of enforcement, and compulsory license.

The following shows the results of the questionnaire with respect to the above aspects.

Questions (2) and (4) have multiple-choice answers.

(1) Infringement detection system for Southeast Asia and Latin America

(i) Fifteen percent of the companies have a infringement detection system in Korea, which is followed by Taiwan (10 percent) and China (8 percent). About 5 percent of the respondents have one in the other countries in Southeast Asia. As for Latin America, 5 percent and 2 percent in Argentina and Brazil.

(ii) Sixty percent of the companies are now preparing or intent to prepare a detection system against Korea, Taiwan and China. In each of other counties, 40 to 50 percent have intent to have one, with the exception of Argentina with 25 percent. This indicates Japanese companies' strong interest in Korea, Taiwan, and China. (Refer to Figure 3-1.)

(2) Organization to arrange enforcement

As for the actual actors to enforce the rights, 40 percent regarded their local agent, and 40 to 50 percent of the companies answered to either use their local office, or to take charge of the matter on their own. (Refer to Figure 3-2.)

(3) Cases of detected infringement

40 percent of the companies that an actual infringements was found in Korea, which is followed by Taiwan with 25 percent and China with 7 percent. About 5 percent of the companies identified infringements in Malaysia, Brazil and Argentina, with about 3 percent in the other countries. The ratio of actual infringement detection appears closely related to the presence of the detection system. (See Figure 3-3.)

(4) Details of enforcement

(i) Cases of enforcement

Out of the companies which detected infringements in item (3), actual enforcement (warnings, lawsuits, etc.) was taken in 24 cases (85 percent) in Korea and 13 cases (70 percent) in

Taiwan, respectively, followed by 3 cases in China, Argentina, Malaysia, and one in Thailand, the Philippines and Singapore. (Refer to Figure 3-4.)

Of those who identified infringements, 80 percent took action in Southeast Asia, compared with 40 percent in Latin America.

(ii) Subject entity of enforcement

Most of the subject entities to enforcement are local firms. In Korea, for instance, 21 cases (90 percent) of enforcement were against local firms, with 12 cases (90 percent) in Taiwan, and 3 (100 percent) in China. (See Figure 3.5.)

As for the overall Southeast Asian countries, 80 percent of the subject entities were local firms. Japanese firms, and the rest (excluding local and Japanese firms) represent 10 percent respectively. In Latin America, local firms represent 60 percent of the subjects of exercise of rights, with 40 percent for other companies excluding Japanese and local firms.

(iii) Action of enforcement

Warning was the most common action of enforcement, used in 19 cases (80 percent) in Korea, 13 (100 percent) in Taiwan, and 2 in China (70 percent). The choice "other" in the questionnaire includes "warning under consideration." (Refer to Figure 3-6.)

(iv) Result of resorting to enforcement

Many cases resulted in a license agreement with the infringing company. In Korea, 60 percent (14 cases) of the companies who enforce their rights reached a license agreement, 30 percent (4 cases) in Taiwan, 2 cases in China and Malaysia, and one case in Singapore. Two cases resulted in an injunction in Korea, one case in Taiwan, Malaysia, Thailand, the Philippines, and Argentina, respectively. In one case in Korean and Taiwan each, the infringees were awarded damages compensation. The "other" choice of the questionnaire includes disputing case. (Refer to Figure 3-7.)

(v) Scope of protection in enforcement

In reference to the scope of rights, most firms chose the answer "indefinable." Eighty percent chose the answer for both

in Southeast Asia and Latin America. 9 firms (40 percent) pointed out "narrow" in Korea, and 2 firms in Taiwan and Argentina respectively. (See Figure 3-8.)

(vi) Protection granted to the right

As with item (v), most companies (80 percent) chose "indefinable" probably because of their little experience in this issue. 6 companies (25 percent) answered "narrow" in Korea, one in Taiwan and Argentina respectively. (Refer to Figure 3-9.)

The following are some of the opinions on protection granted to the writ of right.

China: An effective measure for protection, such as more stringent supervision, is desired.

Taiwan: The legal procedure is conducted in favor of local companies.

Korea: More stringent punishment against infringement is required.

The legal procedure is conducted in favor of local companies.

(vii) Reason for not enforcing the rights in spite of identification of infringement of rights

A few concrete answers were obtained including the following.

- Patent system was not fully established.
- Difficulty in detection of infringements.
- The relevant law lacked a provision of presumption of process.
- Only literal infringement is deemed as infringement. (Argentina)

(5) Compulsory license

For 65 companies answering about their experience in patent application in 11 countries, a few were demanded of a compulsory license, i.e., 2 cases in the Philippines and 1 case in Argentina. The two Philippine cases stemmed from the non-working of patented invention and thus granted for a compulsory license in view of public interest. As for one case in Argentina, the reasons were not identifiable.

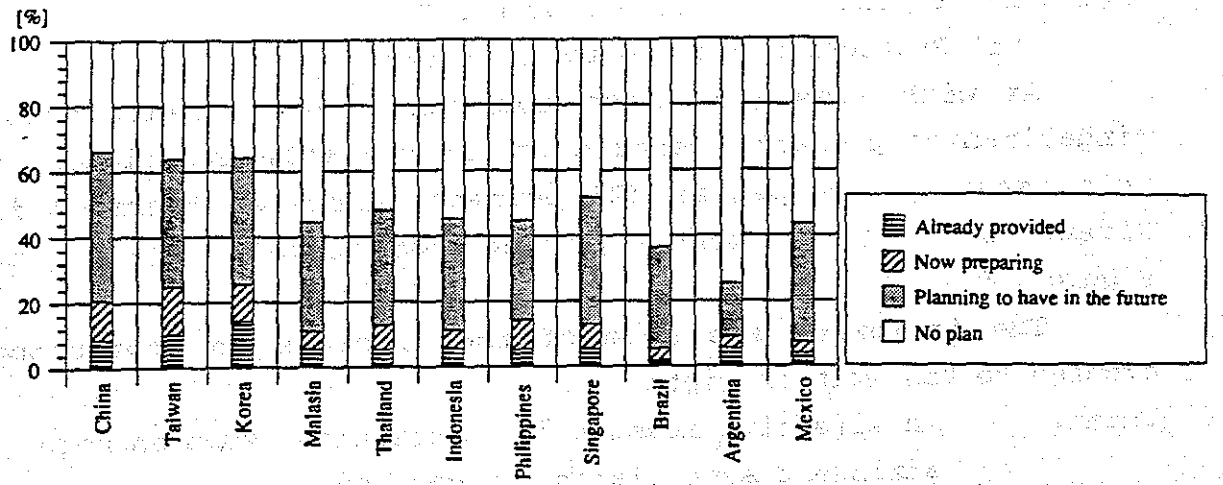


FIG.3-1 Infringement detection system

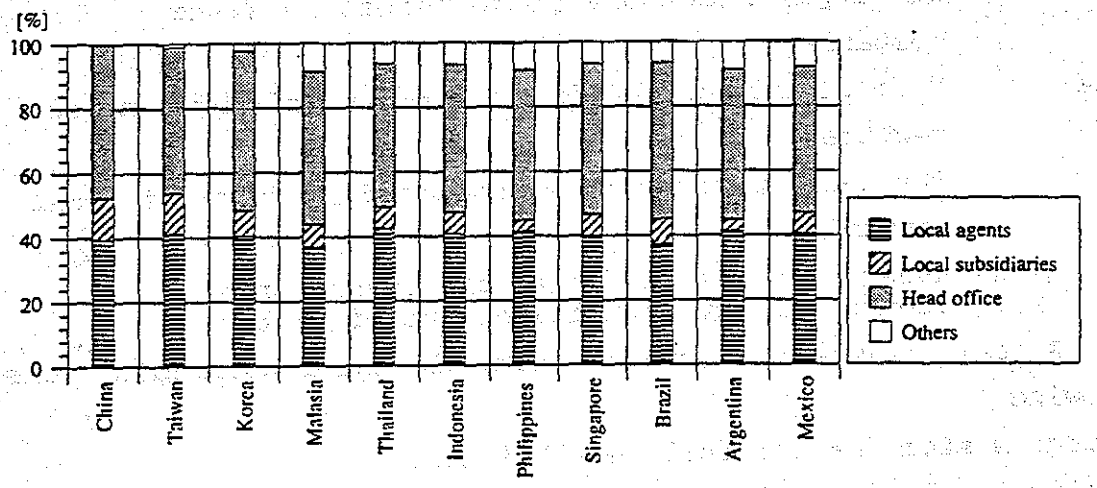


FIG.3-2 Organization to arrange enforcement

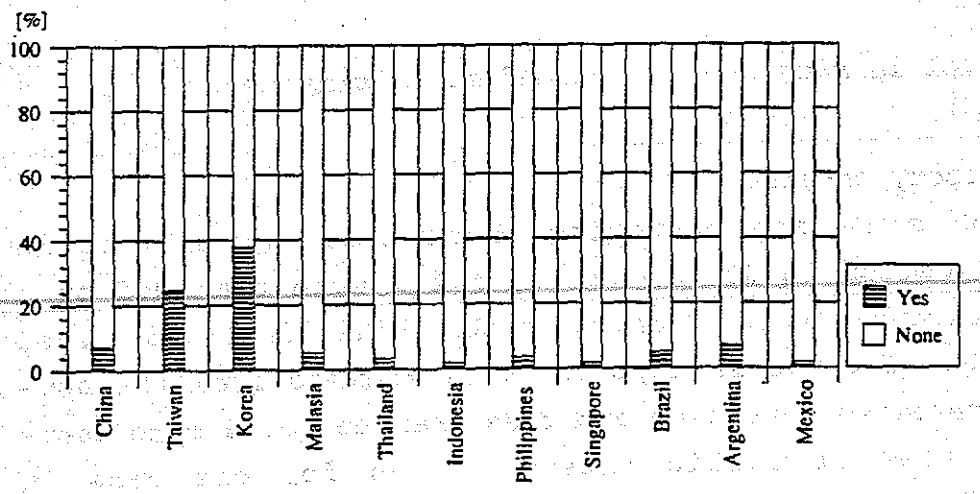


FIG.3-3 Cases of detected infringement

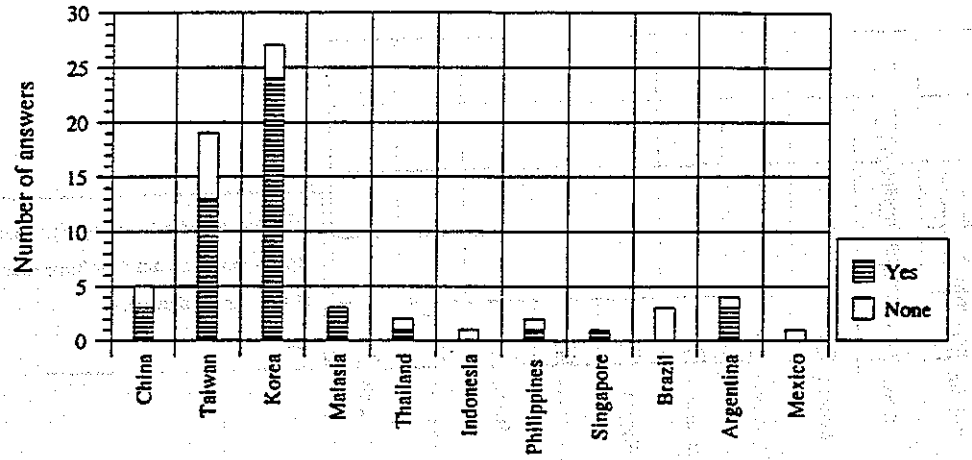


FIG.3-4 Cases of enforcement

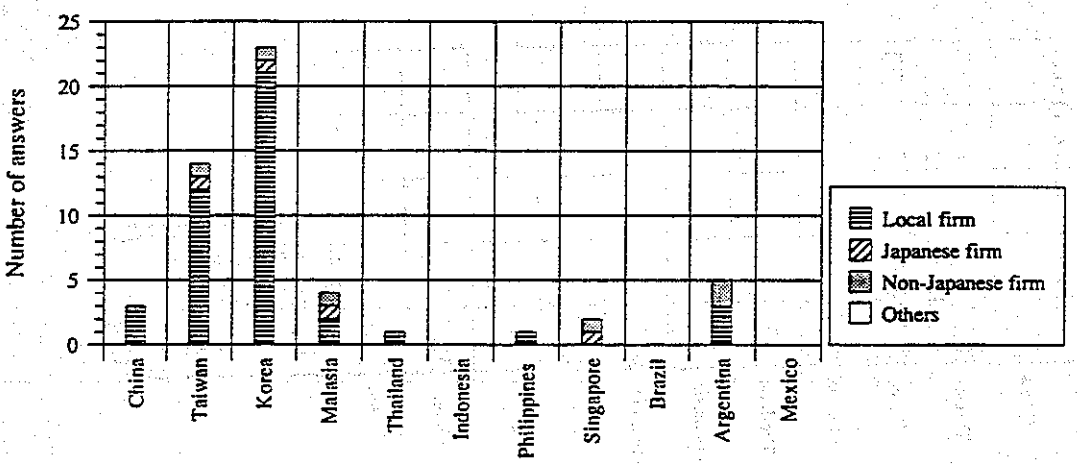


FIG.3-5 Subject entity of enforcement

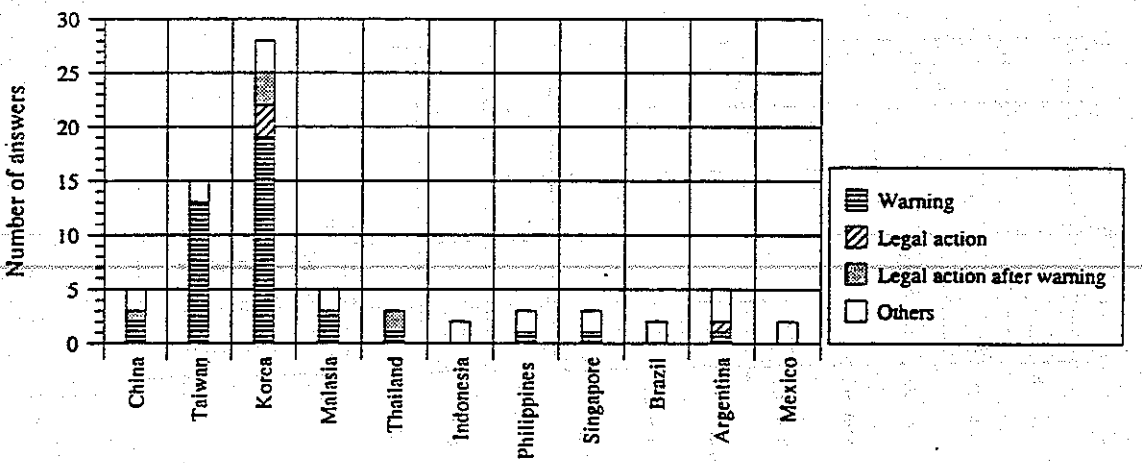


FIG.3-6 Action of enforcement

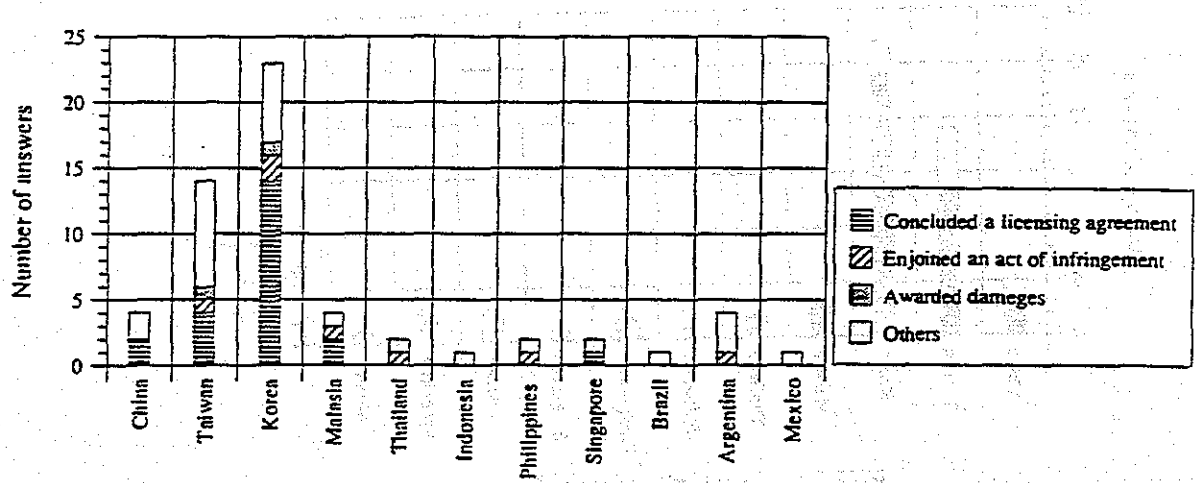


FIG.3-7 Result of resorting to enforcement

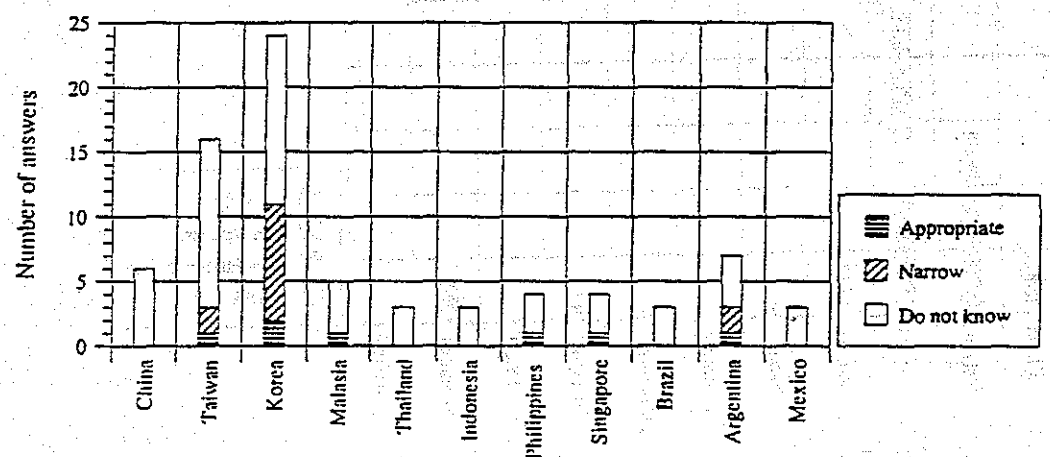


FIG.3-8 Scope of protection in enforcement

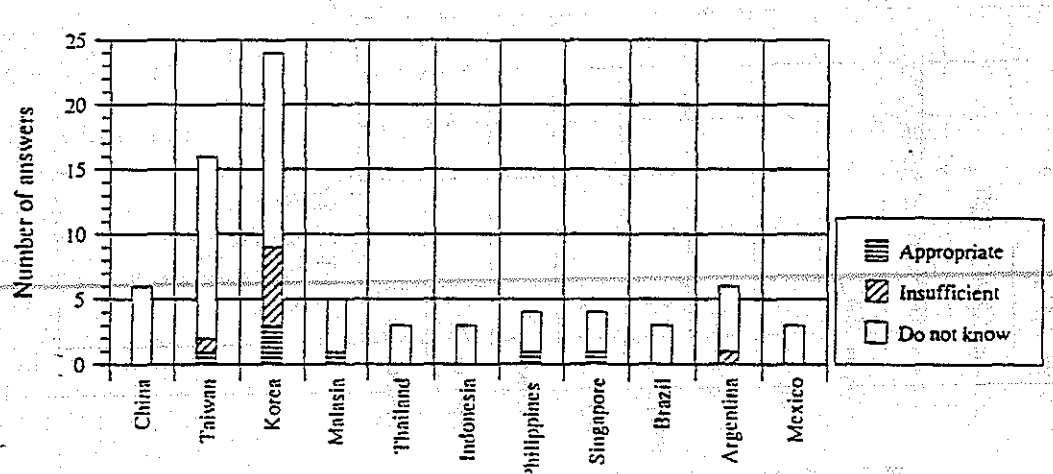


FIG.3-9 Protection granted to the right

2-2-4. Opinions on GATT/TRIPS, and requests to the WTO

(1) Problems in the amendment procedure for patent laws in Southeast Asian and Latin American countries in view of the provisions of GATT/TRIPS.

China:

- The practice which excludes parallel imports from a patent infringement may be a potential issue of future trade disputes.
- Some practice of unpatentable subjects are disputable.

Taiwan

- The provision which excludes parallel imports from a patent infringement may be a potentially issue of future trade disputes.
- Some provisions of unpatentable subjects are disputable.

Korea

- The law amending procedures for the patent term are delayed.

Malaysia

- The patent term is disputable.

Thailand

- The examination procedure is peculiar.
- The effectiveness of patents is narrow compared with that of Japan.

Indonesia

- The patent term is too short.
- Importation is excluded from the working of invention.
- Food is not patentable.

The Philippines

- The patent term is disputable.

Singapore

- The provision of compulsory license is disputable.
- Anyone can apply for the compulsory license 3 years after the grant of patent.
- Compulsory license for drug and food patent is applicable.
- Know-how has to be accompanied with the compulsory license.

Brazil

- Importation is excluded from the working of invention.
- Process as well as product itself is not patentable for pharmaceutical patent.

Argentina

- A long grace period is allowed for pharmaceutical patent.
- A compulsory license is easily granted.
- Due to the lack of clear provisions, whether importation is deemed as a working is under dispute.

India

- A grace period of 10 years is given to a product patent such as pharmaceutical.

(2) Requests to the WTO

- Issue an annual report showing the state of achievement of GATT/TRIPS.
- Issue a report showing the state of implementation of TRIPS Agreement in Member countries.
- Assume a role as a mediator of patent-related disputes in developing countries.
- Increase the staff specializing in intellectual property with the help of WIPO, so that the TRIPS Agreement is fully implemented in each Member country/region. (Sources say that of 450 staff of the WTO, only 1.5 staff is engaged in intellectual property related issue. Such a small number of staff does not seem to be enough for implementation of TRIPS Agreement in each country.)
- Guide and observe the Members to actually implement the Agreement. In accordance with Art. 70(8) of TRIPS Agreement, a member country which currently does not grant a patent to a product such as pharmaceutical products, has to accept an application on and after Jan. 1, 1995, which is called "Mailbox Application" or "Black Box" application.
- Increase the staff of the intellectual property section so as to accelerate the enforcement of the Agreement.
- Further continue activities to realize of harmonization.
- Pursue the initial goal to realize harmonization.
- Supervise the administration of the "black box" application system.
- Administer impartially so as not to favor the interests of specific countries.

(3) Other opinions

- Improvements in the intellectual property systems in Southeast Asia would provide the staff of the intellectual property and related sections with a leading role in their business.
- The establishment of the Asian patent office lead by Japan would facilitate acquisition of rights.

(4) Summary

a. By comparing the TRIPS Agreement and national laws, the patent term, unpatentable subjects (food, pharmaceutical products, and substances obtained by the transformation of the atomic nuclears), exclusion of an importation from working of invention, and easy access to compulsory license were referred as disputable issues by many companies. To cope with them, each country is expected to amend its national law to satisfy the requirements of the TRIPS Agreement. Specifically, concerning the exclusion of an importation from working of invention and unreasonable compulsory license, it is indispensable to establish administrative and judicial systems that ensure the enforcement of relevant laws as well as establish a legal system which meets the requirements of the TRIPS Agreement.

b. Increase of intellectual-property-related staff within the WTO and publication of periodicals were the main requests to the WTO, both of which seem essential to the effective realization of the TRIPS. Some opinions stressed the need for the supervisory role of the WTO over Members' observance of the Agreement. While much is expected from the WTO, there is concern about the WTO's supervision and its expected compelling power.

c. Some expressed their expectations for Japan's leadership in the field of intellectual property in Southeastern Asia.

3. Analytic comparison of patent laws in Southeast Asian and Latin American countries with main provisions of the TRIPS Agreement

We studied the patent laws and the proposed amendments made public as of July, 1995, of the countries in Southeast Asia and Latin America. Then we compared them with the patent-related provisions of the TRIPS Agreement: Article 27: Patentable subject matter, Article 28: Rights conferred, Article 31: Compulsory license, Article 33: Term of protection, and Article 34: Burden of proof in the case of process patents. We also examined the countries' patent laws with respect to their adequacy, to discuss recommendable improvements.
The following points out several features of each country.

(1) China

The current patent law of China was amended in 1992 which came into effect January 1, 1993. The China Patent Law provides patents (inventions), utility models (utility devices) and designs (ornamental designs).

(a) TRIPS Article 27 (Patentable subject matter)

The Chinese patent law provides that anything consists of following as unpatentable: Scientific discoveries, laws or methods of intellectual activities, diagnostic and therapeutic methods, animal or plant varieties, substances obtained by the transformation of the atomic nuclears, computer programs (excluding computer programs combined with hardware), and anything contravenes public order, morality or public health. Since the TRIPS Agreement does not exclude substances obtained by the transformation of the atomic nuclears, China is required to amend this provisions to meet the requirement of the TRIPS Agreement.

(b) TRIPS Article 28 (Rights conferred)

The Article 36 of the Chinese Patent Law defines workings as follows in the case of "product" or "process."

Product: the acts of making, using, selling, offering for sale, or importing the product.

Process: the acts of using the process, and using, selling, holding for sale, offering for sale, or importing the product obtained by the process.

The definition of workings in the current patent law is considered to be fundamentally identical with that in the TRIPS Agreement. However, some indicates that it should be construed as "making and selling," not as "making or selling," thus interpret the requirements for the protection of pipeline-product in more stringent way. In this regard, a clearer provision is desirable.

(c) TRIPS Article 31 (Compulsory license)

The China Patent Law provides a compulsory license under one of the following circumstances:

- Where a license negotiation has been unsuccessful for more than 3 years after the grant of a patent or for 4 years after application (Article 46).
- Where a patent utilizes another person's patented invention (Article 47).
- Where the patent is recognized as necessary for public interests (Article 51).
- In the case of a national emergency (Article 52).

China will be required to amend detailed provisions such as the obligation to pre-negotiate with the right holder, and limitation of right in accordance with the purpose of granting a compulsory license, as provided in the TRIPS Agreement. However, they may be overcome by amending or supplementing rules to the current law.

(d) TRIPS Article 33 (Term of protection)

Article 45 of the China Patent Law provides that the term of patent protection is 20 years after application, which satisfies the TRIPS Agreement, leaving no need for amendment.

(e) TRIPS Article 34 (Burden of proof in the case of process patents)

Article 60 of the China Patent Law provides that if a patented invention relates to the process of making a new product, the defendant shall bear the burden of proof regarding the alleged process of the product.

Although the burden of proof on the part of defendant provided in the TRIPS Agreement is not only limited to new products, the Agreement stipulates that any new identical product shall be deemed to have been obtained by the patented

process. Accordingly, the China Patent Law is considered to conform to the requirement of the TRIPS Agreement with respect to the protection of the right holder.

(2) Taiwan

The current patent law of Taiwan was amended on January 21 and came into effect on January 23, 1994. A partial amendment procedure is under way in connection with the internal priority system, the unexamined patent publication system, and the request for examination system. The following does not directly relate to the partial amendment. The Taiwan Patent Law governs patents, utility models and designs.

(a) TRIPS Article 27 (Patentable subject matter)

The following are the unpatentable subject matters provided in Article 21 of the Taiwan Patent Law:

- Animal or plant varieties.
- Diagnostic and therapeutic methods.
- Scientific principles and mathematical methods.
- Rules or methods of game or sport.
- Methods or schemes only realized by inference or memory of humans.
- Contravention to public order, morality or public health.

These items all comply with the TRIPS requirement.

(b) TRIPS Article 28 (Rights conferred)

The Taiwan Patent Law defines workings as follows with respect to "product patent" and "process patents."

Product: the acts of making, selling, using, or importing the product for the purposes of making, selling, or using thereof.

Process: the acts of using the process, using, selling, or importing for these purposes the product manufactured directly by the process.

The current patent law needs amending, in that it fails to include "offering for sale" as provided in the TRIPS Agreement. It should be noted that the rules on imports are to be effective in Taiwan 1 year after its ratification of GATT and the enforcement of the TRIPS Agreement.

(c) TRIPS Article 31 (Compulsory license)

Article 78 of the Taiwan Patent Law provides a compulsory

license under the following circumstances:

- In the case of national emergency, or where the patent is used for a non-commercial purpose in view of public interests.
- Where the applicant has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions without success within a reasonable period of time.

(The purpose of establishment of the compulsory license must be to serve for demand in the domestic market.)

These clauses mostly comply with the requirement of the TRIPS Agreement, requiring no amendment except for such details as the limitation of the scope in the case of the semiconductor related technology.

(d) TRIPS Article 33 (Term of protection)

Article 50 of the Taiwan Patent Law provides the term of patent protection as follows:

The term of protection shall be 20 years after the application.

This complies with the requirement of the TRIPS Agreement, which requires no amendment.

(e) TRIPS Article 34 (Burden of proof of process patents)

Article 91 of the Taiwan Patent Law provides the condition for presumption of an infringement as follows:

Where a product made by the patented process had been unavailable in both the domestic and foreign markets prior to the application of such process.

The Taiwan Patent Law contains a provision to deal with Article 34 (3) (Legitimate interests of defendants) of the TRIPS Agreement, thus there is no need for amendment in this respect.

(3) Korea

The current patent law of Korea was amended on December 10, 1993, and came into effect on January 1, 1994.

Korea Patent Office made public a draft amendment of the patent law on December 13, 1994 to satisfy the TRIPS Agreement. Based on this draft, the proposed amendment of the patent law

will be introduced to the regular session of the Congress in September, 1995, which is supposed to be adopted.

(a) TRIPS Article 27 (Patentable subject matter)

Article 32 of the current patent law provides following subject matter as unpatentable:

- Substances obtained by the transformation of the atomic nuclears.
- Substances which contravene public order, morality or public health.

In the TRIPS Agreement, substances obtained by the transformation of the atomic nuclears are not unpatentable subject matter. Therefore, it is essential to amend the patent law in this respect to satisfy the TRIPS Agreement.

(b) TRIPS Article 28 (Rights conferred)

Article 2(3) of the existing patent law specifies workings of "product," "process" and "the process for making a product" as follows:

Product: the acts of making, using, transferring, lending, importing, or exhibiting (for the purpose of transferring or lending) the product.

Process: the act of using the process.

Invention of a process of making a product:
the acts of using the process, using, transferring, lending, importing, or exhibiting (for the purpose of transferring or lending), the product made by the process.

The current patent law fails to include in it "offering for sale" specified in the TRIPS Agreement, which requires amendment in this respect.

(c) TRIPS Article 31 (Compulsory license)

The current law provides a compulsory license in the following circumstances:

- In the case of a national emergency (forfeiture is admissible). (Article 106)
- Where the patent has not been exploited for 3 years continuously after its acquisition and 4 years after its application, and if the demand of in the domestic market is not met because of the non-working, or if the grant of a

compulsory license is necessary in view of public interests. (Article 107)

- Where the patentee did not allow to license the patent, which utilized another persons patented invention.

In order to satisfy the TRIPS requirement, amendments are required in some detailed provisions including the limitation of the scope of license in the case of semiconductor-related technology and the treatment of certain technologies with which related business and management are indispensable.

(d) TRIPS Article 33 (Term of protection)

Article 88 of the current patent law provides that the term of protection shall be 15 years after the publication for opposition, but shall not exceed 20 years from filing, which needs amendment to comply with the TRIPS Agreement.

(e) TRIPS Article 34 (Burden of proof in the case of process patents)

Article 129 of the patent law provides that any identical product, if not recognized in the domestic market prior to its application, shall be deemed to have been made by the patented process, which satisfies the TRIPS Agreement. However, it lacks a provision of protection of the legitimate interests of defendants as specified in Clause 3, Article 34 of the TRIPS Agreement. Amendment is required in this regard.

(4) Malaysia

The patent law of 1983 was amended in 1986. Another amendment adopted in 1994 is scheduled to come into effect in mid-1995.

(a) TRIPS Article 27 (Patentable subject matter)

Unpatentable subject matter in Malaysia are as follows:

- Discoveries, scientific theories, and mathematical methods.
- Essentially biological processes to produce animal or plant.
- Therapeutic, diagnostic, or surgical methods.
- Rules of games.
- Inventions which contravene to public order, morality or public health.

No specific amendment is needed to comply with TRIPS Agreement (The Patent Law, Article 13).

(b) TRIPS Article 28 (Rights conferred)

Article 36 of the patent law defines workings regarding "product" and "process" as follows:

Product:

> the acts of making, importing, offering for sale, selling, using, storing for the purpose of selling (including offering for sale), or using the product.

Process:

> the act of using the process, making, importing, offering for sale, selling, using, storing for the purpose of selling (including offering for sale), or using the product directly made by the process.

In addition to the requirements provided in the TRIPS Agreement Art. 28, the Malaysian patent law further defines the acts of selling the product, storing with the purpose of using, and selling and storing with the purpose of using the product directly manufactured by the process, thus requires no further amendment.

(c) TRIPS Article 31 (Compulsory license)

The articles providing the limitation of the scope and the term (Article 52), the conditions in the case of a patented invention utilizing another person's patented invention (Article 49), the cancellation of a compulsory license (Article 54) comply with the TRIPS requirement.

Article 49 of the patent law, however, stipulates that where the patented product has not been manufactured for 3 years, a compulsory license can be claimed, which conflicts with "the grant of a compulsory license for the purpose of supplying patented products with the domestic market."

In addition, Article 52 excludes importation from the scope of the rights conferred, which can cause a problem.

The patent law also fails to specify the obligation to hold pre-negotiation with the patent owner, and the conditions in the case of semiconductor-related technology. The current law thus needs amendment with regard to these points.

(d) TRIPS Article 33 (Term of protection)

Article 35 of the patent law defines the term of

protection as 15 years after the grant of a patent, which requires amendment.

(e) TRIPS Article 34 (Burden of proof in the case of process patents)

Article 36(4) of the patent law specifies that any identical product made by a person other than the patentee or the licensee shall, in the absence of proof to the contrary, be judicially deemed to have been made by the patented process. This clause meets the TRIPS requirement.

(5) Thailand

In an effort to harmonize with the multilateral patent system, Thailand enacted the revised trademark law on February 13, 1992 and the revised patent law (including design low) on September 30, 1992.

(a) TRIPS Article 27 (Patentable subject matter)

Unpatentable subject matters in Thailand are as follows.

1. Micro organisms existing in the nature, extracts from them, animal and plant, varieties, and extracts from animal and plant.
2. Scientific or mathematical laws or theories.
3. Computer programs.
4. Diagnostic, therapeutic and nursing methods for the treatment of humans or animals.
5. Inventions which contravene public order, morality and health.

The TRIPS Agreement does not exclude microorganisms from the unpatentable subject matters. Therefore, the Thai law is required to be amended to comply with the TRIPS requirement.

(b) TRIPS Article 28 (Rights conferred)

Article 36 of the Thai Patent Law provides a patent owner with the following exclusive rights.

1. Product Patent: the right to make, use, sell, hold for sale, supply for sale, and import the patented product.
2. Process Patent: the right to use the patented process, use, sell, hold for sale, supply for sale, and import the product made by the patented process.

The patent law should be revised to include the right to offer for sale.

The following are excluded from the subjects of protection.

i. acts for the purpose of education, research, and experiment
ii. the act of manufacturing the patented product or using the patented process prior to the date of the patent application.
iii. acts in connection with a product obtained in good faith
iv. the act of filling a doctor's prescription by a qualified pharmacist or a medical practitioner
v. act to apply for governmental approval with the purpose of making, selling, or importing the patented product after the expiration of the patent term.

The exclusion of the use in connection with a product obtained in good faith is not specified in the TRIPS Agreement, and needs to be amended. By excluding acts for governmental approval from infringement, the protection of pharmaceutical patent is limited to a certain degree, which, however, is not deemed to be contradicted with the requirement of the TRIPS Agreement (Article 30). Thus amendment is not unnecessary.

(c) TRIPS Article 31 (Compulsory license)

The Thai patent law specifies the grant of a compulsory license under following circumstances:

1. Where patent negotiation has been unsuccessful for 3 years after the grant of patent or 4 years after application (Article 46).
2. Where no one applies for the licensing of a patent which has not been used without any reasonable reason in Thailand, the patent shall be listed on the official gazette (Article 46 (2)).
3. Where a patent utilizes another person's patented invention.
4. Where a patented invention is considered necessary for public interests.
5. In the case of national emergency (Article 52).

With regard to a patent utilizing another person's patented invention, the TRIPS Agreement entitles the owner of the first patent to a cross-license to use the invention claimed in the second patent. Amendment of the patent law is

requisite in this respect.

(d) TRIPS Article 33 (Term of protection)

Article 35 of the Thai Patent Law specifies that the patent shall be effective for 20 years after the date of application." This satisfies the requirement of the TRIPS Agreement.

(e) TRIPS Article 34 (Burden of proof in the case of process patents)

Article 77 of the Thai Patent Law stipulates that where the product of the defendant can be proved to be identical with or similar to the product made by the patented process, the defendant shall be deemed, in the absence of proof to the contrary, to have used the patent. On the other hand, the TRIPS Agreement specifies following two conditions:

(a) Where the product obtained by the patented process is new;

(b) Where there is a substantial likelihood that the identical product was made by the patented process and the defendant has been unable through reasonable efforts to determine the process actually used.

It is suggested that amendment to the Thai patent law be made in this regard.

(6) Indonesia

The current patent law of Indonesia was enacted in 1989 and came into force in August, 1991. The patent law provides patents and simple patents.

(a) TRIPS Article 27 (Patentable subject matter)

Article 7 of the patent law defines unpatentable subject matter as food and drinks as well as inventions which contravene to public order, morality and public health, and therapeutic methods. The TRIPS Agreement does not provides food and drinks as unpatentable, thus requires amendment in this respect.

(b) TRIPS Article 28 (Rights conferred)

Article 17 of the patent law provides the definition of workings as follows:

Product: the act of making, using, selling, lending, transferring, supplying for sale the patented product.

Process: the act of using the method, making, using, selling,

lending, transferring, supplying for sale the product made by the patented process.

Article 20 of the patent law excludes the act of importing from the workings of a patent, while the TRIPS Agreement specifies the acts of offering for sale and preventing imports as rights conferred. Therefore, the patent law requires revision.

(c) TRIPS Article 29 (Conditions on patent applicants) and Article 30 (Exceptions to rights conferred)

Both provisions does not require amendment in connection with the TRIPS Agreement.

(d) TRIPS Article 31 (Compulsory license)

Article 82, 85 and 88 of the patent law provides a compulsory license in the case of non-working and a patent utilizing another person's patented invention, and succession thereof. To comply with the TRIPS Agreement, such amendments as deleting the provision, that grants a compulsory license where the patent is not worked, and limiting the conditions for granting in the case of a patent utilizing another person's invention.

(e) TRIPS 32 (Revocation/forfeiture)

Articles 71 and 72 of Indonesian patent law provides appeal against decision of rejection for which, however, amendment is necessary to provide applicants with an opportunity for a judicial review.

(f) TRIPS Article 33 (Term of protection)

Article of patent law defines the term of protection as 14 years after the application date, which is required to be extended to 20 years after application.

(g) TRIPS Article 34 (Burden of proof in the case of process patents)

Specifications should be amended in compliance with the provisions of the TRIPS Agreement.

(7) The Philippines

The patent law of the Philippines is significantly influenced by that of the United States. The country is scheduled to revise its patent law in accordance with the GATT/TRIPS Agreement.

(a) TRIPS Article 27 (Patentable subject matter)

The unpatentable subject matters are: anything which contravenes public order, moral and public health, mere ideas which do not consist inventions, and scientific principles (Article 8). This clause satisfies the TRIPS requirement.

(b) TRIPS Article 28 (Rights conferred)

The Philippines defines a patent as exclusive rights to manufacture, use, sell the patented machines and products for commercial purposes, and to use the patented process. Compared with the provisions in the TRIPS Agreement, the Philippine Patent Law lacks the rights to offer for sale and import the patented product, and the right to use the product directly obtained by the patented process, etc. In these regards, amendments are required to comply with the TRIPS requirement.

(c) TRIPS Article 31 (Compulsory license)

The Philippine Patent law provides in detail a compulsory license in Article 34 through 36 of Chapter 8. The law has been stringently implemented, granting many compulsory licenses of pharmaceutical patents owned by foreign firms. The patent law does not clearly specify cancellation of the compulsory license after being granted, for which amendment and change of practice are required in conformity with the requirement of the TRIPS Agreement.

(d) TRIPS Article 33 (Term of protection)

The patent law defines the term of protection as 17 years after the grant of the patent. To comply with the TRIPS Agreement as the US did, the Philippines is required to amend the term.

(e) TRIPS Article 34 (Burden of proof in the case of process patents)

The patent law has no relevant provisions in this regard. Thus, the law needs amendment.

(8) Singapore

The new patent law came into effect on February 23, 1995. Until its implementation, the patent protection in Singapore was available only by the re-registration of the patents acquired in Britain. Under the new law, patent applications can to be made directly in Singapore. A trademark is protected

by its own trademark law, which was amended in 1991 and 1992, while a design protection is still available by re-registration of British right.

(a) TRIPS Article 27 (Patentable subject matter)

Unpatentable subject matters specified in the patent law (Article 13(2)) are as follows:

(1) a discovery, scientific theory or mathematical method;
(2) a literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever;
(3) a scheme, rule or method for performing a mental act, playing a game or doing business, or a program for a computer; or
(4) the presentation of information.

The provision satisfies the TRIPS Agreement.

(b) TRIPS Article 28 (Rights conferred)

Under the new patent law (Article 66) of Singapore, subject to the provisions of this Act, a person infringes a patent for an invention if, but only if, while the patent is in force, he does any of the following things in Singapore in relation to the invention without the consent of the proprietor of the patent:

(1) where the invention is a product, he makes, disposes of, offers to dispose of, uses or imports the product or keeps it whether for disposal or otherwise;
(2) where the invention is a process, he uses the process or he offers it for use in Singapore when he knows, or it is obvious to a reasonable person in the circumstances, that its use without the consent of the proprietor would be an infringement of the patent;
(3) where the invention is a process, he disposes of, offers to dispose of, uses or imports any product obtained directly by means of that process or keeps any such product whether for disposal or otherwise.

These satisfy the requirement of the TRIPS Agreement.

(c) TRIPS Article 31 (Compulsory license)

Article 55 of the Singapore Patent Law provides that, at any time after the expiration of 3 years, or of such other period as may be prescribed, from the date of the grant of a

patent, any person may apply a compulsory license to the Registrar.

If it appears at the time such application is filed, one or more of the grounds:

(a) that there is no production of the patented product or application of the patented process in Singapore without any legitimate reason;

(b) that there is no product produced in Singapore under the patent for sale in Singapore or there are some but they are sold at unreasonably high prices or do not meet the public demand without any legitimate reason;

(c) that by reason of the refusal of the proprietor of the patent to grant a license or licenses on reasonable terms.

As for patents related to food, medicine, surgical or curative device, article 56 stipulates that the Registrar may, on application made to him by any person, order the grant to the applicant of a license under the patent on such terms as he thinks fit, unless it appears to him that there are good reasons for refusing the application.

The patent law should be amended to comply with the TRIPS Agreement in that obligation to hold pre-negotiation with the patentee.

(d) TRIPS Article 33 (Term of protection)

Article 36 of the Singapore Patent Law defines the term as 20 years after application. This conforms to the TRIPS requirement.

(e) TRIPS Article 34 (Burden of proof of a process patent)

Article 68 of the patent law requires the defendant, if the patent involves a process to make a new product, to prove that the product was not manufacture by the patented process. This is in conformity with the TRIPS requirement.

(9) Brazil, Argentina and Mexico

With respect to the patent laws currently effective in Latin American countries, Brazil enacted the Industrial Property Law on December 21, 1971. Argentina has the Patent

Law, and Mexico the Industrial Property Law, enacted on October 11, 1864 and on June 28, 1991, respectively. The three laws provide protection of patents, designs and trademark. Under Brazilian and Mexican laws, utility models are also protected.

(a) TRIPS Article 27 (Patentable subject matter)

In addition to a subject matter that contravenes public order, moral and public health, each country provides the following as unpatentable.

Brazil:

- Substance or product obtained by a chemical means or process.
- Food, pharmaceutical product, and substance, materials or compositions related to drugs, and process to obtain them.
- Substances or products consist of metallic alloy, general compositions, and discoveries including microorganisms and varieties.
- Operating, surgical or therapeutic techniques.
- Systems and programming, plans or schemes for commercial bookkeeping, for calculation, for financing, for crediting, for lottery, or for public relations.
- Purely theoretical concepts.
- Substances, materials, compositions elements products obtained by transformation of atomic nuclears, physicochemically denatured products and the process of making or denaturing thereof.

Argentina:

- Pharmaceutical compositions.
- Schemes for financing.
- Academic theories.
- Computer programs and all items unrelated to industrial results or products.

Mexico:

- Theoretical or scientific principles.
- Discoveries of substances existing in nature.
- Schemes, plans, rules and methods for performing mental feats, games, or businesses.
- Computer programs.
- Forms of presentation of information, aesthetic creations,

artistic or literary works.

- Surgical or diagnostic methods applied to human body.
- Plant species and animal breeds and species (excluding plant varieties)
- Essentially-biological processes for obtaining or reproducing animals, plants and their varieties.
- Biological matter discovered in the nature.
- Genetic material.
- Living matter of the human body.

To comply with the TRIPS Agreement, each country is required to amend its law regarding pharmaceutical products, agrochemical products, microorganisms and substances obtained by the transformation of the atomic nuclears, which are not specified as unpatentable in the TRIPS Agreement.

(b) TRIPS Article 28 (Rights conferred)

As for Mexico, Articles 9 and 25 provide the patentee with the exclusive right to use the patented process, manufacture, deliver, or deal in the patented product. The amendment of June 28, 1991 defined the importation of the product made by a patented process as an infringement of the patent. Thus the definition of workings specified in the current patent law almost coincide with that in the TRIPS Agreement, making amendment unnecessary.

The current patent laws of Brazil and Argentina provide almost the same definition with that of Mexico concerning "products," while both of them lack a clear provision with respect to importation of the product made by a patented process in which amendment is required to comply with the TRIPS Agreement.

(c) TRIPS Article 31 (Compulsory license)

Article 33 of the Brazil Industrial Property Law provides a compulsory license where a patent has not been exploited for 3 years after the grant of a patent, or where the exploitation of a patent has been suspended for more than one year, and because of which the public demand is not met.

As for Mexico, Article 70 of the Industrial Property Law provides a compulsory license where a patent has not been exploited for 3 years after the grant thereof or for 4 years

after the application without any reasonable technical or economic accounts. Article 77 refers to compulsory license in the case of a national emergency or for national security purposes.

The patent laws of both countries are partly in compliance with the TRIPS Agreement concerning obligation to hold pre-negotiation with the patentee, the non-exclusiveness of the license, and the compensation to the owner of the patent. However, amendment and supplements are required in the details including a provision limiting the scope of license in accordance with purpose thereof.

As for Argentina, the current patent law does not provide a compulsory license. Argentina's supreme court has taken the position that such compulsory license as provided in Paris Convention has not been applied in Argentina. In any case, certain amendments are necessary to conform to the TRIPS requirement.

(d) TRIPS Article 33 (Term of protection)

The term of protection defined in the patent law is 15 years after the application (Brazil), 5, 10 or 15 years after the grant (Argentina), and 20 years after application (Mexico). Brazil and Argentina are required to amend their law in this respect.

(e) TRIPS Article 34 (Burden of proof in the case process patents)

Without any clear provisions in reference to the burden of proof in the case of process patents in either of three countries, they are required to supplement this provision.

4. Conclusion

With the establishment of the WTO, all Members to the organization are obliged to organize a common protection system regarding the protection of intellectual property rights. Because of the grace period granted for both developed and developing countries, it will take some time before a uniform system is completed by all member countries. In the near future, however, we are sure to see the establishment of a

protection system much advanced from the existing Paris Convention. On the other hand, there is differences among the countries in interpretation of the TRIPS provisions. What is more, some Member countries lack an appropriate administrative and judicial system to support the examination of applications, protection of rights, and infringement of rights. Thus, the effective implementation of the TRIPS Agreement can not be achieved only by establishment of the related laws.

We conclude that in order to realize the concept of the WTO and to further develop the organization it is essential for each Member to reorganize the intellectual property-related laws and make it possible to practice them in compliance with the TRIPS Agreement.

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(7) Abstract:

Taking a general view from the result of the questionnaire survey, it is presumed that most companies involved, irrespective of industry sectors, are still concentrating their energy and enthusiasm mainly on the acquisition of patent rights, in spite of the fact that they know the need for making more practical use of patent rights.

Characteristic to the companies in Electric Machines-Appliances sector is that they mainly see it as a practical

use of patent rights to license them to others, while those in Chemical sector think of using patent rights as tools to secure their own use by eliminating the entry by others in the use of the technology concerned.

However, generally speaking, it can be said that most companies are discontent with insufficient number of patent rights obtained, inadequate utilization of patent rights compared with the number of unused ones, difficulties in conducting survey on the use of patent rights by others as well as in identifying patent infringements.

This report will analyze the result of the survey concerned, to clarify the patent policies and actual situations of member companies, depict their problems and difficulties and prove into the way for making an effective management of patent rights.

1. Introduction

This study will analyze the result of the questionnaire survey PIPA member companies. The purpose is to make clear the patent policies and actual situations of Japanese member companies, their problems and difficulties and to present the survey result to help contribute to the panel discussions scheduled to be made between Japan and U.S. member companies in the PIPA International Congress.

2. Outline of the questionnaire survey

The questionnaire was dispatched to Japanese and U.S. member companies, of which 72 responded from Japan, i. e. 13 from Machine-Metal sector, 16 from Electric Machines-Applian ces sector, 43 from Chemical sector and one from the other (overlapping), of which 16 responded from U.S. All the replies to the questions were classified into respective sectors of the industry as attached as Exhibit to this report, while all the results in added-up figures about all the sectors are shown in Fig. 1(a,b) through 5(a,b).

3. Survey results and their analysis

3.1. Number of patent applications and ratio of applications for foreign patents (Questions 2 and 3, Fig. 3)

[Japan]

The companies who replied that less than 10% of the company's total domestic applications were for foreign patent comprise the largest group.

It is noteworthy under these circumstances that 6 companies filed more than 40% of total domestic patent applications respectively in the United States and Europe. These companies are in the sector of food, pharmaceuticals and organic chemistry. The industry sectors of three companies who filed in Asia more than 40% of their total domestic patent applications are again pharmaceuticals and organic chemistry. Of these six companies, the number of the applications for Japanese patent is less than 100 for 2 companies, 100-499 for 3 companies and 500-999 for the remaining one. It is worthy to note that the ratio of applications for foreign patents is very high in spite of rather modest number of their total applications. A guess may be that this is based on their policy of putting foreign patent applications into their view when filing applications for Japanese patent.

[U.S.]

It is worthy to note that the ratio of applications for foreign patents is generally.

3.2. Principal purpose of filing applications for and obtaining patent (Question 4, Fig. 4)

[Japan]

The form of the questionnaire was to make selection of replies applicable to the respective respondent companies and when the plural number of replies were allowed, an order of priority in running number was requested. Thus, the

points of each item weighed depending on the order of priority were summed up and examined.

In general, each of the replies reading "to protect a company's product/market" and "to exclude companies by enforcing patents" was the highest of all and obtained slightly more than 20% of votes. The next highest were from slightly less than 20% to 10% of the replies saying the purpose is "to extract license income" and "to prepare for cross-licensing". Coming next were less than 10% each of the replies saying that the purpose is "to prevent competitors from obtaining patents" and "to add value to a company's product". There are no remarkable differences when seen country by country. One remarkable point was that the replies pointing out the purpose for cross licensing with Asia was few, while the companies who selected the purpose for enhancing added value for product were rather many in number.

When compared sector by sector, remarkable features were identified. Especially in Chemical sector, the number of companies who selected the "to exclude companies" as their purpose was the largest(about 30%), while those who picked up "license fee" and "cross license" as their purpose were few with less than 10%. On the contrary,the companies who chose "to prevent competitors from obtaining patents" occupied around 20%, a figure larger than the average. On the other hand, the companies in Electric Machines-Appliance sector responded exactly the opposite to Chemical sector companies. The most popular reply was "to prepare for cross license" especially with companies in the U.S. and Europe with the rate of slightly less than 30%. In the case of Machine-Metal sector,the rate of the companies who selected "protection of their products" as their purpose was rather big.

Analyzing and judging from the foregoing results, it is apparent that the main purpose for filing applications for and obtaining patents is directed by two largely different strategies. The first one is, as represented by Chemical sector companies, to eliminate others by even enforcing their patent rights, if required, to protect their own products and markets. The other one is, as represented by Machines-Appliance sector companies, to make patent rights as tools to earn license fee from others by granting a license to them or to get license for the technology owned by others. The reason for such a difference can be presumed to be due to the fact that the cause and effect relation between a patent and a product is rather easy to locate in the case of Chemical sector and the protection for it is, accordingly, also easy to exercise, while the number of patents pertaining to one particular product is rather many in the case of Electrical Machines-Appliance and even the technologies owned by others need to be utilized. On the other hand, it may be natural for a policy difference to exist country by country as the increase of chances for cross licensing occupies a larger part of the purpose in the case of the technically advanced countries such as the United States, while in such technically developing regions as Asia, the importance would rather be seen in the purpose of enforcing patent rights and enhancing the value to be added by patent rights.

Therefore, when setting up a policy for applying for and obtaining patents, it would be necessary to decide at first based on the respective situations, as was seen above, which approach should be taken, the one to protect their own products or the way to prepare for licensing to others. After that, it would further be necessary to program an expected desirable result by examining the technical level

prevalent in that particular country (including technology transfer from other countries) and the extent of maturity in patent and related systems available there, and then, contrive and establish a conceivable most effective purpose. [U.S.]

The features of each sector are similar to those in Japan. However, it is worthy to note that in general they take the approach to protect their own products and respect the exclusive rights rather than licensing. This strategy is in contrast to the Japanese electrical companies.

3.3. Department in charge of making decision on where to file foreign patent applications (Question 5, Fig. 5)

[Japan]

In the case of Machine-Metal sector as well as Electric Machines-Appliances sector, most companies decide by the consensus between technical department and patent department. (63% in Electric Machine-Appliances sector and 42% in Machine-Metal sector). Coming next are the companies whose patent department alone make the decision (19% for Electric Machines-Appliances and 33% for Machine-Metal).

In contrast, conspicuous in Chemical sector is the involvement in decision making of business/marketing department. Including the companies whose business /marketing departments alone make decision, the number of the companies whose business/marketing departments takes part in a decision making in one capacity or other amounts to 45% of the total (19 out of 42). 29% of the companies belonging to this sector make decision by the consensus among technical, patent and business/marketing departments, a ratio overwhelmingly large compared with other sectors (6% in Electric Machines-Appliances sector and 17% in Machine-Metal sector). This would be owing to that they attach more special importance to the protection of their products by means of patent rights.

It may be worth a thought even in other sectors of industry to have some form of participation in decision making not only by technical department but also by business/marketing for the purpose of securing and achieving more effective protection for their products.

[U.S.]

As indicated by Japanese members, higher participation of business/marketing department in Chemical sector is marked. Further noted is participation of business /marketing department in Electric Machines-Appliances.

3. 4. Patent departments in foreign countries and its principal responsibility (Questions 6 and 7)

[Japan]

23 companies comprising 32% of the total have their branch offices in overseas countries that belong to their patent department at home (6 companies in Machine-Metal, 6 in Electric Machines-Appliances and 11 in Chemical). All of them have such offices in the United States. Of the said 23 companies, five have such offices in Europe (one for Machine-Metal and 4 for Electric Machines-Appliances) and two in Asia (Electric Machines-Appliances). There are no Chemical companies who have their patent related office both in Europe and Asia. All have it in the United States.

As for their main responsibility in the United States, 74% (17 companies) said they are mostly extending helping hands in the matters requested by their home office and collecting information asked for. On the other hand, six companies (26%) pointed out that their responsibilities are the management of the patents for their subsidiary companies in the U.S.

Of five companies that have their patent-related offices in Europe, three are engaged in the patent administration for their subsidiaries there, while other two are using their office in Europe for giving assistance in the matters

requested by their home office.

Only two companies in Electric Machines-Appliances have such office in Asia. These offices are doing patent management for their subsidiaries there together with the collection of information.

In Chemical sector, 11 companies have their patent-related branch office in the United States, mostly concentrating on giving assistance in the matters requested by their home office in Japan, side by side with the collection of information, while only two are having these offices conduct patent management for their subsidiaries there.

Judging from the above, it can be said that the main responsibilities of the branch offices in the United States are centering around the assistances in the matters requested by home office and collection of information only, despite the fact that many companies have their branch office there. In contrast, though the number of the companies who have such branch office in Europe or Asia is small, those branch office are mainly engaged in the patent management for the subsidiaries there.

[U.S.]

10 U.S. Companies have patent department in foreign countries. They engage in patent filings from home country and secondary in patent filings for foreign base.

3.5. Collection of information relating to infringements by other companies, organization for it, and opinions by patent specialists (Questions 8, 9 and 10)

[Japan]

As for the possible infringement by other companies (Question 8), most companies say that they are collecting and utilizing the information of other companies in one way or other as a whole. The largest group is formed by those companies, irrespective of sectors, who replied that they

"obtain information from daily business activities" (77%: 56 companies).

The next largest was the group of companies whose reply was to "investigate products on the market when infringement is suspected" (33 companies: 45%). In the case of this question, plural replies were allowed. Therefore, it may generally be said that there are many companies who do not conduct overall intensive investigation on large scale to identify the patent infringement by other companies, but collect the relevant information on a regular routine basis and only go into detailed survey on particular matters when taking such action is deemed necessary.

When speaking sector by sector, the chances of conducting positive and special investigation are much higher in the case of Electric Machines-Appliances sector compared with other sectors (69% in this case and 40% for Chemical sector and 38% for Machine-Metal sector). This may reflect the situation or special features of this sector where the specialized survey is rather easy to conduct, once the target for the survey was chosen, as the products of this industry sector can easily be found in the stores and bought at rather modest price, and the analysis required is comparatively easy. The most frequent reply in Chemical sector was that they "obtain information from daily business activities". However, when considering together the situation where the number of the companies involving Business/Marketing department in decision making is the largest among the sectors and that this sector has a stronger tendency to try to preventively protect their products and markets, it can be presumed that they are doing the analysis of the products of others on a regular routine work basis.

In the meantime, two companies replied "to collect

informations at shows and exhibitions" in answer "others". Since there are a lot of shows and exhibitions in the case of Machine-Metal sector as well as Electric Machines-Appliances, there might be many opportunities for finding or detecting the case of patent infringements. However, as the visits to this kind of professional shows and exhibitions for collecting information might be a part of the ordinary routine job for those people in charge of product development, it might be highly possible that this point was involved in the case of picking up the reply saying that they "obtain information from daily business activities".

On the whole, the tendency shown in the result of the U.S. Questionnaire survey is similar to that of Japan.

As for the office specialized in the survey exclusively of the activities of others (Question 9), the companies both in Machine-Metal sector and Electric Machines-Appliances sector replied they have none, while those in Chemical sector revealed they have it throughout sections. There seems to be a remarkable difference sector by sector.

In Electric Machines-Appliances sector, 44% of the companies are united in saying that this type of survey belongs to the main task of patent department, rather high compared with other sectors. In Chemical sector, however, the ratio of having business/marketing section carry out this kind of survey is fairly high in comparison with other sectors. It is presumed that this may reflect their special situation where it is easier to collect information through the course of business/marketing activities.

In the result of the U.S. Questionnaire survey, many companies perform such investigations as a secondary task.

As for the hearing of the opinions from outside specialists (Question 10), the companies that make it a guideline to request for such expert opinions on all the

results of surveys all belong to Electric Machines-Appliances and Chemical sectors (especially 9 companies in the case of Chemical sector), while there is none in Machine-Metal sector. On the contrary, the ratio of the companies who never ask for such opinions is quite high in the case of Machine-Metal sector.

The reasons quoted for the case of asking for such opinions on a case by case are, in the order of frequency, (1) when the judgment on the effectiveness of a patent is in a subtle stage or difficult to make, (2) when importance is high, and (3) when the matter relates to the patent right in foreign country. It seems that such opinions are predominantly sought just before giving warnings to or entering into negotiation with the other companies. On the other hand, there are a few who replied to the effect that they request for opinions even after entering into such negotiation with other companies, depending on the progress of the negotiation with the opposite party or when they would like to know of the appropriateness of the objection made by the opposite party.

[U.S.]

Remarkable feature in the result of the U.S. questionnaire survey is that there are no companies which never ask for such opinions by patent attorneys.

3.6. The way to cope with the case where a high probability of patent infringement was indicated as a result of judgment on the existence of patent infringement (Question 11)

[Japan]

To the question "What kind of action does your company take when it determines that one of its patents has been infringed?", the No. 1 most preferred answer was "to order them to cease production", that is to say, 42 companies for the case of Japan, 35 for the case of the United States, 33

for Europe and 38 for Asia. Coming next was the answer to mean "to offer a license" with 29 companies for Japan, 30 for the U.S., 28 for Europe and 16 for Asia.

On the other hand, the answers positively made as "to seek injunctive relief" were small in number, i. e. 6 companies each for Japan, the United States, Europe and Asia. The answer that passively sound as "to save results for future negotiation" was made by 3 companies each for Japan, the United States and Europe and one for Asia. This was the least preferred answer.

When seen sector by sector, the number of the companies who selected the reply that runs as "to order them to cease production" was rather high in the ratio against the total in the case of Chemical sector, with 33 companies for Japan, 29 for both the U.S. and Europe respectively and 28 for Asia. It is clear that more than half the members in this sector desire the stoppage of the use by others of the patent in question.

Further, the companies who voted favorably for the reply "to seek injunctive relief" were only from Chemical sector. There was none in the case of Machine-Metal as well as Electric Machines-Appliances sectors. They rather prefer entering into negotiation for license agreement to asking for the stoppage of the patent infringement.

When seen country by country, there found no big difference for this case as seen from the above and the measures being taken abroad are similar to the ones being taken in Japan.

[U.S.]

The same features are seen in U.S.

3.7. The way the judgment of the patent department is treated when making decision and guidelines for it (Questions 12, 13)

[Japan]

The number of companies who replied priority is given to patent department in the decision making on countermeasures was 49, while those who answered that it is used as a recommendation was 21. There was none who is not involved in one way or other. Thus, it can be said that the trust in the patent department is high.

When seen sector by sector, it is worthy of notice that 81% of companies in Electric Machines-Appliances sector give priority to the judgment made by the patent department.

As to the questions about the guideline making or systematization for the survey mentioned above (Questions 8, 9), the judgment on the existence of patent infringement by others (Question 10) and the decision making for the actions to be taken based on these prerequisites (Questions 11, 12), the number of companies who replied that they have "guidelines for investigations" was 15, the number of those who have "guidelines for infringement analysis" was 23 and those who have "guidelines for decision making" was 15, while those having no such guidelines were 43 (60% of the total).

There are some companies who have plural number of guidelines. But, the reality as of the present time is that more than half of the companies still have no such guidelines.

The analysis made sector by sector produced a similar result.

[U.S.]

The same features are seen in U.S.

3.8. Enforcement of patent right mainly for the purpose of getting injunction by the court against further patent infringement by others (Question 14)

This question asked about the existence of the experiences of the cases where the request for injunction was made as a firm attitude to exercise the right on the base of their own patents.

As for the United States, Europe and Asia, many replied that they have not exercised the right to obtain injunction by the court (52% in the case of the U.S., i. e. 37 companies out of total 72 respondents, 53% and 38 companies out of 72 in the case of Europe, and 56% and 40 companies out of 72 in the case of Asia). However, in the case of Japan, the most popular answer was that they "have requested the opposite party for the stoppage of further patent infringement". The number of the companies in this case was 35 out of 72, namely 49% of the total.

Worthy to note is that the total of the companies who said they "have experience in getting enforcement of injunction through legal procedures" or "took legal action for injunction, but on the way turned to some sort of negotiated settlement" was 20% (12 companies out of 72) for the case of Japan, 14% (10 companies out of 72) for the case of the U.S., 12% (9 companies out of 72) for the case of Europe and 7% (5 companies out of 72). When this result is compared among sectors for the case of Japan, the number is only two companies in Electric Machines-Appliance sector and zero in Machine-Metal, but predominantly 12 in Chemical sector.

The same tendency is also seen for the case of the United States, Europe and Asia. This is presumed to be a reflection of the feature of Chemical companies who seek to secure the enforcement of their own rights even through legal procedures.

[U.S.]

The same features are seen in U.S.

3.9. Number of individual and comprehensive patent licenses granted in the past 3 years (Question 15, 16)

[Japan]

The number of companies that replied as "1-9 cases" for individual license is the most for each region of Japan, the U.S., Europe and Asia, namely, 49% (35 companies out of 72), 56% (40 out of 72), 59% (42 out of 72) and 45% (32 out of 72) respectively. The largest for each region of the U.S., Europe and Asia was "30-49 cases" and the number of companies for each are, one, one and two, respectively. In contrast, it is worthy to note that 7 companies replied as "50-99 cases" for the region of Japan and 5 as "more than 100 cases". Sector by sector, the number of companies who eventually answered as "more than 50" (the addition of "50-99 cases" and "more than 100 cases") is 6 in Electric Machines-Appliance sector. However, the number of the cases tends to decrease for the region of the U.S., Europe and Asia as in the case of the other sectors.

The tendency toward the use of patent rights in the form of granting a license to others is stronger in Electric Machines-Appliance sector.

In the case of the comprehensive license, the number of companies who replied as "none" was the biggest for each region of the U.S., Europe and Asia, namely, 35% (25 companies out of 72), 43% (31 out of 72) and 59% (42 out of 72), respectively.

However, for the case of Japan, the number of companies who replied as "1-4" occupies about 33% (24 companies out of 72). And sector wise, Electric Machines-Appliance tends to be a large group. All told, it is presumed to be reflecting the tendency similar to the case of individual patent license.

[U.S.]

It is worthy to note Chemical is active to license their patent rights.

3.10. Practical use of patents in comparison with the purpose of patent applications (Ouestion 17, Fig. 6)

[Japan]

66 Japanese companies out of 72 respondents replied on the extent of satisfaction over the actual use of patents.

When seen as a whole, about one thirds of the companies (20-22 companies) replied that they are well satisfied with the major purpose for applying for and obtaining the patents for the region of Japan, the U.S. and Europe, while the remaining about two thirds (44-46 companies) replied as unsatisfactory. These ratios were same among the above mentioned regions. For Asia, however, about one fourths (16 companies) of the 60 respondents replied they were well satisfied, while the remaining three fourths (44 companies) answered they were not. In short, those who are satisfied are fewer in number in comparison with the cases for Japan, the U.S. and Europe.

When described sector by sector (see Fig. 6, A= satisfied, and B= not satisfied), Machine-Metal sector shows (A: 4 company, B:8) (A:6, B:6) for the United States, (A:5, B:6) for Europe and (A:4, B:8) for Asia. As in the case of the overall tendency, one thirds of the companies are satisfied with the things for Japan and Asia, while two thirds are not. For the U.S. and Europe, the rates are same between the "satisfied" and the "not satisfied", namely, 50:50.

In Electric Machines-Appliance sector, the number of companies are (A:3, B:12) for Japan, (A:2, B:13) for the United States, (A:2, B:13) for Europe and (A:2, B:13) for Asia. In every region, only a few are satisfied, while 87% remained as not satisfied.

In Chemical sector, the number of companies are (A:19, B:23) for Japan, (A:17, B:25) for the United States, (A:16, B:26) for Europe and (A:11, B:24) for Asia. The extent of satisfaction is in the decreasing order as follows:

Japan: 45%, the U.S.: 40%, Europe: 40%, and Asia: 31%.

It is remarkable that the extent of satisfaction is comparatively high in the case of Chemical, while it is strikingly low in the sector of Electric Machines-Appliance.

The following is an analysis of unsatisfactory points made separately on external and internal factors based on the descriptions of concrete facts.

(1) External factors:

Many companies in both Machine-Metal and Electric Machines-Appliance sectors see the causes for dissatisfaction in Asia in the imperfection of patent system and of the way to operate it as well as in the difficulties in finding and exposing patent infringements. Reflecting the increasing branching out into Asia, these are the actual problems the companies are facing with. However, they seem to be finding difficulties in coping with the situation, and, as it is, seem to be thinking that they can not help but assume a wait-and-see attitude for some time from the realistic point of view.

Chemical sector companies regard it a strong factor to prove a poor execution of patent rights in foreign countries that the costs incurred in filing applications for and enforcing patents are expensive in general and accordingly, the number of effective patents registered in foreign countries are scarce. As for Asia, their dissatisfaction lies mainly in that the protection of patent rights are not enough there, not to mention of protection of materials, and the scope of the right to be protected is not wide enough as are pointed out by Electric Machines-Appliance companies.

However, the urgency does not seem to exist so much in this sector as compared with the latter sector.

(2) Internal problem

The companies in Machine-Metal sector are dissatisfied with the scarcity of patents effective to protect their own products, the lack of income from patents owing to the shortage in such patents that are licensed out for license fee and no slight labor and time consumed in analyzing the patents of others.

Electric Machines-Appliance companies are not so much dissatisfied with the scarcity of protection of their own products by patent rights, but feel unhappy with the lack of sufficient number of patents and insufficiency in the effective use of unused patents. The reason why they feel discontent with no slight labor and time required by the survey of the patent infringements as well as by the follow-up survey of the relevant patents is presumed to be that they think that ordinary routine work would not suffice to deal with the cases because of the difficulty in matchmaking the products with particular patents as the number of patents to be checked are normally too many.

The most usual dissatisfaction of Chemical sector companies is the scarcity of patents effective in point of protecting their own products. The second most usual dissatisfaction is the difficulty in detecting the patent infringement cases owing to the difficulty in conducting survey on the extent of the infringement and the practice by others. Although the replies by this sector does not point out their real concrete problem being the time and labor required by the survey of the patent infringements, as was seen in other sectors, they seem to be taking measures to cope with these situations, when judging from the fact that the rate of "doing survey as a specialty or as a part of

principal duty" is comparatively high in this sector (Replies to Question 9).

[U.S.]

U.S. Companies are satisfied with effective use of their patents for U.S. and Europe, but not satisfied with external factors such as patent system and high cost for Japan and Asia.

3.11. What does your company think is important in using it's patents effectively? (Question 18)

Regardless of the sector, there are a lot of companies who regard it necessary to improve the way for collecting informations for grasping the activities of the others. In Chemical sector, plural number of companies attach importance to the information collected through the hand of Business/Marketing department, while there is no such in other sectors. Further, more companies in Chemical sector than other ones pay attention to sorting out all the patent rights in their possession or are thinking of improving the matter by so doing. Also, there are plural number of companies in all the sectors who pay attention to the establishment of a system for promoting practical use of the patents, or think of improving it (See attached data).

3.12. What is your company's global policy/strategy for procuring and effectively using it's patents? (Question 19)

(1) General policy including the acquisition of patent rights and their practical use.

Regardless of the sector, there found many companies who attach importance to patent rights in gaining an advantageous position in proceeding business activities and also as management resources for activating business.

(2) Policy on obtaining patents

Regardless of the sector they belong, many companies have a policy of filing patent applications on a

preferential basis for the technologies usable for their own products with the aim to obtain strong patents with as broad claim as possible and capable of practical use. Some companies in Electric Machines-Appliance sector lay importance on the acquisition of the patents of which infringements are easy to detect and of the patents covering service software. In Chemical sector, some companies attach importance to obtaining patents in each country of the world.

(3) Policy regarding the practical use of patent rights

Regardless of the sector, a fairly large number of companies have a policy to promote earning the revenue from license fees or going into cross license relations by positively utilizing their own patent rights. However, there found no company who has a policy of going positively into legal procedures to get injunction granted when taking steps for enforcing their patents.

4. conclusion

Judging from the result of the questionnaire survey concerned, most of the companies, regardless of the industry sector, are presumed to be anxious to make more practical use of the patent rights, but thinking that they can not help at present consuming their zeal and effort still in the stage of acquisition of patent rights. Characteristic to the sector of Electric Machines-Appliance is that the core of their desire for making practical use of patent rights is to license their patents out, while Chemical sector companies are thinking of using patent rights as tools for eliminating the use or entry in the market by others and for securing their own use.

Based on the result as described above, the discussions

will be made on the following subjects in "The 26th International Congress in San Francisco" under the main theme of "Acquisition of Patent Rights and Their Effective Use on a Global Perspective".

(1) What is the purpose of obtaining patents and exercising the rights therefrom?

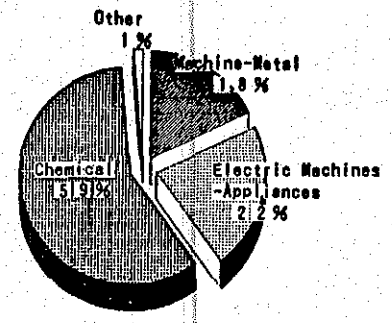
(2) Ways and means for regional management in consideration of the exercise of patent rights.

(3) The practical use of patents, its present and future.

(4) Future outlook

〔JAPAN〕

Fig. 1(a) Member companies of U.S. Group



〔U. S.〕

Fig. 1 (b) Member companies of U.S. Group

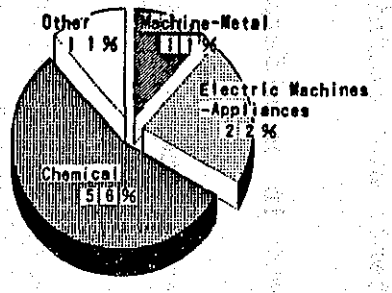


Fig. 2(a) Number of U.S. patent applications

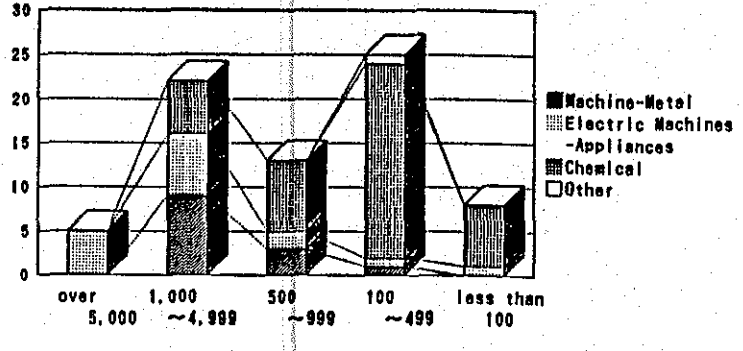


Fig. 2(b) Number of U.S. patent applications

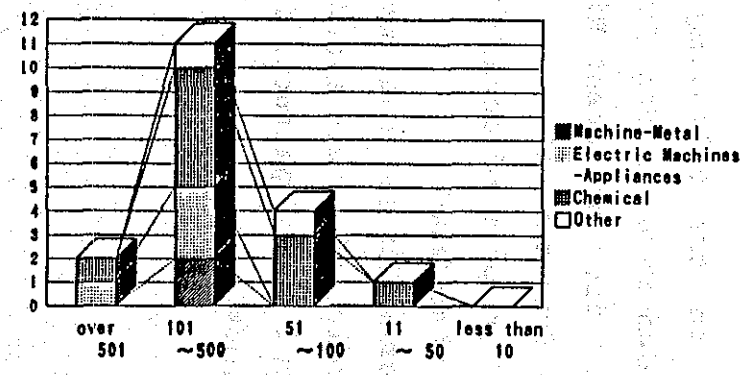


Fig. 3(a) Foreign applications / U.S. applications (%)

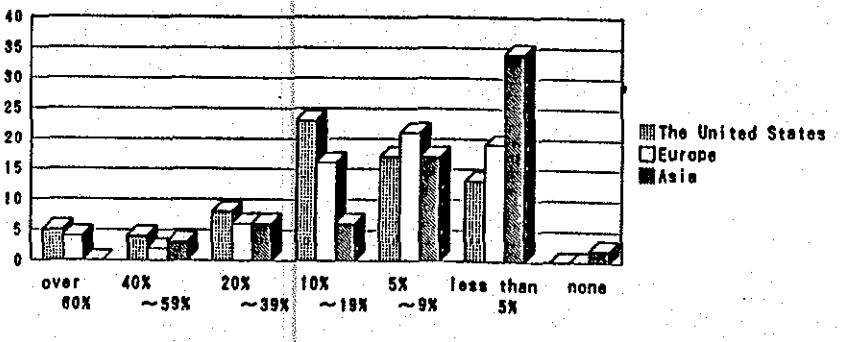
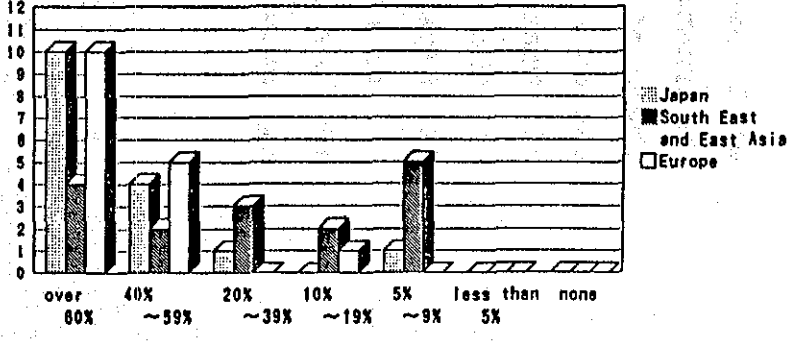
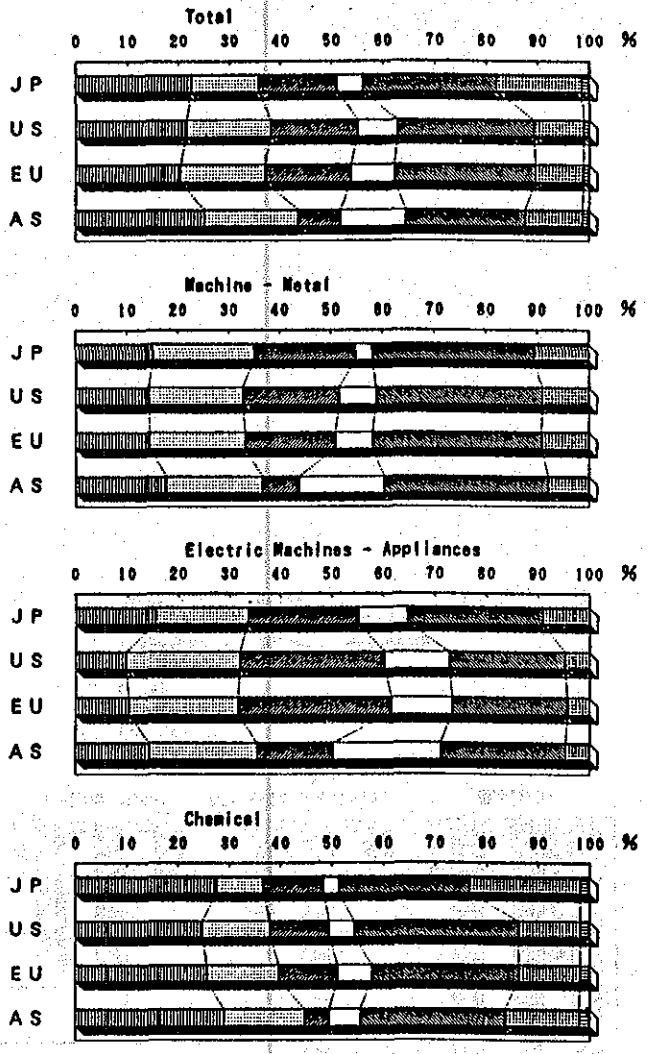


Fig. 3(b) Foreign applications / U.S. applications (%)



〔JAPAN〕

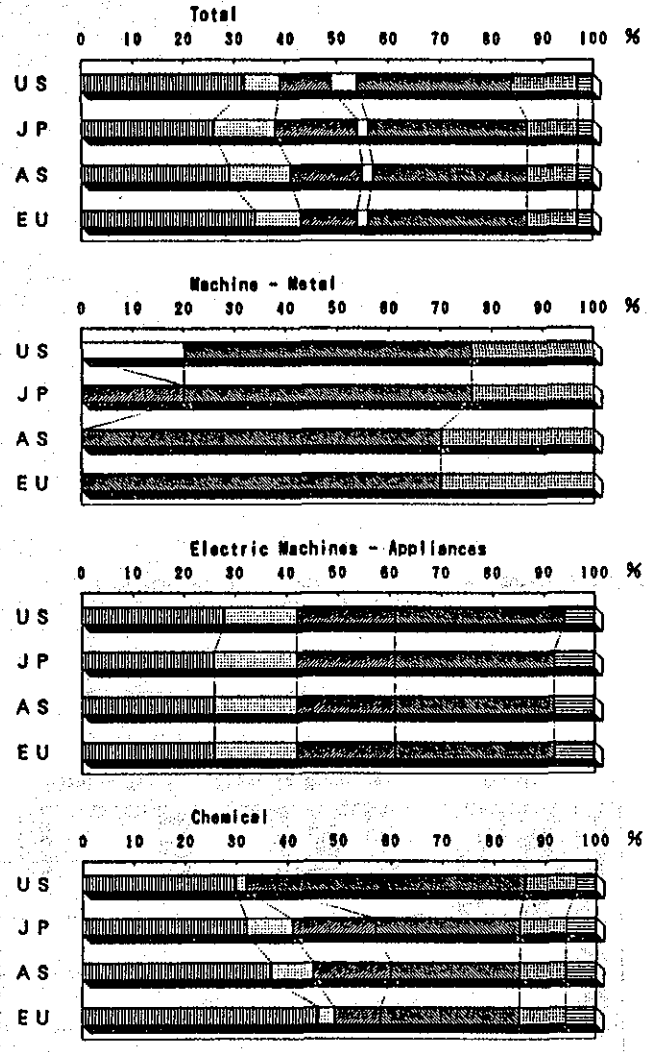
Fig. 4(a) Principal purpose of filing applications for and obtaining patent



▨ To eliminate competitors from entering the market by enforcing their patent rights
▩ To get revenue from the patent rights by granting a license to others
■ To prepare for potential cross licensing with others
□ To increase added value for technical license
■ To protect preventively the company's products and their markets
▨ To prevent other companies from obtaining similar patent
▤ Other

〔 U. S. 〕

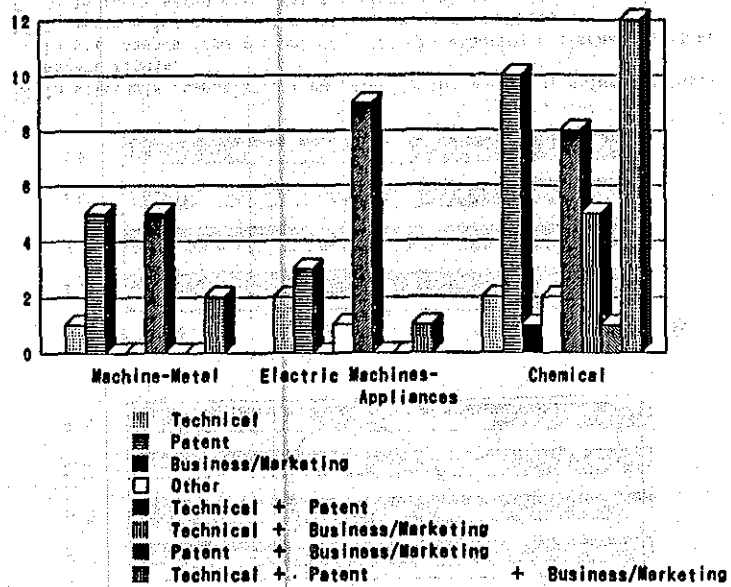
Fig. 4(b) Principal purpose of filing applications for and obtaining patent



▨ To eliminate competitors from entering the market by enforcing their patent rights
▩ To get revenue from the patent rights by granting a license to others
■ To prepare for potential cross licensing with others
□ To increase added value for technical license
■ To protect preventively the company's products and their markets
▨ To prevent other companies from obtaining similar patent
▤ Other

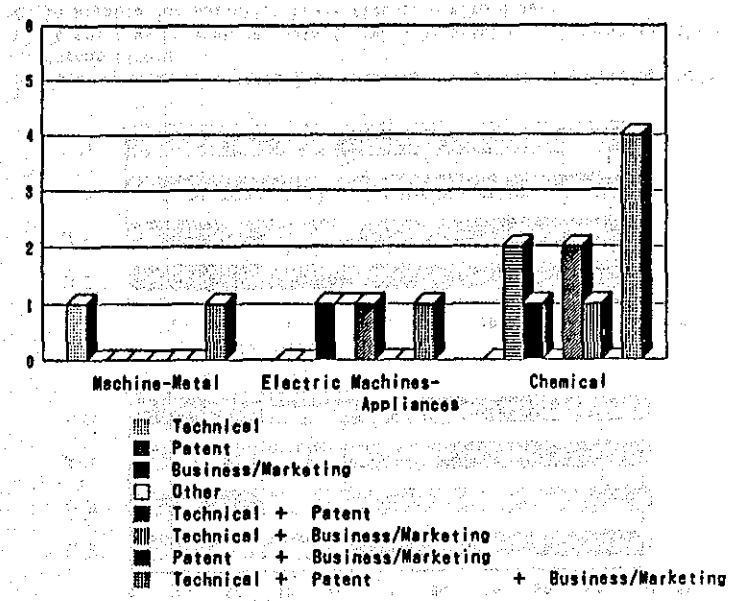
〔JAPAN〕

Fig. 5(a) Which section determines where to file foreign patent applications?



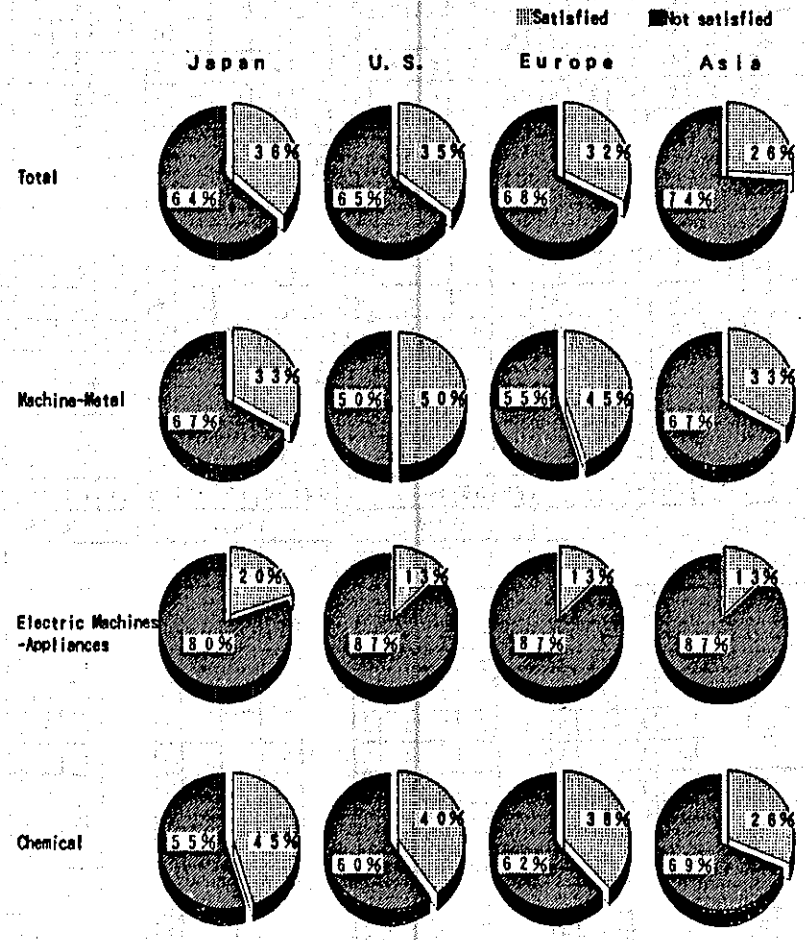
〔U. S.〕

Fig. 5(b) Which section determines where to file foreign patent applications?



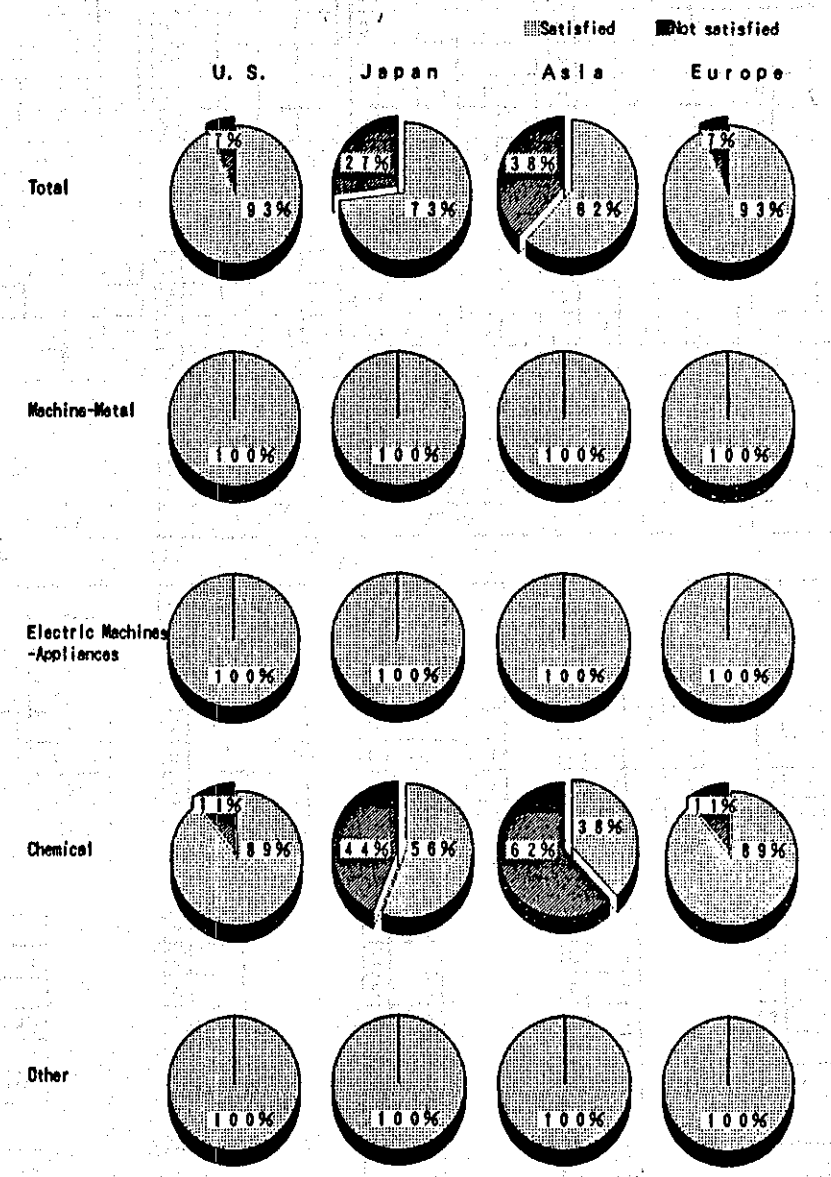
(JAPAN)

Fig. 6(a) Satisfied and not satisfied with current activities on effective use of patents



(U. S.)

Fig. 6(b) Satisfied and not satisfied with current activities on effective use of patents



(JAPAN)

M-M = Machine - Metal
EM-A = Electric Machines - Appliances
C = Chemical
O = Other

US = The United States
JP = Japan
AS = Asia
EU = Europe

Q01

TOTAL	M-M	EM-A	C	O
72	13	16	43	1

Q02

	TOTAL	M-M	EM-A	C	O
A	5		5		
B	21	9	7	6	
C	13	3	2	8	
D	25	1	1	22	1
E	8		1	7	

Q03

	TOTAL			M-M			EM-A			C			C		
	US	EU	AS	US	EU	AS	US	EU	AS	US	EU	AS	US	EU	AS
A	5	4								5	4				
B	4	2	3				1			3	2	3			
C	8	6	9				3	2	2	5	4	4			
D	23	18	8	5	3	1	5	2		13	11	5	1		
E	17	21	17	3	3	2	4	6	3	10	12	12		1	
F	13	19	34	5	7	9	3	5	10	5	7	15			
G			2			1						1			1

Q04-N01

	TOTAL				M-M				EM-A				C				O			
	JP	US	EU	AS	JP	US	EU	AS	JP	US	EU	AS	JP	US	EU	AS	JP	US	EU	AS
A	28	20	20	20	2	2	2	1	3	1	1	1	21	17	17	16				
B	5	8	8	11				1	3	4	4	5	2	4	4	5				
C	7	9	9		1	1	1		3	4	4		3	4	4					
D	1	4	4	5				1		1	1	2	1	2	2	1		1	1	
E	34	34	34	22	9	10	10	10	7	6	6	7	18	19	19	16				
F	4	2	1	2									4	2	1	2				
G	3	2	2	2									2	2	2	2	1			

Q04-N02

	TOTAL				M-M				EM-A				C				O			
	JP	US	EU	AS	JP	US	EU	AS	JP	US	EU	AS	JP	US	EU	AS	JP	US	EU	AS
A	11	13	12	14	1	1	1	3	4	3	3	4	6	9	8	7				
B	7	16	15	10	3	5	5	4	2	3	2	1	2	8	6	6		1	1	
C	11	13	12	7	3	3	3	2	4	6	6	3	4	4	3	2				
D	3	3	4	9				2	2	2	2	5		1	2	2	1			
E	12	8	9	9	2	2	2	1	2	1	2	1	8	5	5	7				
F	10	7	7	7	3	2	2	1				1	13	5	5	5				
G																				

(U. S.)

M-M = Machine - Metal
EM-A = Electric Machines - Appliances
C = Chemical
O = Other

US = The United
JP = Japan
AS = Asia
EU = Europe

Q01

TOTAL	M-M	EM-A	C	O
16	2	4	10	2

Q02

	TOTAL	M-M	EM-A	C	O
A	1		1	1	
B	10	2	3	5	1
C	4			3	1
D	1			1	
E					

Q03

	TOTAL			M-M			EM-A			C			O		
	JP	AS	EU	JP	AS	EU	JP	AS	EU	JP	AS	EU	JP	AS	EU
A	10	4	10	1			1		1	6	3	9	1	1	1
B	4	2	5			2	2		2	2	2	1	1		1
C	1	3		1							2			1	
D		2	1					1	1		1				
E	1	5			2		1	3			2				
F															
G															

Q04-N01

	TOTAL				M-M				EM-A				C				O			
	US	JP	AS	EU	US	JP	AS	EU	US	JP	AS	EU	US	JP	AS	EU	US	JP	AS	EU
A	8	5	7	8					1	1	1	1	7	4	6	7	1	1	1	
B		2	2	1						1	1	1		1	1					
C	1	2	2	1					1	1	1	1	1	2	2	1				
D																				
E	6	6	5	5	2	2	2	2	3	2	2	2	2	3	2	2				
F	1												1							
G	1	1	1	1									1	1	1	1				

Q04-N02

	TOTAL				M-M				EM-A				C				O			
	US	JP	AS	EU	US	JP	AS	EU	US	JP	AS	EU	US	JP	AS	EU	US	JP	AS	EU
A	1	1							1					1						
B	1	1	1	1					1	1	1	1								
C																				
D																				
E	3	3	4	4						1	1	1	2	1	2	2	1	1	1	
F	2	2	2	2	1	1	1	1	1	1	1	1	1	1	1	1				
G																				

(JAPAN)

Q04-ND3

TOTAL	JP	US	EU	AS
A	9	7	7	6
B	15	9	9	9
C	12	9	9	8
D	3	4	5	5
E	4	10	9	7
F	12	7	7	8
G				

M-M	JP	US	EU	AS
A	2	2	2	1
B	6	3	3	3
C	3	1	1	
D		2	2	3
E				1
F		1	1	2
G				

EM-A	JP	US	EU	AS
A				2
B	6	4	4	3
C	4	4	4	4
D	2	2	2	1
E	2	2	1	2
F	1	1	1	
G				

C	JP	US	EU	AS
A	7	4	4	3
B	3	2	2	3
C	5	4	4	4
D	1		1	1
E	2	6	6	4
F	11	6	6	7
G				

O	JP	US	EU	AS
A		1	1	
B	1			
C				
D				
E				
F				
G				

Q04-ND4

TOTAL	JP	US	EU	AS
A	5	1	1	5
B	6	4	4	5
C	6	7	6	1
D	5	6	5	4
E	6	2	2	4
F	8	6	6	3
G				

M-M	JP	US	EU	AS
A	2			3
B				
C	1	3	2	
D	2	2	2	2
E	1			
F	1	1	1	
G				

EM-A	JP	US	EU	AS
A	1	1	1	
B				1
C	1			1
D	2	2	1	
E	2	1	1	1
F	4	1	1	1
G				

C	JP	US	EU	AS
A	1			2
B	6	4	4	4
C	4	4	4	
D	1	2	2	2
E	3	1	1	3
F	3	4	4	2
G				

O	JP	US	EU	AS
A	1			
B				
C				
D				
E				
F				
G				

Q04-ND5

TOTAL	JP	US	EU	AS
A		2	2	1
B	3	1	1	1
C	4	2	2	2
D	1	3	3	3
E	3	2	1	
F	3	2	2	4
G				

M-M	JP	US	EU	AS
A		2	2	1
B				
C	2	2	2	2
D				
E				
F	1			
G				

EM-A	JP	US	EU	AS
A				
B				
C				
D				1
E	1	1		
F	2	1	1	1
G				

C	JP	US	EU	AS
A				
B	3	1	1	1
C	2			
D	1	3	3	2
E	2	1	1	
F		1	1	3
G				

O	JP	US	EU	AS
A				
B				
C				
D				
E				
F				
G				

Q04-ND6

TOTAL	JP	US	EU	AS
A	1	1	1	1
B	1	1	1	1
C	1	1	1	
D	2			1
E				
F	2	3	2	2
G				

M-M	JP	US	EU	AS
A				
B	1	1	1	1
C				
D				
E				
F	1	1	1	2
G				

EM-A	JP	US	EU	AS
A				
B				
C				
D				
E				
F	1	1		
G				

C	JP	US	EU	AS
A	1	1	1	1
B				
C	1	1	1	
D	2			1
E				
F		1	1	
G				

O	JP	US	EU	AS
A				
B				
C				
D				
E				
F				
G				

(U. S.)

Q04-ND3

TOTAL	US	JP	AS	EU
A	1	2	2	2
B	1			
C		1		
D	2	1	1	1
E	1	1	1	1
F	1	1	1	1
G				

M-M	US	JP	AS	EU
A				
B				
C		1		
D	1			
E				
F				
G				

EM-A	US	JP	AS	EU
A	1	2	2	2
B	1			
C				
D				
E	1	1	1	1
F				
G				

C	US	JP	AS	EU
A				
B				
C				
D				
E	1	1	1	1
F	1	1	1	1
G				

O	US	JP	AS	E
A				
B				
C				
D	1	1	1	
E				
F				
G				

Q04-ND4

TOTAL	US	JP	AS	EU
A	1	1	1	1
B				
C	3	3	3	3
D				
E				
F	1	1	1	1
G				

M-M	US	JP	AS	EU
A				
B				
C				
D				
E				
F				
G				

EM-A	US	JP	AS	EU
A	1	1	1	1
B				
C	2	2	2	2
D				
E				
F				
G				

C	US	JP	AS	EU
A	1	1	1	1
B				
C	1	1	1	1
D				
E				
F				
G				

O	US	JP	AS	E
A				
B				
C				
D				
E				
F	1	1	1	
G				

Q04-ND5

TOTAL	US	JP	AS	EU
A				
B	1	1	1	1
C	1	1	1	1
D				
E				
F				
G				

M-M	US	JP	AS	EU
A				
B				
C				
D				
E				
F				
G				

EM-A	US	JP	AS	EU
A				
B				
C				
D				
E				
F				
G				

C	US	JP	AS	EU
A				
B	1	1	1	1
C				
D				
E				
F				
G				

O	US	JP	AS	E
A				
B				
C	1	1	1	
D				
E				
F				
G				

Q04-ND6

TOTAL	US	JP	AS	EU
A				
B	1	1	1	1
C				
D				
E				
F				
G				

M-M	US	JP	AS	EU
A				
B				
C				
D				
E				
F				
G				

EM-A	US	JP	AS	EU
A				
B				
C				
D				
E				
F				
G				

C	US	JP	AS	EU
A				
B				
C				
D				
E				
F				
G				

O	US	JP	AS	E
A				
B	1	1	1	
C				
D				
E				
F				
G				

(JAPAN)

Q04-N07

TOTAL	JP	US	EU	AS
A				
B				
C				
D	1	1	1	
E				
F				
G				

M-M	JP	US	EU	AS
A				
B				
C				
D				
E				
F				
G				

EM-A	JP	US	EU	AS
A				
B				
C				
D				
E				
F				
G				

C	JP	US	EU	AS
A				
B				
C				
D	1	1	1	1
E				
F				
G				

O	JP	US	EU	AS
A				
B				
C				
D				
E				
F				
G				

Q05

TOTAL	
A	49
B	56
C	22
D	6

M-M	
A	8
B	12
C	2
D	

EM-A	
A	12
B	13
C	1
D	1

C	
A	29
B	32
C	19
D	4

O	
A	
B	
C	
D	1

Q06

TOTAL	
A	23
B	5
C	2
D	
E	49

M-M	
A	6
B	1
C	
D	
E	7

EM-A	
A	6
B	4
C	2
D	
E	10

C	
A	11
B	
C	
D	
E	32

O	
A	
B	
C	
D	
E	1

Q07-N01

TOTAL	US	EU	AS
A	6	3	
B	10	3	2
C	4	3	1
D	6	2	
E	1		

M-M	US	EU	AS
A	1		
B	2		
C	1	1	
D	2		
E			

EM-A	US	EU	AS
A	3	2	
B	2	1	1
C	2	2	1
D	2	2	
E			

C	US	EU	AS
A	2	1	
B	6	2	1
C	1		
D	2		
E	1		

C	US	EU	AS
A			
B			
C			
D			
E			

Q07-N02

TOTAL	US	EU	AS
A	4	1	
B	4	1	
C	3	2	1
D	5		
E	1		

M-M	US	EU	AS
A	1	1	
B	2		
C			
D	2		
E			

EM-A	US	EU	AS
A	1		
B		1	
C	2	1	1
D			
E			

C	US	EU	AS
A	2		
B	2		
C	1	1	
D	3		
E	1		

C	US	EU	AS
A			
B			
C			
D			
E			

(U. S.)

Q04-N07

TOTAL	US	JP	AS	EU
A				
B				
C				
D				
E				
F				
G				

M-M	US	JP	AS	EU
A				
B				
C				
D				
E				
F				
G				

EM-A	US	JP	AS	EU
A				
B				
C				
D				
E				
F				
G				

C	US	JP	AS	EU
A				
B				
C				
D				
E				
F				
G				

O	US	JP	AS
A			
B			
C			
D			
E			
F			
G			

Q05

TOTAL	
A	6
B	7
C	6
D	3

M-M	
A	1
B	2
C	
D	

EM-A	
A	2
B	2
C	2
D	

C	
A	3
B	4
C	5
D	3

O	
A	1
B	
C	1
D	

Q06

TOTAL	
A	5
B	8
C	1
D	
E	7

M-M	
A	
B	1
C	
D	
E	1

EM-A	
A	1
B	2
C	
D	
E	2

C	
A	4
B	6
C	1
D	
E	3

O	
A	1
B	1
C	
D	
E	1

Q07-N01

TOTAL	US	JP	AS	EU
A	6	4	3	6
B	1	2	1	2
C	3	2	2	4
D	2	1	1	1
E				

M-M	US	JP	AS	EU
A	1			1
B				
C				
D				
E				

EM-A	US	JP	AS	EU
A	1	1		2
B				
C	1	1		1
D				
E				

C	US	JP	AS	EU
A	4	3	2	4
B	1	2	1	2
C	3	1	3	4
D	2	1	1	1
E				

O	US	JP	AS
A	1	1	1
B			
C			
D			
E			

Q07-N02

TOTAL	US	JP	AS	EU
A				
B				
C	1	1	1	3
D	1			
E				

M-M	US	JP	AS	EU
A				
B				
C				1
D	1			
E				

EM-A	US	JP	AS	EU
A				
B				
C				1
D				
E				

C	US	JP	AS	EU
A				
B				
C				1
D				
E				

O	US	JP	AS
A			
B			
C	1	1	1
D			
E			

(JAPAN)

Q07-ND3

TOTAL	US	EU	AS
A	8	1	
B	4	1	
C	1		
D	3	2	
E			

M-M	US	EU	AS
A	2		
B	1		
C	1		
D	1	1	
E			

EM-A	US	EU	AS
A		1	
B	2	1	
C			
D	1		
E			

C	US	EU	AS
A	4		
B	1		
C			
D	1	1	
E			

O	US	EU	AS
A			
B			
C			
D			
E			

Q07-ND4

TOTAL	US	EU	AS
A	2		
B	1	2	
C	1		
D	1		
E			

M-M	US	EU	AS
A	1		
B		1	
C			
D	1		
E			

EM-A	US	EU	AS
A	1		
B			
C	1		
D			
E			

C	US	EU	AS
A			
B	1	1	
C			
D			
E			

O	US	EU	AS
A			
B			
C			
D			
E			

Q07-ND5

TOTAL	US	EU	AS
A			
B			
C			
D			
E			

M-M	US	EU	AS
A			
B			
C			
D			
E			

EM-A	US	EU	AS
A			
B			
C			
D			
E			

C	US	EU	AS
A			
B			
C			
D			
E			

O	US	EU	AS
A			
B			
C			
D			
E			

Q08

TOTAL	
A	4
B	33
C	56
D	9
E	4

M-M	
A	1
B	5
C	9
D	
E	2

EM-A	
A	2
B	11
C	12
D	1
E	

C	
A	2
B	17
C	34
D	8
E	1

O	
A	
B	
C	1
D	
E	1

Q09

TOTAL	tech	pat.	bus.	othr
A	3	2	1	1
B	12	20	9	
C	40	25	31	1

M-M	tech	pat.	bus.	othr
A				
B	3	2		
C	9	7	4	

EM-A	tech	pat.	bus.	othr
A				
B	5	7	1	
C	11	8	4	1

C	tech	pat.	bus.	othr
A	3	2	1	1
B	7	12	8	
C	20	12	23	

O	tech	pat.	bus.	othr
A				
B				
C				

Q10

TOTAL	
A	11
B	48
C	12

M-M	
A	
B	8
C	5

EM-A	
A	2
B	12
C	2

C	
A	9
B	26
C	5

O	
A	
B	1
C	

(U. S.)

Q07-ND3

TOTAL	US	JP	AS	EU
A				
B				
C	1			
D	1	1	1	3
E				

M-M	US	JP	AS	EU
A				
B				
C	1			
D				1
E				

EM-A	US	JP	AS	EU
A				
B				
C				
D				1
E				

C	US	JP	AS	EU
A				
B				
C				
D				1
E				

O	US	JP	AS	EU
A				
B				
C				
D	1	1	1	
E				

Q07-ND4

TOTAL	US	JP	AS	EU
A				
B	2	1	1	2
C				
D				
E				

M-M	US	JP	AS	EU
A				
B	1			1
C				
D				
E				

EM-A	US	JP	AS	EU
A				
B				
C				
D				
E				

C	US	JP	AS	EU
A				
B				
C				
D				
E				

O	US	JP	AS	EU
A				
B	1	1	1	
C				
D				
E				

Q07-ND5

TOTAL	US	JP	AS	EU
A				
B				
C				
D				
E				

M-M	US	JP	AS	EU
A				
B				
C				
D				
E				

EM-A	US	JP	AS	EU
A				
B				
C				
D				
E				

C	US	JP	AS	EU
A				
B				
C				
D				
E				

O	US	JP	AS	EU
A				
B				
C				
D				
E				

Q08

TOTAL	
A	3
B	9
C	12
D	1
E	

M-M	
A	2
B	2
C	1
D	
E	

EM-A	
A	
B	3
C	4
D	
E	

C	
A	
B	4
C	8
D	1
E	

O	
A	1
B	1
C	1
D	
E	

Q09

TOTAL	tech	pat.	bus.	othr
A	1	1		1
B	1	3		
C	11	9	10	1

M-M	tech	pat.	bus.	othr
A	1			
B	1			
C	1	1	1	1

EM-A	tech	pat.	bus.	othr
A				1
B				
C	2	2	2	

C	tech	pat.	bus.	othr
A		1		
B		3		
C	7	5	6	

O	tech	pat.	bus.	oth
A				
B				
C	2	2	2	

Q10

TOTAL	
A	6
B	8
C	

M-M	
A	1
B	1
C	

EM-A	
A	2
B	2
C	

C	
A	5
B	5
C	

O	
A	1
B	1
C	

(JAPAN)

Q11-ND1

TOTAL	JP	US	EU	AS
A	42	35	33	36
B	8			
C	29	30	28	16
D	3	3	3	1
E	1	1	2	2

M-M	JP	US	EU	AS
A	8	4	3	7
B				
C	5	6	5	1
D	1	1	1	
E				

EM-A	JP	US	EU	AS
A	4	3	2	4
B				
C	11	12	11	7
D	1	2	2	1
E			1	1

C	JP	US	EU	AS
A	33	29	29	28
B	8	8	8	8
C	13	12	12	8
D	1			
E				1

O	JP	US	EU	AS
A				
B				
C				
D				
E	1	1	1	

Q11-ND2

TOTAL	JP	US	EU	AS
A	3	4	4	1
B	10	8	8	11
C	22	19	18	18
D	11	10	9	5
E				

M-M	JP	US	EU	AS
A		1	1	
B				
C	7	4	3	6
D	2	3	2	1
E				

EM-A	JP	US	EU	AS
A	1	2	2	1
B				1
C	4	3	3	3
D	5	5	5	2
E				

C	JP	US	EU	AS
A	2	1	1	
B	10	8	8	10
C	11	12	12	10
D	4	2	2	2
E				

O	JP	US	EU	AS
A				
B				
C	1	1	1	
D				
E				

Q11-ND3

TOTAL	JP	US	EU	AS
A	2	2	2	2
B	4	4	4	2
C	7	4	4	6
D	10	6	5	3
E				

M-M	JP	US	EU	AS
A				
B				
C				
D	2	1	1	1
E				

EM-A	JP	US	EU	AS
A				
B	1			
C				
D	2	2	1	
E				

C	JP	US	EU	AS
A	2	2	2	2
B	3	4	4	2
C	7	4	4	6
D	7	4	4	3
E				

O	JP	US	EU	AS
A				
B				
C				
D				
E				

Q11-ND4

TOTAL	JP	US	EU	AS
A				
B	6	2	2	2
C				
D	3	3	3	1
E				

M-M	JP	US	EU	AS
A				
B	1			
C				
D				
E				

EM-A	JP	US	EU	AS
A				
B				
C				
D	1			
E				

C	JP	US	EU	AS
A				
B	5	2	2	2
C				
D	2	3	3	1
E				

O	JP	US	EU	AS
A				
B				
C				
D				
E				

Q11-ND5

TOTAL	JP	US	EU	AS
A				
B				
C				
D				
E				

M-M	JP	US	EU	AS
A				
B				
C				
D				
E				

EM-A	JP	US	EU	AS
A				
B				
C				
D				
E				

C	JP	US	EU	AS
A				
B				
C				
D				
E				

O	JP	US	EU	AS
A				
B				
C				
D				
E				

(U. S.)

Q11-ND1

TOTAL	US	JP	AS	EU
A	7	8	8	7
B	4	3	3	4
C	4	4	3	4
D	2	2	2	2
E	3	3	2	3

M-M	US	JP	AS	EU
A	1	1	1	1
B	1	1	1	1
C	1	1	1	1
D	2	1	1	2
E				

EM-A	US	JP	AS	EU
A	1	1	1	1
B				
C	1	1	1	1
D				
E	2	2	1	2

C	US	JP	AS	EU
A	4	5	5	4
B	3	2	2	3
C	2	2	1	2
D		1	1	
E	3	3	2	3

O	US	JP	A
A	1	1	
B			
C			
D			
E			

Q11-ND2

TOTAL	US	JP	AS	EU
A	3	2	2	3
B	2	1	1	1
C	2	1	1	2
D				
E				

M-M	US	JP	AS	EU
A				
B				
C	1			1
D				
E				

EM-A	US	JP	AS	EU
A	2	1	1	1
B				
C	1	1	1	1
D				
E				

C	US	JP	AS	EU
A	2	2	2	3
B	1			
C				
D				
E				

O	US	JP	A
A			
B	1	1	
C			
D			
E			

Q11-ND3

TOTAL	US	JP	AS	EU
A				
B	1			1
C	3	3	3	3
D				
E				

M-M	US	JP	AS	EU
A				
B				
C				
D				
E				

EM-A	US	JP	AS	EU
A				
B				
C	1	1	1	1
D				
E				

C	US	JP	AS	EU
A				
B	1			1
C	2	2	2	2
D				
E				

O	US	JP	A
A			
B			
C	1	1	
D			
E			

Q11-ND4

TOTAL	US	JP	AS	EU
A				
B				
C				
D	1	1	1	1
E				

M-M	US	JP	AS	EU
A				
B				
C				
D				
E				

EM-A	US	JP	AS	EU
A				
B				
C				
D				
E				

C	US	JP	AS	EU
A				
B				
C				
D				
E				

O	US	JP	A
A			
B			
C			
D	1	1	
E			

Q11-ND5

TOTAL	US	JP	AS	EU
A				
B				
C				
D				
E				

M-M	US	JP	AS	EU
A				
B				
C				
D				
E				

EM-A	US	JP	AS	EU
A				
B				
C				
D				
E				

C	US	JP	AS	EU
A				
B				
C				
D				
E				

O	US	JP	A
A			
B			
C			
D			
E			

(JAPAN)

Q11

JP	TOTAL			
	NO1	NO2	NO3	NO4
A	42	3	2	
B	6	10	4	6
C	29	22	7	
D	3	11	10	3
E	1			

JP	M-M			
	NO1	NO2	NO3	NO4
A	6			
B				1
C	5	7		
D	1	2	2	
E				

JP	EM-A			
	NO1	NO2	NO3	NO4
A	4	1		
B			1	
C	11	4		
D	1	5	2	1
E				

JP	C			
	NO1	NO2	NO3	NO4
A	33	2	2	
B	6	10	3	5
C	13	11	7	
D	1	4	7	2
E				

JP	O			
	NO1	NO2	NO3	NO4
A				
B				
C		1		
D				
E	1			

US	TOTAL			
	NO1	NO2	NO3	NO4
A	35	4	2	
B	6	8	4	2
C	30	19	4	
D	3	10	6	3
E	1			

US	M-M			
	NO1	NO2	NO3	NO4
A	4	1		
B				
C	6	4		
D	1	3	1	
E				

US	EM-A			
	NO1	NO2	NO3	NO4
A	3	2		
B				
C	12	3		
D	2	5	2	
E				

US	C			
	NO1	NO2	NO3	NO4
A	29	1	2	
B	6	8	4	2
C	12	12	4	
D		2	4	3
E				

US	O			
	NO1	NO2	NO3	NO4
A				
B				
C		1		
D				
E	1			

EU	TOTAL			
	NO1	NO2	NO3	NO4
A	33	4	2	
B	6	8	4	2
C	28	18	4	
D	3	9	5	3
E	2			

EU	M-M			
	NO1	NO2	NO3	NO4
A	3	1		
B				
C	5	3		
D	1	2	1	
E				

EU	EM-A			
	NO1	NO2	NO3	NO4
A	2	2		
B				
C	11	3		
D	2	5	1	
E	1			

EU	C			
	NO1	NO2	NO3	NO4
A	29	1	2	
B	6	8	4	2
C	12	12	4	
D		2	4	3
E				

EU	O			
	NO1	NO2	NO3	NO4
A				
B				
C		1		
D				
E	1			

AS	TOTAL			
	NO1	NO2	NO3	NO4
A	38	1	2	
B	6	11	2	2
C	16	18	5	
D	1	5	3	1
E	2			

AS	M-M			
	NO1	NO2	NO3	NO4
A	7			
B				
C	1	6		
D		1	1	
E				

AS	EM-A			
	NO1	NO2	NO3	NO4
A	4	1		
B		1		
C	7	3		
D	1	2		
E	1			

AS	C			
	NO1	NO2	NO3	NO4
A	26		2	
B	6	10	2	2
C	8	10	5	
D		2	3	1
E	1			

AS	O			
	NO1	NO2	NO3	NO4
A				
B				
C				
D				
E				

Q12

TOTAL	
A	49
B	21
C	

M-M	
A	8
B	4
C	

EM-A	
A	13
B	3
C	

C	
A	28
B	14
C	

O	
A	1
B	
C	

Q13

TOTAL	
A	15
B	23
C	15
D	43

M-M	
A	3
B	6
C	2
D	7

EM-A	
A	4
B	3
C	5
D	10

C	
A	9
B	15
C	9
D	26

O	
A	
B	
C	
D	1

(U. S.)

Q11

US	TOTAL			
	NO1	NO2	NO3	NO4
A	7	3		
B	4	2	1	
C	4	2	3	
D	2			1
E	3			

US	M-M			
	NO1	NO2	NO3	NO4
A	1			
B	1			
C	1	1		
D	2			
E				

US	EM-A			
	NO1	NO2	NO3	NO4
A	1	2		
B				
C	1	1	1	
D				
E	2			

US	C			
	NO1	NO2	NO3	NO4
A	4	2		
B	3	1	1	
C	2		2	
D				
E	3			

US	O			
	NO1	NO2	NO3	NO4
A	1			
B		1		
C			1	
D				1
E				

JP	TOTAL			
	NO1	NO2	NO3	NO4
A	8	2		
B	3	1		
C	4	1	3	
D	2			1
E	3			

JP	M-M			
	NO1	NO2	NO3	NO4
A	1			
B	1			
C	1			
D	1			
E				

JP	EM-A			
	NO1	NO2	NO3	NO4
A	1	1		
B				
C	1	1	1	
D				
E	2			

JP	C			
	NO1	NO2	NO3	NO4
A	5	2		
B	2			
C	2		2	
D	1			
E	3			

JP	O			
	NO1	NO2	NO3	NO4
A	1			
B		1		
C			1	
D				1
E				

AS	TOTAL			
	NO1	NO2	NO3	NO4
A	8	2		
B	3	1		
C	3	1	3	
D	2			1
E	2			

AS	M-M			
	NO1	NO2	NO3	NO4
A	1			
B	1			
C	1			
D	1			
E				

AS	EM-A			
	NO1	NO2	NO3	NO4
A	1	1		
B				
C	1	1	1	
D				
E	1			

AS	C			
	NO1	NO2	NO3	NO4
A	5	2		
B	2			
C	1		2	
D	1			
E	2			

AS	O			
	NO1	NO2	NO3	NO4
A	1			
B		1		
C			1	
D				1
E				

EP	TOTAL			
	NO1	NO2	NO3	NO4
A	7	3		
B	4	1	1	
C	4	2	3	
D	2			1
E	3			

EP	M-M			
	NO1	NO2	NO3	NO4
A	1			
B	1			
C	1	1		
D	2			
E				

EP	EM-A			
	NO1	NO2	NO3	NO4
A	1	1		
B				
C	1	1	1	
D				
E	2			

EP	C			
	NO1	NO2	NO3	NO4
A	4	3		
B	3		1	
C	2		2	
D				
E	3			

EP	O			
	NO1	NO2	NO3	NO4
A	1			
B		1		
C			1	
D				1
E				

Q12

TOTAL	
A	4
B	12
C	

M-M	
A	
B	2
C	

EM-A	
A	2
B	2
C	

C	
A	3
B	7
C	

O	
A	
B	2
C	

Q13

TOTAL	
A	1
B	1
C	3
D	13

M-M	
A	
B	
C	
D	2

EM-A	
A	
B	
C	
D	4

C	
A	
B	
C	2
D	8

O	
A	1
B	1
C	1
D	1

(JAPAN)

Q14

	TOTAL			
	JP	US	EU	AS
A	6	4	7	3
B	8	8	2	2
C	35	12	15	13
D	25	37	36	40

	M-M			
	JP	US	EU	AS
A			1	
B		1		
C	4			
D	7	9	10	10

	EM-A			
	JP	US	EU	AS
A	1	2		1
B	1			1
C	8	2	4	4
D	5	9	9	8

	C			
	JP	US	EU	AS
A	5	2	8	2
B	7	5	2	1
C	23	10	11	9
D	12	18	18	21

	O			
	JP	US	EU	AS
A				
B				
C				
D	1	1	1	1

Q15

	TOTAL			
	JP	US	EU	AS
A	5			
B	7			
C	3	1	1	2
D	8	8	2	
E	35	40	42	19
F	2	10	14	32

	M-M			
	JP	US	EU	AS
A	1			
B	2			
C	1			
D	3	1	1	
E	5	9	9	3
F		2	2	9

	EM-A			
	JP	US	EU	AS
A	4			
B	2			
C	1			1
D	3	4		
E	4	9	11	8
F		1	3	7

	C			
	JP	US	EU	AS
A				
B	2			
C	1	1	1	1
D	2	3	1	
E	26	21	21	10
F	2	7	9	18

	O			
	JP	US	EU	AS
A				
B	1			
C				
D				
E		1	1	
F				

Q16

	TOTAL			
	JP	US	EU	AS
A	8	1	1	
B	4	3	2	2
C	5	7	6	2
D	24	23	18	9
E	21	25	31	42

	M-M			
	JP	US	EU	AS
A	2			
B	1			
C		2	2	
D	8	6	2	2
E	3	4	8	10

	EM-A			
	JP	US	EU	AS
A	2			
B	3	2	1	1
C	2	4	3	1
D	4	6	6	3
E	2	2	3	6

	C			
	JP	US	EU	AS
A	1	1	1	
B		1	1	1
C	3	1	1	1
D	14	10	9	4
E	18	19	20	24

	O			
	JP	US	EU	AS
A	1			
B				
C				
D		1	1	
E				

Q17

	TOTAL			
	JP	US	EU	AS
A	25	24	22	18
B	44	45	46	45

	M-M			
	JP	US	EU	AS
A	4	6	5	4
B	6	6	6	6

	EM-A			
	JP	US	EU	AS
A	3	2	2	2
B	12	13	13	13

	C			
	JP	US	EU	AS
A	19	17	16	11
B	23	25	26	24

	O			
	JP	US	EU	AS
A				
B	1	1	1	

(U. S.)

Q14

	TOTAL			
	US	JP	AS	EU
A	5	1	1	4
B	5	4	1	1
C	1	3	2	3
D	3	4	3	3

	M-M			
	US	JP	AS	EU
A				
B	1			
C		1		
D	1			1

	EM-A			
	US	JP	AS	EU
A				
B	1			
C	1			
D		1	1	1

	C			
	US	JP	AS	EU
A	3		1	3
B	2	2	1	
C	1	1	1	2
D	2	3	2	1

	O		
	US	JP	A
A	2	1	
B	2	2	
C	1	1	
D			

Q15

	TOTAL			
	US	JP	AS	EU
A	2	1	1	1
B	2	1	1	1
C	3	3	2	4
D	1		1	2
E	5	8	2	4
F	3	4	6	4

	M-M			
	US	JP	AS	EU
A				
B				
C	1			
D				1
E		1		
F	1		1	1

	EM-A			
	US	JP	AS	EU
A	1	1	1	1
B	1			
C		1	1	1
D				
E	1			
F	1	2	1	2

	C			
	US	JP	AS	EU
A	2	1	1	1
B	1	1	1	1
C	2	2	1	3
D	1		1	1
E	3	3	1	3
F	1	3	3	1

	O		
	US	JP	A
A			
B			
C			
D			
E	2	2	
F			

Q16

	TOTAL			
	US	JP	AS	EU
A	2	1	1	1
B	6	3	2	4
C	4	3	2	5
D	2	6	5	5
E	2	2	3	1

	M-M			
	US	JP	AS	EU
A				
B	1			
C				1
D		1	1	1
E	1			

	EM-A			
	US	JP	AS	EU
A	1	1	1	1
B	2	1		
C		1	1	1
D			1	1
E	1	1		1

	C			
	US	JP	AS	EU
A	2	1	1	1
B	3	2	2	4
C	2	1	1	1
D	2	4	2	3
E	1	2	2	1

	O		
	US	JP	A
A			
B			
C	2	1	
D		1	
E			

Q17

	TOTAL			
	US	JP	AS	EU
A	14	11	8	14
B	1	4	5	1

	M-M			
	US	JP	AS	EU
A	2	2	2	2
B				

	EM-A			
	US	JP	AS	EU
A	3	3	2	3
B				

	C			
	US	JP	AS	EU
A	8	6	3	8
B	1	4	5	1

	O		
	US	JP	AS
A	2	2	2
B			

QUESTIONNAIRE

Q1: What is your company's main business ?

Machine-Metal
- ☐ iron & steel ☐ nonferrous metals ☐ automobiles ☐ shipbuilding
- ☐ precision machines ☐ power-driven machines ☐ metals-machines
- ☐ other metal-machines ( )

Electric Machines-Appliances
- ☐ general electric machines-appliances ☐ computers ☐ telecommunications
- ☐ household appliances ☐ musical instruments/acoustics
- ☐ measurements ☐ electric cables ☐ electronic parts
- ☐ other electric machines-devices ( )

Chemical
- ☐ general chemicals ☐ organic chemicals ☐ rubber ☐ plastics
- ☐ petroleum ☐ petrochemicals ☐ fibers ☐ pharmaceuticals
- ☐ food ☐ cosmetics
- ☐ other chemicals ( )

Other ☐ ( )

Q2: Approximately how many U.S. patent applications did your company file last year ?

- ☐ A. over 500
- ☐ B. 101 - 500
- ☐ C. 51 - 100
- ☐ D. 11 - 50
- ☐ E. less than 10

Q3: Approximately how many of the above U.S. applications did your company file in other regions ? Please answer for foreign applications in Japan, South East and East Asia (except Japan) and Europe, respectively.

Japan	Asia	Europe	
☐	☐	☐	A. over 60%
☐	☐	☐	B. 40% - 59%
☐	☐	☐	C. 20% - 39%
☐	☐	☐	D. 10% - 19%
☐	☐	☐	E. 5% - 9%
☐	☐	☐	F. less than 5%
☐	☐	☐	G. none

Q4: What is your company's main purpose for filing patent applications in the following regions ? Please mark boxes in order of importance.

US	Japan	Asia	Europe	
☐	☐	☐	☐	A. to exclude competitors by enforcing patents
☐	☐	☐	☐	B. to extract license income
☐	☐	☐	☐	C. to prepare for cross-licensing
☐	☐	☐	☐	D. to add value to a company's product
☐	☐	☐	☐	E. to protect a company's product/market
☐	☐	☐	☐	F. to prevent competitors from obtaining patents
☐	☐	☐	☐	G. other ( )

Q5: Which section within your company determines where to file foreign patent applications ?

- ☐ A. Technical
- ☐ B. Patent
- ☐ C. Business/Marketing
- ☐ D. other ( )

Q6: Does your company have patent departments (including liaison) in foreign countries ?

- ☐ A. Japan
- ☐ B. Europe
- ☐ C. South East and East Asian countries
- ☐ D. other ( )
- ☐ E. none

Q7: What is the main responsibility of the patent departments in foreign countries ? Please mark boxes in order of importance.

US	Japan	Asia	Europe	
☐	☐	☐	☐	A. patent filings from home country
☐	☐	☐	☐	B. information gathering
☐	☐	☐	☐	C. patent filings for foreign base
☐	☐	☐	☐	D. responsible for law suit/dispute
☐	☐	☐	☐	E. other ( )

Q8: How does your company discover possible infringements of your patents ?

- ☐ A. periodically investigate products on the market
- ☐ B. investigate products on the market when infringement is suspected
- ☐ C. obtain information from daily business activities
- ☐ D. no special activity
- ☐ E. other ( )

Q9: Which section within your company performs such investigations and what is their involvement ?

technical	patent	business/marketing	other ( )	
☐	☐	☐	☐	specialized in investigation
☐	☐	☐	☐	as a main task
☐	☐	☐	☐	as a secondary task

Q10: Do you consult patent attorneys when you investigate possible infringement ?

- ☐ for all investigations
- ☐ some ( )
- ☐ none

Q11: What kind of action does your company take when it determines that one of it's patents has been infringed ? Please mark boxes in order of importance.

US	Japan	Asia	Europe	
☐	☐	☐	☐	A. order them to cease production
☐	☐	☐	☐	B. seek injunctive relief
☐	☐	☐	☐	C. offer a license
☐	☐	☐	☐	D. save results for future negotiation
☐	☐	☐	☐	E. other ( )

Q12: What is the level of responsibility of the patent department when making such decisions ?

- ☐ Patent Department will decide what action shall be taken
- ☐ Other section will decide based on Patent Department's recommendation
- ☐ Other section will decide without consulting Patent Department

Q13: Does your company have guidelines for such investigations, infringement analysis and/or decision making process ?

- ☐ guidelines for investigations
- ☐ guidelines for infringement analysis
- ☐ guidelines for decision making
- ☐ none

Q14: Has your company enforced any of it's patents in the past three years ?

US	Japan	Asia	Europe	
☐	☐	☐	☐	A. successfully obtained injunctive relief
☐	☐	☐	☐	B. sued an infringer but settled the case
☐	☐	☐	☐	C. ordered them to cease production but no legal action taken
☐	☐	☐	☐	D. none

Q15: Approximately how many patent licenses (licensing in and out) involving a single patent has your company received or awarded in the past three years ?

US	Japan	Asia	Europe	
☐	☐	☐	☐	A. over 100
☐	☐	☐	☐	B. 50 - 99
☐	☐	☐	☐	C. 30 - 49
☐	☐	☐	☐	D. 10 - 29
☐	☐	☐	☐	E. 1 - 9
☐	☐	☐	☐	F. none

Q16: Approximately how many patent licenses (licensing in and out) involving multiple patents has your company received or awarded in the past three years ?

US	Japan	Asia	Europe	
☐	☐	☐	☐	A. over 20
☐	☐	☐	☐	B. 10 - 19
☐	☐	☐	☐	C. 5 - 9
☐	☐	☐	☐	D. 1 - 4
☐	☐	☐	☐	E. none

Q17: Is your company satisfied with it's current activities on effective use of it's patents in connection with the question Q4 above (purpose for patent filings) ?

US	Japan	Asia	Europe	
☐	☐	☐	☐	A. yes
☐	☐	☐	☐	B. no

--> please provide the reason why your company is not satisfied

US ( )
Japan ( )
Asia ( )
Europe ( )

Q18: What does your company think is important in using it's patents effectively ?

Q19: What is your company's global policy/strategy for procuring and effectively using it's patents ?

Thank you.

QUESTIONNAIRE - PIPA FOURTH GROUP

4-2J

(1) Title:

Decisions on Parallel Imports of Patented Goods

(2) Date:

October 1995 (San Francisco General Meeting)

(3) Source:

1) Source: PIPA
2) Group: Japan
3) Committee: #4

(4) Authors:

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(5) Keywords:

parallel import, patented product legitimately distributed; exhaustion of right; international exhaustion doctrine

(6) Statutory Provisions:

Japanese Patent Law Article 1,
Paris Convention Article 4bis

(7) Abstract:

This report is to introduce Japanese court decisions regarding parallel imports of patented products, focusing on the appellate court decision in the so-called "BBS Aluminum Hubcaps" case and the arguments over the decision which held, with qualifications, that application of international exhaustion doctrine was appropriate. The decision, delivered on March 23, 1995 by Tokyo High Court, permitted parallel import of patented products only in the case where patent rights to the same invention are owned by the same person both in the countries in which the first sales took place and in which the patented goods were imported, and when the patent owner should have been free to set the price for the first sales of patented goods. BBS, the patent owner, has appealed to the Supreme Court, of which decision is now awaited.

1. Introduction:

On March 23, 1995, a decision of patent-related case was delivered at Tokyo High Court. The case, so-called "BBS Aluminum

Hubcaps" case, relates to certain aluminum automobile hubcaps for which BBS Kraftfahtzeug Technik A.G. owns patents. The hubcaps were legitimately purchased in Germany by Japanese companies, who imported them for sale in Japan with lower price than that of authorized dealership. BBS filed suit for patent infringement. The trial court decision (Tokyo District Court, June, 1994) ruled in favor of BBS, finding infringement. The defendants appealed. This time, the appellate court reversed the trial court decision and found no infringement, thus permitting parallel imports of patented goods. Since it has been commonly accepted and established that parallel imports of patented goods constitute infringement of patent rights, by some, if not many, relevant decisions at home and abroad, the appellate court decision invoked large arguments in Japan.

The PIPA 4th Committee had been interested in this issue long before the appellate court decision came out, and intended to take it up as a subject of discussion. Now with the latest court decision, we organized a working group, primarily aiming to precisely comprehend each decision and introduce them to PIPA members.

2. The Decisions:

In Japan, there are only three decisions of two cases, regarding parallel imports of patented goods. The first decision came out in 1969, relating to imports of used devices for installing bowling pins. The court ruled in favor of patentee, ruling infringement and injunction of the devices. It was in 1992 that BBS filed suit of Aluminum Hubcaps case, for which Tokyo District Court and Tokyo High Court delivered decisions in July, 1994 and March, 1995, respectively. In this case, the appellate court reversed the trial court decision which found patent infringement, thus admitting the parallel imports of patented goods as legitimate.

This report introduces outline of the three decisions of the two cases. For reference, tables are attached to show the history of decisions regarding parallel imports of patented goods for comparison.

2-1. "Bowling Pin Installing Device" Case (Objection against Preliminary Injunction)

Osaka District Court, June 9, 1969 (Intangible Property Series 1.160; Teruo Doi, Jurist 460.141)

1) Background

The plaintiff/patentee owned Japanese patent No.308,333 relating to automatic devices for installing bowling pins. The defendant imported 22 units of the used devices from Australia, for use in its bowling center. The plaintiff's claim for preliminary injunction was granted, against which the defendant filed objection.

Blackrock Corp. was sublicensed from BICA, the licensee of '333 patent, to sell the patented devices in Australia and other countries. The defendant, on the other hand, purchased the used devices to use for its business in Japan. The plaintiff also owned Australian patent to the same invention claimed in '333 patent, and the alleged products had been made by the licensee, or Blackrock, and once legitimately put on the stream of commerce in Australia.

2) Arguments of Plaintiff and Defendant

There was no dispute on the fact that the patent in issue covered alleged products.

The defendant asserted that the products were legitimately sold in Australia, and thus the plaintiff's rights to the products were exhausted. Where multilateral patent rights to the same invention were owned by the same person, exhaustion of the right in one country would cause exhaustion in other countries, since it's unreasonable for one to collect license fees to the same product each time it crossed national borders, it argued. If parallel imports as in this case were to be banned by patented rights, it would endanger the security of tradings and significantly impede the free competition. Instead, it would threaten development of industry, which is the goal of patent system. The plaintiff, on the other hand, asserted infringement and claimed injunction and disposal of alleged products.

3) Decision of Court

In view of the principle of independence of patents obtained for the same invention in different countries (Paris Convention Art. 4bis), hereinafter referred to as "principle of patent independence" in short, or the territoriality of patent rights, the domestic exhaustion doctrine should be construed as applied to the domestic sales of patented goods.

The court found that the Australian patent rights to alleged goods were exhausted in Australia. However, since the sublicense given to Blackrock had not covered its implementation in Japan, the enforceability of plaintiff's Japanese patent should not be affected by Blackrock's implementation (legitimate sales) of licensed Australian patent in Australia.

Under current patent system, one who wishes to acquire patent rights in more than one countries, has to file application in accordance with each national law and pay maintenance fees to continuously protect the rights conferred by the patents. Thus, even after patent owner has collected royalties in country A, if the goods are imported into country B, he/she can collect royalties based on the enforceable patent obtained in country B, for which he is not considered to be awarded double profits.

Essentially, a patent system is assumed to restrict free domestic tradings in that the right exclude others from entering competitive technologies. The patent law in each country also has certain aspects to protect its national industries and is more or less inconsistent with international free transactions. The issue that patent rights are not free from impeding securities in tradings is not peculiar to international patent law found in international transactions, since such can be found where one purchased and used, in good faith, for his business infringing goods made in the country. The defendants assertion may deny national patent system itself.

Though applying international exhaustion doctrine to parallel imports is rather recognized in trademark-related cases, it is because the purpose of trademark system is solely to protect consumers from confusion by distinguishing function

of goods, which is not reasonable to be inferred to patent system.

4) Judgment

Since all defenses asserted by defendant have no reason, the court finds that defendant's use of alleged goods for its business infringes plaintiff's patent rights in issue. Thus, plaintiff's motions for injunction of infringements and disposal of infringing goods are granted.

The patent rights to certain goods will be exhausted domestically at the time they are legitimately sold. However, such exhaustion doctrine should be applied only in the country where the relevant patent was obtained, since patent rights are independent by each country. Accordingly, even in the case where certain patented goods were legitimately obtained abroad from authorized licensee, such implementation of foreign patent does not affect the enforceability of corresponding Japanese patent to the same invention.

The claim for injunction by the owner of Japanese and foreign patents, of the used devices that were imported and used for business, was thus granted.

2-2. "Aluminum Hubcaps" Case (Claim for Injunction of Patent Infringements)

Tokyo District Court July 22, 1994 (Hanrei Jihou 1501.72; Hanrei Times 854.84)

1) Background

Plaintiff "X" (BBS Kraftfahrzeug Technik A.G.) manufactured and sold automobile hubcaps (alleged goods A), and manufactured under consignment by a German company (Rorinser) certain automobile hubcaps (alleged goods B). Defendants "Y" (Auto Products K.K. and Lacimex Japan K.K.) purchased in Germany and imported for sale in Japan alleged goods A and B. X filed suit against Y alleging infringement of patent rights to the same invention and claimed for injunction and damages. The imported goods A and B were covered by both German and Japanese patents. Before their disputes were brought to the court, negotiations were held in which defendants offered as demanded by plaintiff previously, to stop imports and sales of alleged patented goods

thereafter and to pay 3% of sales as royalty for those already sold. Plaintiff , however, further demanded to confirm that defendants would not deal in any products of plaintiff's or Rorinser's and thus the negotiation proceeded in vain. History of alleged patents and outline of the case are shown in Figure 1 and 2.

2) Arguments of Plaintiff and Defendant

Regarding whether or not parallel imports and sales of patented goods, alleged goods A and B, constitute infringement of Japanese patent owned by plaintiff, the outline of arguments went as follows.

[Assertion of Defendants]

To what extent the territoriality of Japanese patent should be pursued is a matter of equity of interests in light of protection and use of invention, which is the purpose of patent law. Both Japanese and German patents, in this case, are owned by same person. Where the owner, or plaintiff, legitimately sold goods in Germany, of which price included royalties, purpose of the patent was attained and subsequent rights enforceable to the goods would be recognized as exhausted. If the owner enforces its patent rights to the imported goods again in Japan, it may allow him to collect royalties twice.

Even if parallel imports are legally permitted, patent owner can enforce its rights for injunction where another party manufactured abroad and imported into Japan infringing goods. If it is proved that obtaining a patent in Japan is worth doing and parallel import are legitimate, distribution route will be varied and thus international price difference will be diminished.

[Assertion of Plaintiff]

According to the principle of patent independence (Art. 4bis, Paris Convention) which provides that the existence and enforceability of patent rights belong to the country obtained, the enforceability of patent right shall be defined by each country. For instance, while patent rights to certain goods in a country are exhausted after the domestic legitimate distribution, such distribution will not affect foreign patent rights to the same invention, and patent rights are enforceable

in other countries. That is to say, exhaustion of patent right in one country cannot be extended as to be considered exhausted in other countries. Besides, royalties to the goods are determined by the national market standard, in which import is not taken into consideration, thus impairs the benefit of patent owner.

By barring parallel imports, one can properly invest depending on the feature of each market, and be more motivated to license its patented technology. Such licensing will efficiently promote the disclosure of technologies including know-how, enabling licensees to develop improvements. This results in the emergence of variety of new technologies that reflect the features of each national market, contributing the development of technologies.

Allowance of parallel import of patented goods may decline prices in a short term but result in the world-wide monopoly, in the long run, by major companies which can raise the licensing fees.

3) Decision of the Court

Principle of patent independence defined in Article 4bis of the Paris Convention provides that the invalidity or forfeiture of a patent right itself shall not affect other countries' patent rights to the same invention, and does not provide that the enforceability of patent rights to embodied goods that pass from hand to hand, which is not directly concerned with the existence of the patents.

To limit enforcement of Japanese patent rights to the goods that were legitimately distributed in a foreign country where relevant patent rights to the same invention exist, as a result of appropriate interpretation of Japanese law by the Japanese court shall not be inconsistent with the principle of territoriality of patent rights.

Though there is not a provision specifying the domestic exhaustion doctrine with regard to domestic sales of patented goods, it has been recognized as the common understanding since the Japanese patent law was drafted.

However, to understand that parallel imports to Japan of patented goods do not constitute infringement is recognized

neither to be consistent with the purpose of patent law nor in accordance with the international perception of harmonization of patent holder's interest and public interest, only because foreign patent rights are exhausted by the transfer of patented goods to Japan. That is, the raison d'etre of a patent system, that grants exclusive right (patent right) to compensate for the disclosure of new technology, shall be defined by each country.

Patent rights, granted in each country to compensate for disclosure of the same invention, allow the owner to govern imports and first sales. It was not recognized at the time the law was drafted, to regard the international exhaustion of patent rights as general understanding. And it is not considered to be consistent with the goal of patent law to allow such application at this moment. Furthermore, there is no international consensus that parallel imports shall not infringe the patent rights of country in which patented goods are imported. Rather it is dominant to be recognized as infringement. Even though it is a matter of Japanese patent law, the social recognition of various countries should be taken into consideration. Besides, there are not enough data regarding what parallel imports of patented goods will bring, especially to the Japanese industry both in the short and long terms, to conclude that the acceptance of parallel imports as legitimate at this moment will accord to the purpose of patent law.

4) Judgment

The court ruled that imports and sales of alleged patented goods by defendants constitute patent infringement, and partly granted the claim for injunction and damages.

5) Amount of Damages

Plaintiff claimed for the proper amount (provided in Art.102(2) of Japanese patent law) for damages caused by defendants' act of infringements, or 10% per each sales (7% of shipment price for automobile manufacturers other than defendants). It included the cost of BBS Japan to take charge of quality certificate and maintenance of alleged goods A and B. That is;

as to Lacimex: @a x number of goods A x 10% + @b x number of goods B x 10%,

as to Jap Auto: @a x 64% x number of goods A x 10% + @b x 54% x number of goods B x 10%,

and because of the complicity in illegal act, defendants are obliged to pay collectively as shown in Figure 3.

The court found that alleged goods A and B were covered by the patented technology, and presumed that the infringement was complicity. As for damages, the court found licensing rate of 7% as appropriate, for the royalty for importation by Jap Auto and transfer of the goods from Jap Auto to Lacimex was imposed solely to Lacimex's whole sales, as it is fully included in the amount of above-shown licensing fees to Lacimex.

2-3. "Aluminum Hubcaps" Case

Tokyo High Court, Ne-No.3272 of 1994, March 23, 1995

1) Background

The same as those before trial court (Tokyo District Court, Wa-No.16565 of 1992).

2) Arguments of Plaintiff and Defendant

Defendant/appellant filed appeal before the Tokyo High Court against the trial court decision. Both arguments and issues as to whether or not parallel import constitute infringements are basically the same as those raised at the trial.

3) Decision of the Court

The exhaustion doctrine of patent rights shall not be extended to international exhaustion, because of the principle of patent right independence by country or the territoriality of patent rights. However, the enforceability of a patent right obtained under Japanese patent law shall be defined in light of interpretation of Japanese patent law. Therefore, it is a matter of interpretation of Japanese patent law whether or not the fact that patented goods were legitimately distributed abroad should be taken into consideration to define the scope of a Japanese patent right, which goes in line with the said principles, rather than conflicts with it. In fact, Article 29(1)(3) of

Japanese patent law provides events occurred abroad as one of the grounds for objection as to patentability issue.

Though there is not a statutory provision specifying the exhaustion of patent rights due to domestic sales of patented products, it has been supported as a natural premise since the Japanese patent law was drafted. It is clear that patent law aims, as provided in Article 1, to harmonize the protection of the inventor's interest and social and public interest such as development in industry. In this regard, the exhaustion of domestic patent rights due to domestic sales is exceedingly reasonable as a point of harmonization of inventor's interest and public interest.

Now that considering relevant foreign events to define the scope of a Japanese patent, is there an actual reason for which such harmonization should be made? If the patent holder is free to price its patented goods on a sale although in a foreign market to compensate for the disclosure of its invention, he would be guaranteed opportunities to be compensated for such disclosure, where circumstances of interest would not differ from that of domestic exhaustion. That is to say, in view of the substantial basis of domestic exhaustion doctrine, i.e., guarantee the patent holder only once the opportunity to obtain compensation for the disclosure of his invention and thereby realize the harmonization with the development of industry, there is no particular difference whether the distribution was made at home or abroad. There can be found no reasonable grounds on which the patent holder should be awarded such opportunity one more time because of the mere fact that patented goods cut across national borders. This interpretation seems quite reasonable given the realities of Japan in which the highly-developed international economic transactions has been committed on a large scale.

When a court applies interpretation of patent law to the event for which a statutory provision lacks, it should find a solution to the dispute by examining the purpose of law and relevant rules, referring to the realities of Japanese economic transactions.

In this case, the patent holder owns German patent to the same invention and legitimately distributed alleged products A and B in Germany. And since it is clear that he has guaranteed to be compensated for the disclosure of his invention, alleged Japanese patent rights to the goods were recognized to be exhausted by the fact of legitimate sales in Germany.

If, however, the patent holder's opportunity for compensation, i.e. ability to set the price freely, is limited by law, such as by price control or by imposition of compulsory licensing, such actual grounds mentioned above that support the exhaustion of patent right may be lost. In such cases, the propriety of parallel imports cannot be determined uniformly.

As to the patent holder's assertion regarding licensing, whether to introduce new technology through licensing depends on an interplay of such factors as the value of the technology, competing technologies, the availability of substitutes, and production costs through licensing. Besides, so far as parallel imports deal with the patented goods that have once legitimately distributed abroad, obviously there is certain limit to the quantity and price of goods. Therefore, parallel imports of patented goods cannot be considered to be a major cause for weakening the motivation of licensing or impeding emergence of variety of technologies. Furthermore, though it is well known that parallel imports of patented goods have been carried out in Japan for many years, there is no evidence that parallel imports have caused what patent holder asserted.

Although legal attitude toward parallel import varies by county, and the international consensus has not been established in this respect, such facts do not influence the determination whether or not parallel imports constitute patent infringement under Japanese patent law.

4) Judgment

Alleged patent right to goods A and B is recognized as exhausted by appellee's legitimate sales in Germany. Appellee's claim for injunction and damages based on alleged patent is thus dismissed.

3. Conclusion

The appellate court judgment in BBS Aluminum Hubcaps case permitted parallel imports of patented goods for the first time in Japan. Delivered in March of this year, it has been only briefly reported abroad, and even in Japan, there are few written annotations, except for intellectual property-specialized newsletters which reported the contents of judgment to certain extent.

Under such circumstances, our study started with the aim to grasp and introduce the contents precisely to PIPA members, referring to the precedent decisions involving parallel imports of patented goods and some published annotations. At present, the case was appealed to the Supreme Court (Neo-No.516 of 1995), which means the case has not been finalized at High Court, and calls for further arguments in Japan, making objective evaluation difficult. Therefore, we conclude this report introducing part of the arguments and underlying backgrounds of the case.

3-1. The Effect of High Court Decision

On and after a few days the High Court decision was delivered, many national and financial papers reported the news taking relatively large space for intellectual property-related news. It was accepted with surprise especially because the decision reversed precedents in Japan or differed from what has been normally recognized as international standard of decision as to such an important issue.

Before referring to the High Court decision, let us review the history. The first case regarding parallel import of patented goods ("Bowling Pins Installing Device" case, 1969, Osaka District Court) was the only finalized decision and still has the res judicata. That is to say, by referring to this decision, one can request to the customs for confiscation of parallel imported goods, which the customs shall accept and implement. Parallel importer may file suit for an opposition against such injunction. One of such cases ("Nordica Ski" case) is now pending and decision is awaited.

After the "Bowling Pin" case, parallel imports have been commonly existed and legal decision had not been brought for a long time, except for some cases related with trademarks, until "BBS Aluminum Hubcaps," which was filed before Tokyo District Court in 1992 and decided in 1994. Meanwhile, Japanese economy and industry has significantly developed, and commercial transactions become more and more internationalized. Lacking in actual cases, on the other hand, some opinions that allows extension of exhaustion doctrine to international transactions and thereby, as a matter of theory, support parallel imports of patented goods have been seen.

The trial court decision of "BBS Aluminum Hubcaps" case was delivered in 1994, ruling that parallel imports of patented goods constitute infringement, as that of 1969. The grounds were, however, different. In contrast with the "Bowling Pin" case in which the court found application of exhaustion doctrine to international transactions inappropriate, based on the principle of patent independence or territoriality of patent rights provided in the Paris Convention, the trial court in "BBS Aluminum Hubcaps" case found such extension inappropriate in view of the interpretation and application of Japanese patent law regarding the enforceability of Japanese patent rights to the goods legitimately sold abroad, where corresponding patent right as to the same invention exists. Until the High Court decision, relatively many opinions supported parallel imports, i.e., criticized district court decision, which, however resulted in a tone that the findings were reasonable in accordance with the current interpretation of law. The details of these annotations are listed in Part 4 (Bibliography).

Then the High Court decision permitting parallel imports of patented goods came out in March, 1995. Though it cannot be said that enough amount of annotations have been published, there are plenty of arguments both for and against the decision.

Those who support the decision argues on the grounds that the purpose of patent law, i.e., to contribute to the development of industry by harmonizing the interests of patent owner and user of patented goods, is attained once the patent owner is provided with the opportunity to be compensated for the

disclosure of his invention, on condition that alleged parallel imports relate to the patented goods for which patent rights to the same invention exist and that the patent owner can price its patented goods, at his disposal, for the first sale. However, mere extension of exhaustion doctrine of patent rights to international transactions was denied in the High Court decision. Thus, even with qualifications, its actual approval of such extension fails to convince everyone, leaving controversy. Some argues that they support the conclusion but the logical reasoning to lead such conclusion.

Those who do not support the decision argues that they cannot agree as a matter of application and interpretation of law since enforcement of patent rights to import is denied by actual admission of application of international exhaustion doctrine. In this regard, some argues that other grounds, for instance, such as violation of anti-competition law could have been applied to bar plaintiff's enforcement of rights.

Furthermore, some concerned, as a practical issue, about the negative influence to international economic transactions, and approval of parallel imports of patented goods may promote that of non-patented goods. Especially in the case that the patent owner is Japanese, some manufacturers worry that parallel imports may promote, against its expectation, an influx into Japan of cheaper goods manufactured and sold abroad on its own. As a whole, the key basis of the objections was that all those factors as enforcing patent right obtained in a country, dividing the market by patent rights and controlling the price in each market, are natural rights conferred from each country's patents to the patentee.

3-2. The Underlying Background of BBS Aluminum Case

In this connection, we hereunder refer to the background of the case.

BBS Kraftfahtzeug Technik A.G. had filed trademark infringement case before Nagoya District Court to bar parallel imports of aluminum automobile hubcaps in vain. BBS also owns figurative trademark to mesh aluminum hubcaps. With respect to both trademarks, actions for nullification had been filed by potential infringer, other than Auto Products K.K. and Lacimex

Japan K.K., for fear that BBS might claim injunction against its products. These actions were dismissed as without merits. The company, however, appealed and recently won the case.

Given the fact that such actual trademark-related disputes existed, the aluminum hubcaps in issue appear to be quite a brand name product. In fact, these patented goods in issue are equipped with the body of BMW car products and thus this case can be partly described as a dispute over brand name goods, apart from the relationship with such issues as patentable technology and price difference.

In this case, furthermore, plaintiff intended to enforce its patent rights excessively in that it claimed for damages from parallel importer and retailer respectively who are substantially same entity, and that it did not accept defendant's offer to pay licensing fees, persisting with the prohibition of whole tradings. Those factors might have influenced Judge's impression.

3-3. At the End

According to the appellate court decision, parallel imports of patented goods are permitted only on condition that patent rights to the imported goods exist both in the country where they are sold for the first time and in the country where they are imported, and that the patent owner is free to price its patented goods at the first sale. To judge the appropriateness of the decision, however, as well as the arguments thereof as shown above, we have to wait for the Supreme Court decision.

This case concerns the application of international exhaustion doctrine under specific conditions of patent rights which relates to the parallel imports of patented goods. In this regard, the Supreme Court decision, by interpreting and applying the current law, will attract great attention. Furthermore, the Nordica case, which involves different conditions for parallel imports of patented goods, should be also noteworthy.

4. Bibliography

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Tokyo High Court, Ne-No.3272, 1994
(Trial Court: Tokyo District Court, Wa-No. 16565, 1992)

[2] Full Text of Judgment (and "Hanrei-jihou; No. 1501," pp. 69-78)
Tokyo District Court, Wa-No. 16565, 1992

[3] Masayuki Koiwai (Sumio Takeuchi General Law Office), "Parallel Imports of Patented Aluminum Hubcaps Case, Tokyo District Court, Wa-No. 16565, 07/22/94)," CIPIC Journal, vol. 33, pp. 36-45
Contents:
Annotation of trial court decision, discussing the appropriateness of international exhaustion doctrine of patent rights in comparison with precedent Osaka District Court decision. Given the fact that domestic exhaustion of paten rights is permitted under interpretation of Japanese patent law, this article examines whether or not international exhaustion is also permissible under interpretation of Japanese patent law. That is, it concluded that, as compared with the Osaka decision which denied international exhaustion based on the independence of patent right by country, in this case, the court denied, by examining whether or not international exhaustion is applicable under interpretation of Japanese patent law, on following grounds; that domestic exhaustion is permitted to prevent reduction of competition in the market, that international exhaustion was not recognized at the time it was drafted, that its influence to market is unknown, and that international exhaustion is not recognized as accepted in the international society. The author is attorney to the plaintiff.

[4] Nobuhiro Nakayama (Prof. Tokyo Univ.), Kazunori Ishiguro (Prof. Tokyo Univ.), and Masahiro Murakami (Prof. Yokohama State Univ.), "Discussion: Parallel Imports of Patented Goods - With BBS Case As a Turning

Point -," Jurist No. 1064, pp.31-44
Contents:

Prof. Ishiguro at international private law and international economic law, Prof. Nakayama at intellectual property law, and Prof. Murakami at economic law. Discussion on the appropriateness of parallel imports of patented goods and of international exhaustion doctrine, commenting mainly on the trial court decision in BBS case. (It's published at the time of High Court decision but did not refer to it.)

They concluded that parallel imports should be found legal as a matter of interpretation of patent law, through examining such various issues as principle of patent independence by country, parallel imports and its economic effect (further detailed topics were set: dividing international market and monopoly through licensing, dividing international market and development in technology, relationship with trademark goods, incentive to international licensing, transitional period toward dissolving international price difference, dividing international market and parallel imports, and parent rights and trademark).

[5] Yoshiyuki Tamura (Assistant Prof. Hokkaido Univ.), "Parallel Imports and Intellectual Property," Jurist, No. 1064, pp. 45-55
Contents:

With respect to parallel imports and intellectual property, the author examines such items as points in issue, relationship with principle of patent independence, patent right, copyright, trademark, anti-competition law. As to patent right, based on the view that application of international exhaustion to parallel imports unreasonable, the author examined such theories that claim for injunction against imports and sales may be patent misuse because a patent relates to such a small part of overall goods, and that removing competition among same brandname goods of its own or authorized traders shall be misuse of right.

[6] Naoki Koizumi (Assistant Prof. Kobe Univ.), "Economy and Law concerning Parallel Imports, -Concerning Tokyo District Court Decisions of July 1, 1994 and July 22, 1994)," NBL, No. 563, pp. 13-18; No. 565, pp. 28-33; No. 567, pp. 31-37

Contents:

Introducing trial and appellate court decisions in "BBS Aluminum Hubcaps," and "101 Dalmatians" decision, the author variously examines from the standpoint of both right holder and parallel importers. Supporting domestic exhaustion, he reasoned that international exhaustion was permitted because at the time of such active international economic transactions, the place of distribution does not have significant meaning, noting that patent holder is guaranteed the security for trading the patented goods and that the opportunity to be compensated for the disclosure of his invention should be once, in the case that the multilateral patent rights to the same invention are owned by same person.

[7] Saburo Kuwata (Prof. emeritus Chuo Univ.), "Decisions at Trial-Infringement of Domestic Patent by Parallel Imports of Foreign Patented Goods," Jurist, No. 1065, pp. 80-82

Contents:

With respect to the trial court decision of BBS case, the author explained the background, the summary of decision, mainly criticizing the decisions of Bowling Pin case and BBS case. Bibliography of parallel imports as a matter of law in some countries is attached.

[8] Haruo Goto, Lecture on the Paris Convention, Japan Institute of Invention and Innovation, pp. 181-184

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The author explains about the decision in "Bowling Pin" case (Osaka District Court, Wa-No. 3460 of 1968, 6/9/69).

[9] Hidetaka Aizawa (Lecturer, Tsukuba Univ.), "Patent and Parallel Imports," AIPPI, vol. 32, No. 6, 1987, pp.333-336

Contents:

Referring to the "Bowling Pin" case as the only decision, the author claims that it has been recognized in Japan that patent rights can be enforced in the imported country against parallel imports of patented goods. Briefly explained the grounds of pros and cons, and middle positions to such enforcement of rights.

[10] David Gladwell (Barrister to Chancellor), "Exhaustion of Intellectual Property," AIPPI, vol. 32, No. 5, 1987, pp. 275-283

Contents:

Discussed to what extent Britain had established the exhaustion doctrine that had been developed in German jurisprudence. In the case law peculiar to Britain, the author tried to draw out the generalization from the precedent decisions regarding exhaustion.

[11] Ed. by Ladas & Parry, "Outline of United States Trade Laws (II)," AIPPI, vol. 31, No. 6, 1986, pp. 385-394

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Patented goods that were parallel imported was sometimes called as gray market goods. In concrete, such goods that were manufactured or sold in a country other than the U.S. by those given a license from the U.S. patent, trademark or copyright holder. Introduces notable cases in each trademark, copyright, and patent. As to patent, explained briefly three cases that concluded that patent rights would not be exhausted; Boesch v. Graff; Griffin v. Keystone Mushroom Farms; Sanofi S.A. v. Med-Tech Veterinarian Products, Inc.

[12] Wolfgang Seeger (European and German Patent Attorney), "Problems Accompanied with Enforcement of Patent Rights in Europe," AIPPI, vol. 32, No. 4, 1987, pp. 202-209

Contents:

Based on the text used in the seminar regarding West Germany Patent Law Practice, held by AIPPI Japan, in December, 1986. It specifies the view to exhaustion of patent rights in EC market.

[13] Saburo Kuwata (Prof. Chuo Univ.), "Patent Right Exhausts Multilaterally? - The Point at Disputes in

Parallel Patent Case -," AIPPI, vol. 20, No. 4, 1975, pp. 140-153

Contents:

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[14] Ed. by 2nd Subcommittee of Trademark Committee, Japan Patent Association, "The Supreme Court Decisions on Parallel Import of Gray Market Goods," Tokkyo Kanri, vol. 38, No.10, 1988, pp. 1341-1345

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In the U.S., though parallel imports of gray market goods are prohibited by Customs Law, Customs Rules admit exceptions, which caused confusion in the court, delivering contradicting decisions in the cases which dispute whether or not the rules violated the law. The Supreme Court decision of May 31, 1988, ruled that part of Rule 133.21 violated but mostly consistent with Customs Law Art. 526, putting an end to the dispute. This article is the history and comments of the disputes.

[15] Yoshitsugu Harima (Prof. at Law, Kinki Univ.), "Trademark Infringement and Cause for Not Finding Violation of Anti-Competition Law and Parallel Imports as Illegal," Case Law and Practice Series, No. 100, Tokkyo Kanri, vol. 35, No. 7, 1985, pp. 783-792

Contents:

The author put questions and reviewed the decision in a trademark case (Tokyo District Court, Wa-No.8489 of 1979, 12/7/84), which rejected claim for injunction, reasoning that the parallel imported goods have the same origin with the authorizedly imported goods, and do not confuse the consumers in quality or origin, thus without merits. The decision went with that of NESCAFE case and PARKER case.

[16] Ed. by 1st Subcommittee of License Committee, Japan Patent Association, "The Limit to Enforce Patent Rights to Parallel Importing Goods in EC market: Merck v. Stephar, EC Court of Justice, 7/14/81)," Study of Patent/Anti-Competition Law 1, Tokkyo Kanri, vol. 34, No. 4, 1984,

pp.445-447
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The case in issue relates to the exhaustion of patent rights in EC. The patent holder sold its patented drug in Italy, a Member country where drug was not patentable. The drug were parallel imports. The court ruled that enforcement of patent rights in such case shall violate the EC rule providing free movement of goods.

[17] Tatsunori Sibuya (Prof. at Law, Tokyo Metropolitan Univ.), "Parallel Imports of Patented Goods," Tokkyo News, November 9 and 14, 1994
Contents:

Nordica, an Italian major ski boots maker, claimed for injunction of parallel imports of its latest model to Tokyo Customs Service, which accepted it and confiscated the goods as of September 7, 1994. Introducing the trial court decision in BBS case, the author explains the relationship with principle of patent independence and grounds of admitting international exhaustion doctrine (prevention of double profits, the customized fact, and standpoint emerging on new law) and analyzed from various points of view.

[18] Ed. by Software Committee of 1994 Japan Patent Attorneys Association (Hitoshi Otaki; Hideyo Sato; and Shinichi Abe), "Patent," vol. 48, No. 6, 1995, pp. 62-70
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is, the controlling status of alleged goods in domestic market).

[19] Shusaku Yamamoto (Shusaku Yamamoto Patent Law Offices), "CASE NOTES: JAPAN: Parallel Imports Do Not Constitute Patent Infringement," IP Asia, No. 4, May 1995, pp. 29-33
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[20] Harold C. Wegner (Prof. at Law; Director of the Intellectual Property Law Program), "JAPAN VIOLATION OF PATENT TRADE PRINCIPLES - Impact, Consequences and Dealing with the Decision Permitting Patent Parallel Imports into Japan-," Dinwoodey Center White Paper, April 28, 1995
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Thesis by Dr.Wegner, the authority of this field, offered by one of the members of PIPA study group, Mr.Koyama. Not referring to the detail of the decision and its logical development, it noted the damages presumably caused by the parallel imports, supposed to be a strong objection.

[21] Saburo Kuwata (Prof. emeritus, Chuo Univ.), "Parallel Imports of Patented Goods - Approving Decision by Tokyo High Court -," AIPPI, vol. 40, No. 6, 1995, pp. 362-375
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Praised the decision which accorded with his own assertion for a longtime, as landmarking. Introduction - How landmarking, 1. Comments on Trial Court decision, 2. Comments on Appellate Court decision, 3. International Exhaustion Doctrine as "Compensation Doctrine," 4. Overall Examination, and Postscript - Japanese term for exhaustion

[22] Ed. by BNA, "JAPANESE APPELLATE COURT PERMITS PARALLEL IMPORTS OF PATENTED GOODS," BNA's PATENT, TRADEMARK & COPYRIGHT JOURNAL, vol. 49, No. 1225, April 20, 1995
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The English newsletter briefly reported the appellate court decision. Referring to a comment from Mr.Ishigaki, an official in the Japanese Patent Office's international affairs department as "At present, we cannot say whether we are in favor of parallel imports," it explains that this case may influence certain businesses in that it reversed precedent case law shown in Brunswick Corp. v. Orion Kogyo K.K. (1969, so-called Bowling Pin case), that ruled parallel imports constitute patent infringement. Furthermore, it introduced a comment from Mr.James Hughes, international liaison for S.Soga and Co. (also chairman of the intellectual property committee of the American Chamber of Commerce), "once it is sold, the person who bought the product should be able to do anything they want with it. However, people pay a lot for exclusive licenses. That cost in turn shows in the price they charge their customers. After the decision, parallel importers will be free to sell the product at discount prices because they do not have to pay the licensing fees, or the marketing and advertising fees. The authorized dealerships will be the hardest hit, if the ruling stands at the Supreme Court."

According to the PTCJ research, recent U.S. decisions on parallel import have primarily concerned trademark and copyright interests, and as for patent cases involving parallel imports, U.S. courts have refused to apply the international exhaustion doctrine.

[23] Tetsuro Ikuta and Hideo Nakoshi, "Intellectual Property Case News: High Court Decision Which Admitted Application of International Exhaustion Doctrine for the First Time and Found That Parallel Imports Do Not Constitute Patent Infringement," Invention, vol. 92, No. 7, 1995, pp. 60-61

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Brief explanation of the case, commenting shortly that the decision may be appropriate and widely accepted to reflect the current realities of international transactions, showing interests in such cases that the

detailed situations of the latest case are not necessarily applied.

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Yuasa Corporate Legal News, No.14, pp.2-3

Table: Decisions on Parallel Imports of Patented Goods

1. "Bowling Pin Installing Device" Case

Viewpoint	Assertion of Plaintiff (Patent Owner)	Assertion of Defendant (Parallel Importer)	Decision of the Court
1. Legal Theory 1) Extended (International) Exhaustion Doctrine 2) Domestic Exhaustion Doctrine 3) Principle of Patent Independence by Country 4) Independence of Japanese Patent 5) Parallel Imports of Patented Products Legitimately Sold	1) 3) In accordance with the principle of patent independence by the country where a patent is obtained, this case is a patent infringement. 5) Such parallel imports constitute patent infringement	1) 2) Due to the exhaustion of Australian patent, the plaintiff's rights to the products had been exhausted, thereby bars it to pursue the injunction in Japan. 5) Such parallel imports do not constitute patent infringement.	1) 3) The principle of patent independence by country (Paris Convention, Art. 4bis) was reaffirmed. 2) By the legitimate sale of patented goods, the patent owner's further rights to the goods are exhausted. 5) Parallel imports of patented goods constitute patent infringement.
2. Balance of Industrial Development and Public Interest 1) International Market and Licensing 2) Industrial and Technical Development 3) International Price Difference and Dissolution Thereof		1) 2) If one can collect license fees for multilateral patent rights in each country, that could award the patentee double advantage, which is unreasonable. Furthermore, that may significantly impede the safety of trade and free trade.	1) 2) It is not to award double advantage, for, under current patent laws, each country imposes certain fee to obtain a patent. Essentially, a patent system has certain aspects to restrict the free trade, which is not a peculiar issue to the international patent law.
3. International Harmonization			Though the exhaustion doctrine is sometimes extended to the international exhaustion (doctorine) in a trademark case, it cannot be applied to a patent case.
Judgment	Parallel imports of patented goods constitute patent infringement, and the assertion of the plaintiff was held.		

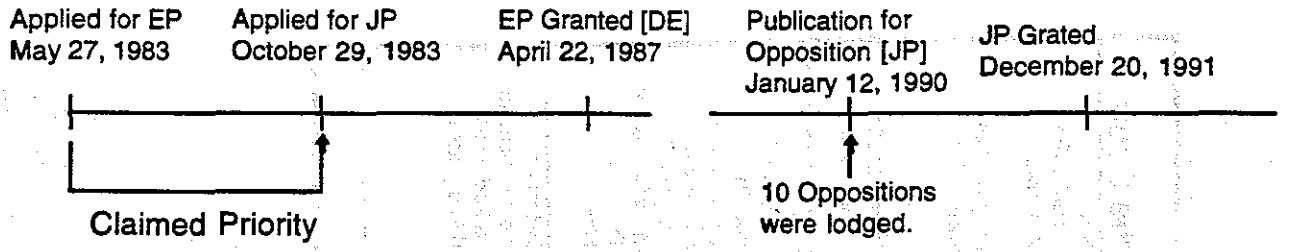
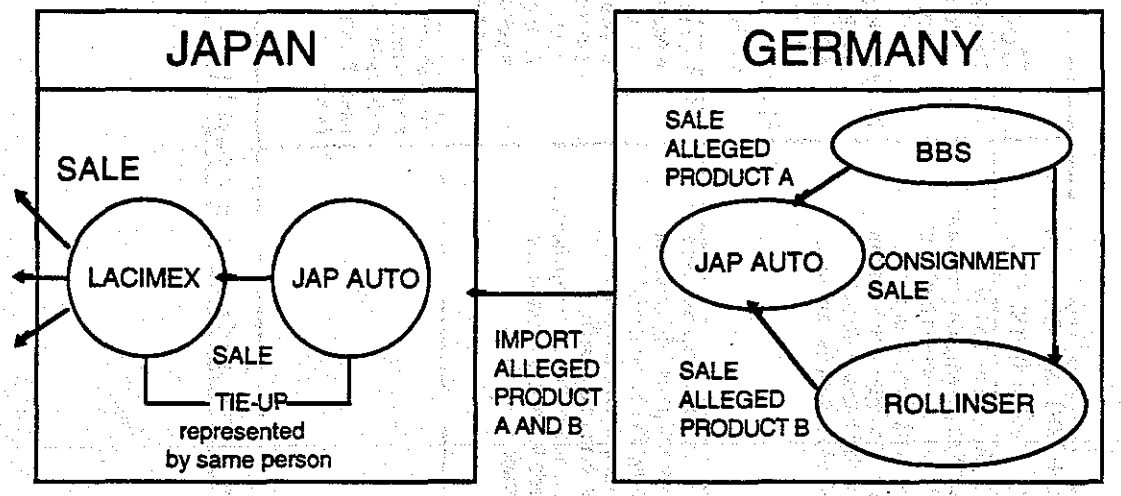
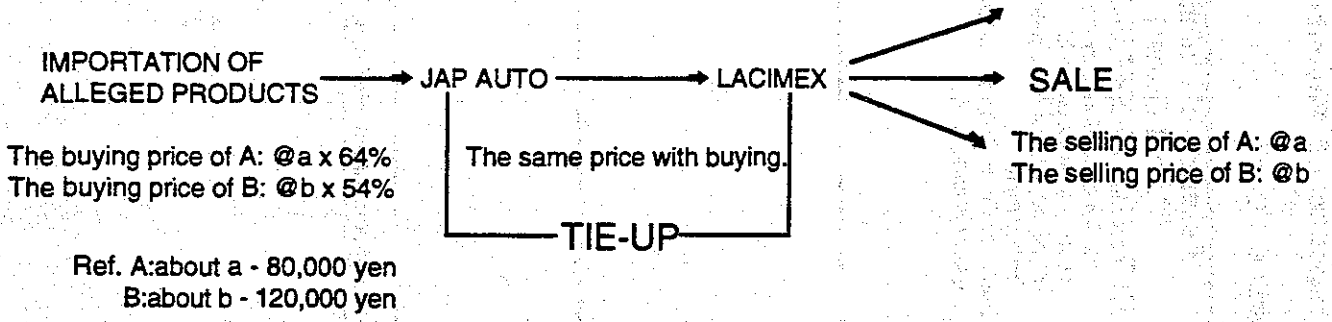


Figure 1: `Aluminum Hubcaps` Case
History of Alleged



Defendant/appelant Lacimex had sold alleged products until August, 1992. BBS, however, filed suit alleging that there still remained the possibility that Lacimex would re-start the importation and sale.

Figure 2: `Aluminum Hubcaps` Case
The Outline of the Case



Selling price as to Lacimex, @a x number of product A x 10% +
@b x number of product B x 10%
Buying price as to JAP AUTO, @a x 64% x number of product A x 10% +
@b x 54% x number of product B x 10%
Because of the complicity in illegal act, they were obliged to pay collectively.

Figure 3: `Aluminum Hubcaps` Case
The Estimation of Damages

2. "Aluminum Hubcaps" Case

Viewpoint	Assertion of Patent Owner	Assertion of Parallel Importers	Decision of District Court	Decision of High Court
1. Legal Theory 1) Extended (International) Exhaustion Doctrine 2) Domestic Exhaustion Doctrine 3) Principle of Patent Independence by Country 4) Independence of Japanese Patent 5) Parallel Imports of Products Legitimately Sold	1) It contradicts with the principle of patent independence by country, and thus inappropriate. 3) This is the grounds by which the extension of exhaustion doctrine is barred. 4) Patent rights belong solely to the country where they are obtained, and are governed by the national law. 5) Since the exhaustion doctrine cannot be extended to international transactions, this case is without doubt a patent infringement.	3) Parallel import may not impede protection of invention and its use. 5) If this case is a patent infringement, it may award the patent owner excessive benefit such as double advantage. In Japan, it is legally established in the history that patent owners does not enforce its rights against parallel imports.	1) It is each country's disposal whether or not apply the extension of exhaustion doctrine to international transactions. 2) It has been commonly recognized since the time Japanese patent law was drafted. 3) Article 4bis of the Paris Convention provides the independence of existence or forfeiture of a patent itself, not that of conferred rights, such as whether or not one can pursue its to working goods, that are not directly concerned with the existence or validity of the patent.	1) It contradicts with the principle of patent independence by territory, and cannot be applied in general. 2) It has been supported as a natural premise since the time Japanese patent law was drafted. It is appropriate if applied in light of proper harmonization of the inventor's interests and social and public interests. 4) The rights conferred from a patent granted under Japanese patent law should be construed by the Japanese patent law. Whether or not, therefore, the existence of a foreign patent should be taken into consideration to determine the scope of a Japanese patent should be construed by the Japanese patent law. 5) The underlying concept of domestic exhaustion doctrine cannot be changed by the place, in Japan or abroad, where the legitimate sale was taken place. No reasonable grounds on which, by the mere fact that the patented goods cross the border, a patent owner should be awarded compensation one more time, for the disclosure of its invention.
2. Balance of Industrial Development and Public Interest 1) International Market and Licensing 2) Industrial and Technical Development 3) International Price Difference and Dissolution Thereof	1) The licensing fee is determined by the national market standard, which import is not taken into consideration, thus impair the benefit of patent owner. By barring parallel imports, one can properly invest depending on the feature of the market, and be more motivated to license its patented technology. 3) Parallel imports may tentatively contribute to cut the price. In the long run, however, by the gradual rise of the licensing fee, major company will monopolize the market and thus promote the international price difference.	2) Parallel imports in this case will benefit the consumer, not disadvantage them. To eliminate the barrier lying between countries is the trend of global economy. 3) In Japan, high price policy established by those as patent owners caused great international difference. Parallel imports will open the way for more variety of distribution route, which will cause active competition of price in domestic market, and thus diminish the international price difference.	2) There is not enough data to determine what parallel imports may bring, especially to the Japanese industry both in the long and short period. Accordingly, it cannot be said, at this moment, that parallel imports do comply with the purpose of the patent law.	1) Whether to introduce new technology through licensing depends on an interplay of such factors as the value of the technology, competing technologies, the availability of substitutes, and production costs at the time. 2) There is limitation of quantity and price in parallel imports, and it cannot be recognized as the main factor to impede the introduction of variety of technologies.

3. International Harmonization			There is not a internationally unified stance on whether or not parallel imports constitute patent infringement. It is rather predominant, however, that they do.	Lack of internationally unified view regarding parallel imports does not give any influence on whether or not the parallel imports of patent products constitute patent infringement in Japan.
Judgment			The extension of exhaustion doctrine to the international transactions is not recognized as the common understanding at the time the law was drafted and cannot say that it accords with the purpose of law. Accordingly, under current Japanese law, this case is held as patent infringement.	It is appropriate to be understood that the patent right in issue was exhausted at the time the patented goods were legitimately sold in Germany, based on which the patent owner cannot claim for the injunction and damages.

4-3A

(1) Title : **Generating Value From Patenting**

(2) Date : October,1995

(3) Source :

(4) Author : Peter C. Bawden

(5) Keywords : Patent Strategies, Global Patenting, Patent Value

(6) Statutory provisions: None

(7) Abstract :

This report discusses ingredients for development and exploitation of patent portfolios of global scope which can provide high value to a company's commercial business. It includes analysis of how to obtain value, patent strategy components, effective patent team partnerships and global portfolio management.

GENERATING VALUE FROM PATENTING

Contents

GENERATING VALUE FROM PATENTING

1.0 Introduction

This paper is not concerned with scientific research or inventing but is concerned with the productive patenting of inventions once made.

A company's recognition of technology as a competitive advantage has brought with it an understanding of the strategic importance of protecting technology. This, in turn has led to a strategic approach to patenting to enhance the prospects of developing assets of real commercial value.

Whilst a successful global patenting and enforcement programme can be extremely valuable it requires considerable resources and careful management. Attorney time (whether in house or outside counsel), document translation and the various patent office fees in the development of the portfolio are all expensive and the consequences of litigation particularly multi-jurisdictorial are extensive.

Given the commercial success rate of research activity it is vital that patenting activity be conducted in a manner that:

- Provides the best chance of spotting the winners.
- Gives protection for the winners which secures a competitive advantage.

2.1 How is Value Secured

Value may be secured from patent protection in many ways.

The patent may be respected and a competitor stays away, here value is difficult to assess since the competitor may be respecting the patent or may be doing something different in which case the patent is of no effect.

If, however, patents are not respected, then value must be secured by enforcement. This may involve negotiation which can result in the infringer changing his activities or securing the rights he requires under the patent in return for some consideration or by litigation through the courts. Occasionally the infringer may withdraw from the market.

Value may be secured by negotiation of a license may be part of a larger technology license and involve cross licensing to remove impediments. Licensing may be an important part in the introduction of technology to emerging countries frequently through joint ventures where the provision of patented technology may be the contribution of the foreign partner.

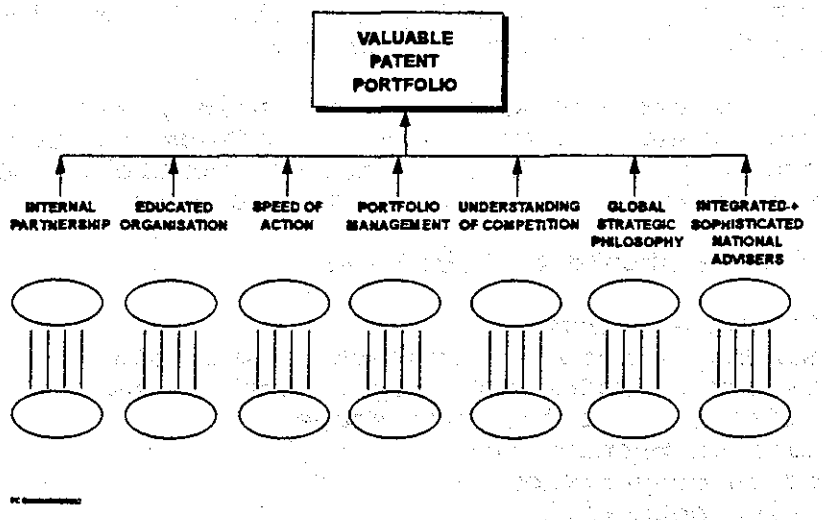
2.2 How Does One Get Value?

How can we develop the assets that enable these options to be realised?

Whilst there are many ingredients to increase the likelihood of development of a patent portfolio of real commercial value the seven most important are:

- An organisation well educated in Intellectual Property.
- A true partnership between the scientists, those concerned with commercial activity and the patent attorney.
- A global strategic approach.
- A deep knowledge of the business including the activities of ones competitors.
- Continuing knowledgeable management of the evolving patent portfolio.
- A global network of sound and sophisticated national advisers at Patent Office and Court Level.
- Speed.

FIGURE 1



2.3 Education

The importance of the education of the technical, commercial and legal communities in Intellectual Property cannot be over stated.

If the scientific and commercial community do not understand the concept of patentability, infringement or the associated administrative and enforcement processes they are not equipped to make meaningful decisions and contribute to the patenting activity and the prospect of securing valuable patents is diminished. Equally the Patent Attorney must understand the Business, its long and short term goals and the associated technology.

Scientists, Business Managers and Attorneys are busy people with little time to attend or to conduct education programmes, accordingly education must be brief, interesting and to the point.

2.4 The Partnership

What does this mean?

The increased emphasis on the commercial importance of the patent portfolio and the importance of understanding any commercial risks associated with patent infringement means that the commercial community should own and manage their assets and risks. To do so they must be advised and supported by the scientists and the patent lawyers.

Patent Asset teams (committees) are therefore charged with the responsibility of bringing together technology, commerce and the law in a particular business area. These teams develop and operate a patent strategy appropriate to their business with the dual aims of developing a commercially valuable global patent portfolio and ensuring proper consideration of any infringement risks.

Once the strategy is developed, the teams have the responsibility for its implementation by:

- Making appropriate decisions on patenting, maintenance of patents and trade secrets, timely defence of oppositions and maintaining an effective patent portfolio which is respected both within and outside the company.

- These decisions should be based on:

    - The Patent Strategy
    - Assessment of Scope of Protection Available
    - Assessment of Enforceability of such scope
    - Potential returns for such scope
    - Duration of protection
    - Impact on competition
    - Licensing potential
    - Associated costs

- Identification of issues which require infringement risk assessment and ensuring the assessment is made.

- Identifying patents of third parties where opposition consideration is warranted and deciding whether oppositions should be filed.

2.5 Patent Strategy

What Is Patent Strategy?

Strategy is a term that is frequently used perhaps without a proper understanding of what is meant.

Does it mean:

"We patent everything we do and make sure that we don't infringe others' patents"?

Our view is No! This as an extremely unsophisticated and costly approach likely to lead to an uncoordinated portfolio of many patents with marginal commercial value and has little prospect for yielding a patent portfolio of real commercial value.

Parallels may be drawn to the military context where **Strategy** is the art of projecting and directing the larger **infantry** movements in operations of a campaign to achieve a **Target.**

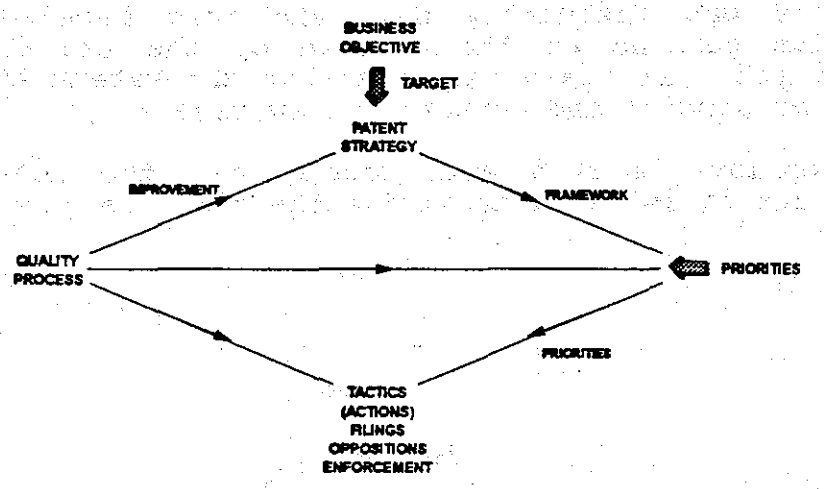
The **Tactics** belong only to the mechanical movement of bodies set in motion by the strategy.

This can be readily translated into a good understanding of patent strategy.

Firstly, the target which the strategy is designed to support should be determined by business objectives. Once these objectives are established the patent strategy is the principles or policies of applying global patent systems and laws to attain the target.

The tactics are then the procedures used to deploy the resources such as the filing of patents, where and of what scope, oppositions to third party patents and defence of oppositions, and the associated patent enforcement.

FIGURE 2
How Does Patent Strategy Work



So what is the strategic approach?

"The rapid establishment of a cost effective commercially valuable global patent portfolio based on fully patenting our technology, with a view to securing competitive advantage and an emphasis on patent enforcement, coupled with timely and appropriate assessment of infringement".

What does this mean?

"Commercially valuable."

The asset must have an impact in the market place which derives some commercial benefit to the patentholder.

"Fully patenting to . . . securing competitive advantage"

This goes a long way beyond the concept of patenting what we do. We must anticipate how competitors may incorporate our innovations into their operations. Success requires creativity to take the work of the scientist and develop patents which provide the opportunity to prevent our competitors adapting our technology.

The patent attorney must be creative, commercially minded and knowledgeable of the Business including the activities, of the company and its competitors.

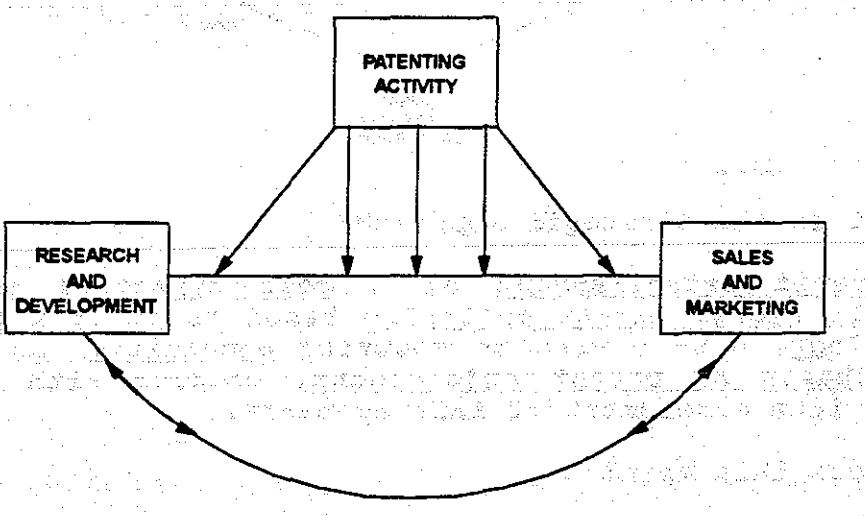
"Patent enforcement."

The task is only half completed once a patent is granted and we must work just as hard to ensure that whatever commercial value it may have is realised. This requires informed management of the asset once granted based on an appreciation of its scope and with a constant eye on the competitors.

This emphasis brings major challenges in patent work. It introduces the importance of understanding competitive activity. It may also require strengthening the link between the Patent activity and the commercial or marketing departments who frequently have the best knowledge of the competition perhaps at the expense of the traditional link with research. It again requires that the Patent Attorney has a strong commercial and competitive awareness.

The appropriate balance will depend upon the nature of the Business but it is vital to strike the right balance.

FIGURE 3



Establishing this balance and the implementation of an effective Patent Strategy can bring tensions in an organisation where the Patent Department has traditionally been closely associated with the Research Department since it can result in "good" inventions not being patented since the patent itself could have little value. This can be disappointing and frustrating for inventors.

The Contributions Needed

What are the contributions required from each discipline in this effective partnership of law, technology and the business?

Where should the sense of "ownership lie.

Although it is not possible to totally separate the disciplines, the prime function of law and technology is to create a body of proprietary technology and to maintain a patent portfolio consistent with offensive goals.

A key is developing assets covering technology seen to be not only important to ones own business operations, but also perceived to be of potential value to competitors or licensees so that the patent asset will protect a competitive advantage or provide licensing income.

Here the scientist can ensure that the claims in patent applications are of appropriate scope to cover all commercially realistic ways of achieving the technical advantage which results from the work. The patent attorney can test the scientist on how the competitors might attempt to adapt his work and draft his claims accordingly.

On occasions, we have in the past realised, all too late, that our claims are unnecessarily narrow?

It is at this stage too, that a good partnership between law and technology can help in directing the research activity to produce laboratory data helpful in establishing the patent portfolio.

Law and technology can between them also establish processes for early recognition and documentation of new ideas for rapid assessment of patent filings.

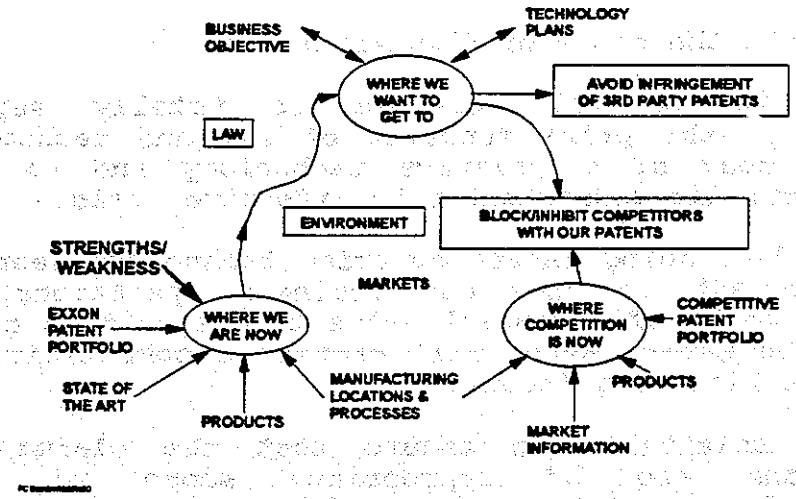
In addition, they can establish and implement processes for early recognition of competitive patent threats to ensure they are evaluated at the appropriate time to avoid wasted technical efforts in areas which might subsequently be blocked.

The business contribution is to supply knowledge of present and future marketing and technology (the company's and competition) including trends of market needs and technology practised. In addition they can bring knowledge of not only the company's own manufacturing and marketing locations, but those of competitors which is vital to ensure patents are filed and maintained in appropriate countries. Business and the law must come together in managing an established patent portfolio which includes identifying opportunities for enforcement.

Scoping Inventions

2.6 How is strategy developed?

FIGURE 4
Patent Strategy Development



Firstly, the target must be established, this requires bringing together business objectives and the associated technology plans.

Next we need to understand where we are coming from.

What is the existing patent portfolio?

What are the markets?

What are the products sold?

What is the current state of the art (documented and commercial activity)? More and more patentability is influenced by earlier commercial activity rather than literature.

But that is only half the picture.

The ultimate aim is to develop a patent portfolio which protects a competitive advantage and ensures that third party patents are taken into account.

Just as with our own activity we must understand where the competition is now and try to predict the direction in which it is going. Competitive surveys including patent surveys, market knowledge and an understanding of competitors products, markets and manufacturing locations are all important.

With this background assembled, we are able to move forward using global patent laws and systems to generate the assets which we hope will create the competitive advantage.

It is important that this continually evolving set of circumstances be constantly monitored and updated to be effective.

One critical aspect in the development of a commercially valuable patent portfolio is proper scoping of inventions when being considered for patentability to ensure that the most effective patent applications are filed.

In order to do so, it is important to break an invention into its different parts. Each part may be separately patentable and should be considered when assessing the prospects of obtaining valuable patent protection on the development. Here again the value of a commercially minded patent attorney who understands the business is apparent.

Having identified the opportunities for patenting and established some idea of the likely scope of protection, it is often valuable to test the scope of the proposed Patent claims through role-play as a third party infringer to assess how they might try to avoid the patent protection.

3.0 The Patent Portfolio

3.1 Writing the Patent Application To Secure Value

The aim of the patent application is

(1) to persuade Patent Offices around the world that the invention warrants a patent of commercially valuable scope and then

(2) to persuade courts and juries that the patent once granted is valid and infringed.

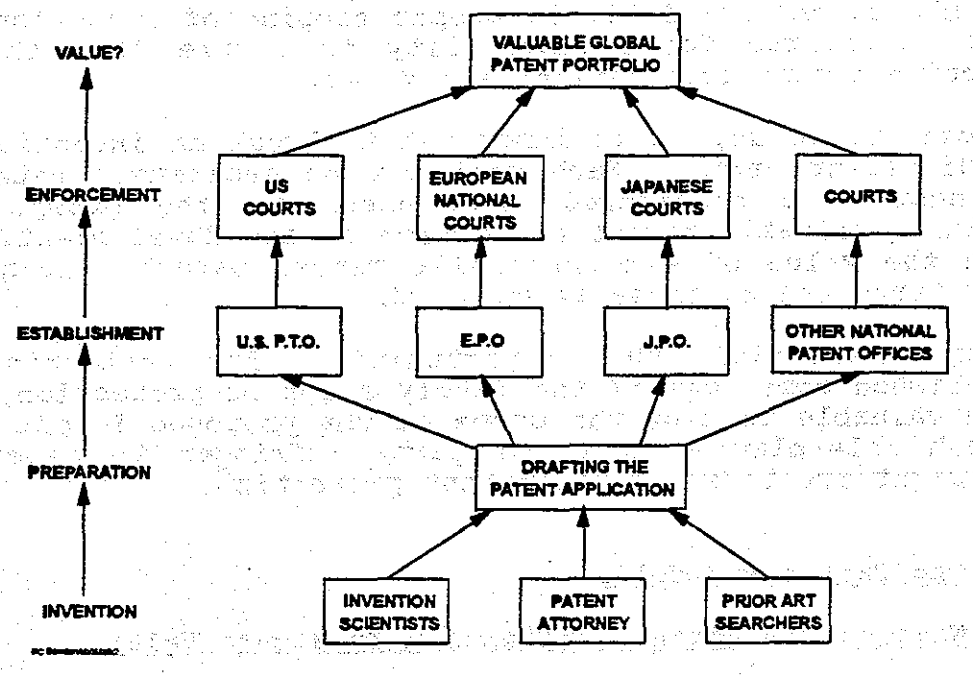
We find more and more that a commercially important patent portfolio has global significance. Increasingly we are simultaneously involved in adversarial activities in the United States, European and Japanese Patent Offices (and sometimes others) and as might be expected these activities can be accompanied by third party negotiations, licensing or litigation.

Great care is therefore needed in drafting the patent application to demonstrate patentability and be enforceable under the differing patent systems and laws around the world. In writing patents, it is therefore important to identify the features which will be most persuasive to the courts that the invention warrants patent protection.

3.2 Portfolio Development

It is also vital that from the outset a patent portfolio is prosecuted and managed with a global perspective to take into account different market needs (different competitors) and different patent systems and criteria for patentability to ensure that ones' position is optimised in each jurisdiction without jeopardising protection elsewhere.

FIGURE 5



This requires high quality national associates and careful management and co-ordination by the Law Department to ensure that appropriate skills are brought to bear in each phase of the evolution.

3.3 Portfolio Management

Effective management is also required to ensure the portfolio is respected and is cost effective.

This is **NOT** a simple task.

A successful enforcement policy requires bringing together a knowledge and understanding of the patent portfolio and the competitive activity. However, patents are invariably over 7 years old when any enforcement opportunity is recognised. Thus, given the time gap from the initial decisions concerning the patent filing and its preparation and prosecution, how can these requirements be brought together?

Regular portfolio reviews provide an ideal opportunity to determine the real commercial value of the portfolio and to identify enforcement opportunities. For this to be effective, however, the review meetings must have a strong commercial perspective and must not be mere technical reviews ensuring that our own commercial operations are reflected in our patent portfolio.

The business managers with the knowledge of the competition and long-term judgement must be responsible for maintenance decisions (including weeding out patents perceived to have little or no value) and identification of enforcement opportunities.

3.4 Cost Effective Patenting

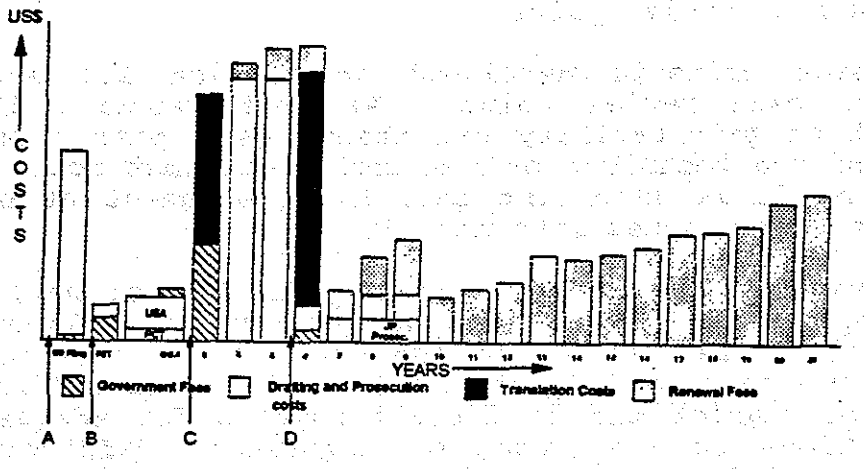
Patent activity requires a significant commitment of resources and like every other part of a business it is important that it be cost effective.

Whilst the patent strategy is used to ensure that the resources are committed to patent programs of potential value, the next stage is to make sure that the global patent systems are used in a cost effective way.

In some of its aspects the patenting process is similar to other business processes and within the patent process there are key stages and key points. Effective operation within the stages and informed decisions at the key points are vital for cost control and cost effective patenting activity.

FIGURE 6

Patent Procurement Costs



The total costs of patenting are difficult to determine in that they involve technical, legal and business costs which are incurred from the moment a patent proposal is written until the expiry of the patent many years later.

However, there are five main types of legal expenses.

Firstly, the cost of the searching to form an assessment of the scope of claim that is likely to be patentable.

Secondly, the lawyer time involved in the assessment of patentability, the discussions with the scientists to determine the true scope of the invention, time spent at meetings to make appropriate decisions and the time involved in the drafting and prosecution of the patent applications around the world.

Thirdly considerable external legal resources are required in the development of a patent around the world.

Fourthly, translations.

Finally there are patent office fees to be paid.

Although annual maintenance fees are by no means the most significant costs they are substantial and periodic reviews are important to ensure the money available is focused in important, strategic assets.

It is our view that, for a company who files widely the Patent Co-operation Treaty has significant benefits.

The chart Figure 6 identifies the key review points.

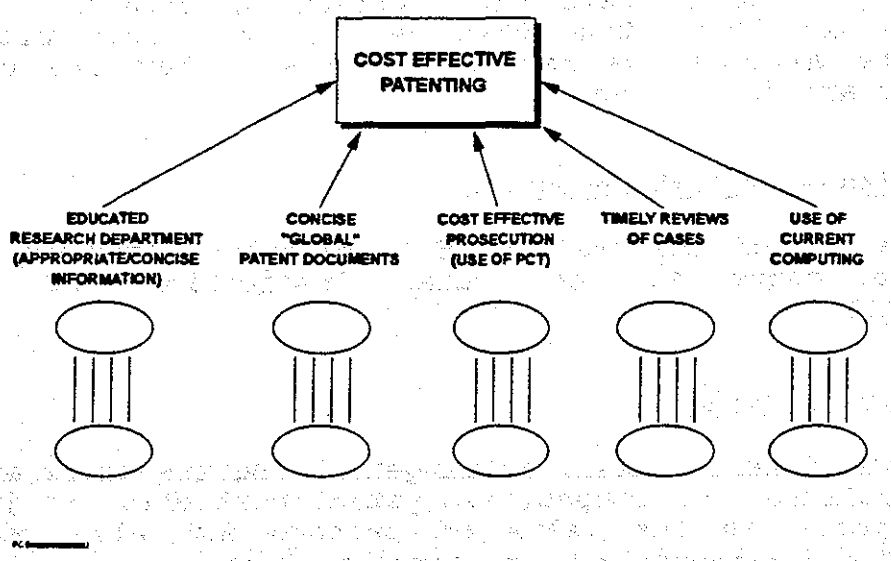
A = shall we embark on Patenting
B = shall we embark on Global Patenting via PCT
C = shall we continue after PCT into the Patent Offices
D = shall we continue at grant of the European Patent.

and can be used to estimate the costs that will be incurred before the next review point.

The decision criteria mentioned in Section 2.4 should be applied to each review point. We must remember that the assessment of patentability can change as a patent portfolio evolves and the technical or commercial circumstances may have moved on so it is important that the assessment at each key stage take these issues into account.

From Figure 6 we can see the economic benefits of well drafted initial applications based on a quality pre-filing search together with effective use of the PCT enabling concise patent applications which satisfy the needs of the patent offices. A good search enables one to include support for adequate fall back positions in the event of unforeseen difficulties in prosecution whilst truly reflecting the real value of the invention, prosecution is also made simpler and thus cheaper.

FIGURE 7



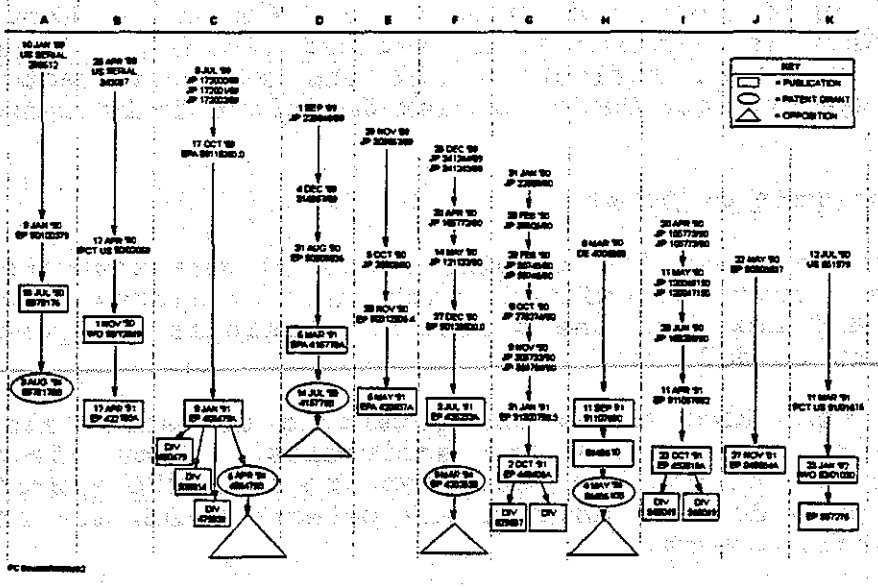
4.0 Why Is Speed Important?

In recent years we increasingly find that we and our competitors file on similar inventions at about the same time, frequently as a result of environmental legislative changes. It has therefore become more and more important to file patent applications as soon as possible.

An example of a complex patent issue resulting from research activity driven by environmental legislation is the use of esters as lubricants for the HFC refrigerants.

FIGURE 8

POLYOL ESTER REFRIGERANT LUBE CASES



As the figure shows eleven companies all filed patent applications on virtually identical subject matter within about 13 months of each other.

Accordingly, once we have the prospect of obtaining a patent we must understand that we are in a race with competitors although we may not know who they are or where they are in the race.

5. Infringement Risk Assessment

Another aspect of the "value" of Intellectual Property is to avoid the costs and commercial implications of Patent Infringement.

5.1 Why Is It Needed?

The repercussions of patent infringement and the assessment of risks associated with competitive patent portfolios is just as much a factor in the value of patents and also requires procedures and allocation of responsibilities.

The portfolio development infringement assessment must take into account that legal systems differ from country to country.

The patent offices around the world are issuing marginal patents or put another way the standards for patentability have progressively been lowered around the world.

Furthermore, some courts have great difficulty in handling complex patent issues. In the United States where patent infringement suits are frequently heard before juries, presentation and appeal are extremely important.

It is therefore clear that there is no such thing as "total freedom of operation" and this is a term which should be avoided. What is required is a combined technical, legal and business judgement reflecting all the relevant factors to enable the appropriate business risk decisions to be made.

5.2 How Can This Be Done?

How does one address the complex issue of the assessment of infringement risk associated with new projects and new investment and how does one assist the business management in deciding what to do?

The patent team that makes the patenting decisions also has responsibility to identify new activities. Once identified the issue moves to the law department to have the appropriate patent searches done to unearth any patents which may present a risk of infringement.

Once the search is completed, law together with technology, will make an initial technical and legal assessment of the patents unearthed to identify those which present a real risk of infringement.

This is then followed by an in-depth assessment by the law department to determine the likelihood of the activities being held to infringe the patents in question and their validity.

This is another instance where the network of local advisers who have in depth experience of the national patent laws and systems is vital.

Once the legal opinion has been finalised, management may consider the options based on any perceived risk.

Typically the options available are

- To change direction and avoid the patent, however since the patent estates are extremely crowded and it is unusual to be able to recommend an approach which has no associated infringement risk whatsoever,

- To take a licence from the patent holder thereby removing the risk in return for some payment to the patent holder,

If a patent is considered invalid there is no requirement to licence or avoid, but a judgement of invalidity must be arrived at carefully and deliberately and always carries with it a degree of uncertainty, for these reasons a "due diligence" review of a draft opinion by law, technology and the business is desirable.

Appropriate timing of the assessment is critical to avoid wasted research resources and to make sure projects are not held up. This, as with patenting, requires that the patent activities are fully integrated with research and development particularly with the Innovation Process.

6.0 Conclusions

Exxon Chemical Company has come to be a strong believer that we can achieve real value from patenting activity providing it is carried out in this way. The main benefits which we foresee are:

FIGURE 9

Benefits Of Effective Patent Strategies

- Enhances business perspective of technology possibilities and risks.
- Reduces infringement risks.
- Improves likelihood of commercially significant patents.
- Provides research guidance.
- Facilitates patenting decisions and patent drafting and prosecution.

Figure 10 is a check list which can be used to monitor the patent strategy process.

FIGURE 10

INGREDIENTS OF SUCCESSFUL PATENT STRATEGY IMPLEMENTATION

Strategy Area Business	Documented and Approved	Appropriate Update	Strategy Ownership	Business Plan Integration	Technology Capabilities	Competitive Assessment	Patent Filing Criteria	Associated Plans

We must not forget that success requires constant attention and effective management throughout the life of the product to which the patent portfolio relates. In our experience this can be as much as two generations of patent protection.

The fact that the value of patents are generally not realised until the second half of their life means it is too soon to make a full assessment of the benefits of our evolution. Preliminary reactions are favourable and, we believe, warrant sustained effort and attention.

7.0 Challenges for the Future

Challenges and Difficulties to be addressed as we move forward are:

- Application of the principles to across Affiliate activities given the different standards applied by different Affiliates.
- To sustain the momentum of change particularly when individuals in key positions change and to maintain an effective knowledge base.
- The unpredictability and cost of United States Patent litigation.
- Inconsistencies in the Decisions of the Board of Appeals of the European Patent Office.
- Enhance our expertise in the Asia Pacific Patent Systems.
- Uncertainty concerning the application of the "Doctrine of Equivalence" by the Japanese Courts.
- The real strength of the Patent System in the PRC, especially in patent enforcement.
- The need for an effective patent network in South East Asia.
- The difficulties in assessing the ultimate patent protection likely to result from as yet unexamined applications.
- The need to sustain and support patenting programmes over the long term.

4-4A

PACIFIC INDUSTRIAL PROPERTY ASSOCIATION MEETING
OCTOBER 3-6, 1995 - SAN FRANCISCO, CALIFORNIA

INFRINGEMENT UNDER THE DOCTRINE OF EQUIVALENTS - AS LIMITED BY FILE WRAPPER ESTOPPEL

DONALD W. BANNER, ESQ.*
BANNER & ALLEGRETTI, LTD.

There are two different ways to find infringement of a patent in the United States. The first of these is by literal infringement; its analysis requires two separate steps. First, the asserted claims must be interpreted by a court as a matter of law to determine their meaning and scope. *Markman v. Westview Instruments, Inc.*, 34 USPQ 2d 1321 (Fed. Cir. 1995 *en banc*). In the second step, the trier of fact determines whether the claims as thus construed read on the accused product. To establish literal infringement every limitation set forth in the claim must be found in an accused product. *Becton Dickinson & Co. v. C.R. Bard, Inc.*, 922 Fed.2d 792, 796 (Fed. Cir. 1990).

The second way to find infringement of a U.S. patent is under the doctrine of equivalents. Until recently, there has been some confusion in many minds concerning the applicability of the doctrine of equivalents. Many of the questions, however, have been settled by the recent case of *Hilton-Davis Chemical Co. v. Warner Jenkinson Co.*, 35 USPQ 2d 1641 (Fed. Cir. 1995).

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* Mr. Banner is Co-Chairman of Banner & Allegretti, Ltd. He has formerly been U.S. Commissioner of Patents and Trademarks; General Patent Counsel, Borg-Warner Corporation; Chairman of the American Bar Association Section of Patent, Trademark and Copyright Law; President, American Intellectual Property Law Association; President, Association of Corporate Patent Counsel; President, International Patent and Trademark Association; Professor of Law and Director of the Intellectual Property Program at John Marshall Law School and the National Law Center of George Washington University; Co-Founder of Intellectual Property Owners, Inc. (IPO) and President 1980-1992; Co-Founder and President of the Giles S. Rich American Inn of Court.

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The majority opinion in that case stated several things:

- Infringement, whether literal or under the doctrine of equivalents, is a question of fact. It is to be submitted to the jury.

- [E]very patent owner is entitled to invoke the doctrine of equivalents.... The trial judge does not have discretion to choose whether to apply the doctrine of equivalents when the record shows no literal infringement.

- There is no equitable threshold or equitable or subjective component to the doctrine of equivalents.

- The necessary predicate for finding equivalents is whether the differences between the accused device and the claim are insubstantial differences.

- The measurement of the substantiality of the differences is assessed according to an objective standard.

- While the function, way, result test is one way to assess the substantiality of the differences, when a record presents other evidence relevant to this issue - known interchangeability, copying, other objective technological evidence - must be considered by the fact finder.

- [T]he vantage point of one of ordinary skill in the relevant art provides the perspective for assessing the substantiality of the differences.... The test is objective, with proof of the substantiality of the differences resting on objective evidence rather than unexplained subjective conclusions; whether offered by an expert witness or otherwise.

- Known interchangeability of elements is potent evidence that the change would have been considered insubstantial by one of ordinary skill in the art.

- Evidence of copying is also relevant to infringement under the doctrine of equivalents....

- Evidence of designing around weighs against a finding of infringement under the Doctrine of Equivalents.

- Independent development, which occurs when the infringer is unaware of the patent, is irrelevant to showing substantial differences. It may be useful to show a lack of willfulness, but has no bearing on infringement *per se*.

It will be seen, therefore, the doctrine of equivalents is a very significant, important tool which a patent owner can use when the accused product does not literally infringe a

patent claim. It may infringe under the doctrine of equivalents if "it performs substantially the same function in substantially the same way to obtain the same result."

There are, of course, important limits to the applicability of that doctrine. As earlier stated, the necessary predicate for finding infringement under the doctrine of equivalents is whether the differences between the accused device and the claim are "insubstantial" differences. Further, the claim can never be interpreted to have such breadth as to cover the prior art. In addition, and very importantly, prosecution history estoppel limits the range of equivalents available to a patentee by preventing recapture of subject matter surrendered during the prosecution of the patent, especially where there was a rejection on prior art followed by a limitation of the claim to obtain its allowability. When a court applies the doctrine of prosecution history estoppel to limit the scope of equivalents, close examination is made to determine, not only what was surrendered, but also the reason for such a surrender. *Hi-Life Prods., Inc. v. American Nat'l Water-Mattress Corp.*, 842 Fed.2d 323 (Fed. Cir. 1988).

As one illustration of the importance of prosecution history estoppel and its limiting effect on the use of the doctrine of equivalents, attention is directed to the case of *Exhibits Supply Co. v. Ace Patents Corp.*, 314 U.S. 126 (1942). The patent in that case related to a pinball machine.

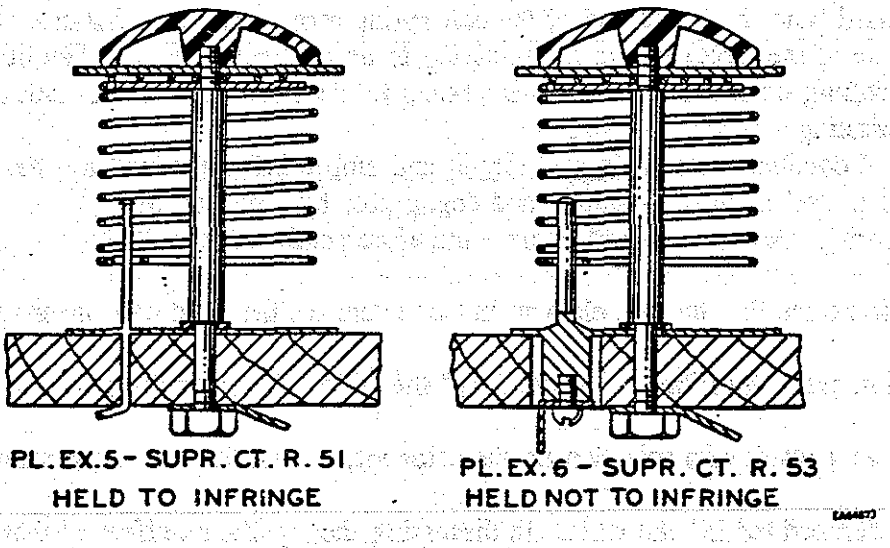
Original Claim 7, with amendments made to it after a prior art rejection, was as follows:

> [7.] In a ball rolling game having a substantially horizontal table over which balls are rollable, the combination with said table of a substantially vertical standard anchored in said table with its lower end carrying on the underside of the table a lead for an electric circuit and its upper end extending a substantial distance above the top surface of the table, a coil spring surrounding the standard, means carrying said spring pendently from the upper portion of the standard above the table with coils of the spring spaced
> from the
> standard [and the lower end of the coil spring terminating at a distance above the top surface of the table] to enable the spring to be resiliently flexed when bumped by a ball rolling on the table, said spring being in the aforementioned circuit and constituting a conductor, and
> [other] conductor means in said circuit and embedded in [carried by] the table at a point spaced from the standard and engageable by a portion of
> the spring when it is flexed to close the aforementioned circuit.

Please notice that the last element in that claim recited conductor means which, in the original claim, were described as "carried by" the table. An amendment was made to that description, as a result of a rejection on the prior art, so that the conductor means were stated to be "embedded in" the table. In discussing the significant effect of that amendment, the Supreme Court said:

> Whatever may be the appropriate scope and application of the doctrine of equivalents, where a claims is allowed without a restrictive amendment, it has long been settled that recourse may not be had to that doctrine to recapture claims which the patentee has surrendered by amendment...
>
> Assuming that the patentee would have been entitled to equivalents embracing the accused devices had he originally claimed a "conductor means embedded in the table," a very different issue is presented when the applicant in order to meet objections in the Patent Office, based on references to the prior art, adopted the phrase as a substitute for the broader one "carried by the table." Had Claim 7 been allowed in its original form it would have read upon all the accused devices since in all the conductor means complementary to the coil spring are "carried by the table." By striking that phrase from the claim and substituting for it "embedded in the table" the applicant restricted his claim to those combinations in which the conductor means, though carried on the table, is also embedded in it. By the amendment he recognized and emphasized the difference between the two phrases and proclaimed his abandonment of all that is embraced in that difference... As the question is one of construction of the claim it is immaterial whether the examiner was right or wrong in rejecting the claim as filed.

As a result, the structure illustrated in Plaintiff's Exhibit 5, the drawing on the left side below, was held to infringe. However, the structure of Plaintiff's Exhibit 6, the one on the right side, was held not to infringe.



PL. EX. 5 - SUPR. CT. R. 51
HELD TO INFRINGE

PL. EX. 6 - SUPR. CT. R. 53
HELD NOT TO INFRINGE

Title: Patentability of Software related inventions and disclosure requirements in Europe

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Abstracts: This report summarizes EPC-law with respect to patentability of software-related inventions and disclosure requirement.
Representative case law with respect to the patentability is discussed.

PATENTABILITY OF SOFTWARE-RELATED INVENTIONS AND DISCLOSURE REQUIREMENTS IN EUROPE.

I. PATENTABLE SUBJECT-MATTER

Under Art. 52 (1) EPC European patents shall be granted for any inventions which are susceptible of industrial application, which are new and involve an inventive step.

Although not explicitly mentioned or defined in the EPC, it follows from Rules 27 and 29 EPC that patentable subject-matter must have a technical character, or in other words must provide a technical contribution to the known art. In more detail this means that a patentable invention must:

a. relate to a technical field;

b. be concerned with a technical problem;

c. be characterized in the claims by means of technical features.

Further Art. 52 (2) EPC lists subject-matter which is not regarded an invention. This list includes:

- scientific theories and mathematical methods;
- aesthetic creations;
- schemes, rules and methods for performing mental acts playing games or doing business;

- programs for computers;

- presentation of information.

According to Art. 52 (3) EPC the patentability of the subject-matter listed in Art. 52 (2) EPC is excluded from patentability only to the extent an patent application relates to the subject-matter as such. This means that it is not appropriate to judge single features of the claim as being excluded from patentability or not. Any claimed subject-matter should be considered as a whole.

As already mentioned a patentable invention must have a technical character. Based on the requirements as mentioned hereinbefore, that a patentable invention should be of technical character and that the claimed subject-matter should be considered as a whole, the current interpretation of the EPC with respect to the patentability of inventions is that claimed subject-matter, considered as a whole, can be regarded patentable if it provides a contribution to the prior art based on a technical problem.

This interpretation allows the patentability of software related inventions which make a technical contribution to the prior art, and is laid down in the revised Guidelines of 1985 and confirmed by a considerable number of Decisions of the Board of Appeal.

This interpretation has lead to some basic examination rules which are also laid down in the Guidelines and/or can be extracted from the Decisions of the Board of Appeal. Examples of these examination rules are:

- A computer program claimed by itself or stored in memory is excluded from patentability, irrespective of the contents of the program;

- This situations is not normally changed when the program is loaded into a known computer;

- If, however, the subject-matter claimed makes a technical contribution to the prior art patentability should not be denied merely because a computer program is involved;

- A technical contribution can be normally assumed if the subject-matter claimed concerns processing of coded and stored representations of real physical data;

- Automation of mental acts in itself is not patentable. Computerized programming, linguistic processing and chip design in itself were excluded on the basis of this rule;

- Displaying automatically information about the internal condition or state of an apparatus or system is regarded an technical process.

II. DISCLOSURE REQUIREMENTS.

Relying on Art. 83 EPC and R 27(1)(c)(e) EPC in the EPO-Guidelines Part C II 4.9a it is stated that it is necessary that the invention is described not only in terms of its structure but also in terms of its function. In some technical fields (e.g. computers), a clear functional description may be much more appropriate than an over-detailed description of structure.

Program listings in programming languages cannot be relied on as the sole disclosure of the invention. The description should be written substantially in normal language, possible accompanied by flow diagrams or other aids to

understanding (e.g pseudo descriptions), so that an invention may be understood by those skilled in the art who are deemed not to be programming specialists. Short excerpts from programs written in commonly used programming language can be accepted if they serve to illustrate an embodiment of the invention. (Guidelines Part C II 4.14a).

If complete program listings are comprised in the originally filed documents of an application they will be printed as a part of the first publication. However, in the course of the prosecution of the application the Examining Division will decide whether and to which extend such listings are to be maintained as a part of the specification of the granted patent.

Where an invention involves a computer program controliing known hardware, and patentability therefore depends on a technical contribution to the known art, it is important to ensure that this technical effect can be recognised in the application as filed. This could for example be done by defining a technical problem and explaining how the known hardware is controlled to overcome this problem.

The claims must be so drafted as to include all the technical features of the invention which are essential to such effect.

III. CASE LAW OF THE EPO BOARDS OF APPEAL-REPRESENTATIVE CASES INVOLVING SOFTWARE-RELATED INVENTIONS.

1. Decisions T208/84 [1987] VICOM/computer-related-invention.

This case concerned computerized processing of electrical signals representing an image in accordance with an algorithm with the object to improve the image quality and to increase the processing speed. The Board rejected the decision of the Examining Division that the process was an unpatentable mathematical method and/or computer program.

In the reasons supporting the Decision the Board held that:

- even if the idea underlying an invention may be considered to reside in a mathematical method, a claim directed to a technical process in which the mathematical process is used does not seek protection for the mathematical method as such, and consequently not excluded from patentability;

- a claim directed to a technical process carried out under the control of a computer program cannot be regarded as relating to a computer program as such;

- a computer of a known type set up to operate according to a new program cannot be considered as forming part of the prior art;

- decisive in establishing whether claimed subject-matter is excluded from patentability is what technical contribution the claimed subject-matter, when considered as whole, makes over the prior art.

2. Decision T115/85 [1988] IBM/computer-related invention.

The application under appeal concerned a method for program controlled displaying one of a set of predetermined messages comprising a phrase made up of a number of words. Each message indicates a specific event which may occur in a word processing system. For building up the phrases to be displayed use was made of tables stored in a memory.

The board held that displaying visual indications automatically about conditions in an apparatus or system is basically a technical problem.

3. Decisions T22/85, T52/85, T121/85, T38/86, T65/86, T95/86 and T186/86; The IBM Text Processing Cases.

This series of seven cases concerned applications directed to text-processing inventions. For example a method for automatically abstracting and storing documents in an information storage and retrieval system (T22/85), a system for listing semantically-related linguistic expressions (T52/85), and a spell checking system (T121/85).

In all seven cases the Board decided to reject the application under appeal.

The principle objection in these cases was that the program controlled linguistic processes carried out by the text processor were regarded as automations of mental acts. (In a later Decision T110/90 [1994] the Board held that the mere fact that a method for performing mental acts as such, as normally excluded from patentability under Art 52 (2)(3), is carried out by a suitable programmed computer, generally speaking, does not make that method a technical method.)

4. Decision T158/88 [1989] SIEMENS/Character form

The application under appeal was directed to a process for displaying VDU-characters having a form dependent on the position where they are used in a word. It was held that the claims essentially described an idea for computerized data processing. The data processed was not regarded technical data and the claimed process did not solve any technical problem. Consequently there was no technical effect and no patentable subject-matter.

5. Decision T833/91 [1993] IBM/simulation of computer program external interfaces.

In this case the claimed invention concerned the designing or developing of application (or user) programs for computers.

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The Board held that a programmer's activity involves performing mental acts and therefore fall within the exclusions under Art 52(2)(c) EPC.

6. Decision T204/93 [1993] AT&T/generating software source code components.

In this case the claimed invention relates to a system for the computer-generation of programs in the form of a source code from supplied specifications. The Board held that the claimed process was nothing more than the automation of activities which would otherwise be performed by a computer programmer. So the process was regarded a method of performing mental acts, which are excluded from patentability under Art 52(2)(c).

7. Decision T110/90 [1993] IBM/Editable document form.

In this case it was held that control items included in digital coded text are characteristic for the text processing system in which they occur in that they are characteristic for the technical internal working of that system. Such control items therefor represent technical features. Consequently transforming control items belonging to a one text-processing system into control items of another text processing system represents a method having a technical character.

8. Decision T887/92 [1994] IBM/on line help facility.

In this case one of the objects of the invention was to render the usual HELP-facility provided with many computer programs more user-friendly. The claimed method involved an analysis of what commands are valid in the current state of the apparatus, a display of an help panel containing these valid commands and

selection and executing of one of the displayed commands.

Following the earlier Decision T115/85 the board held that displaying visual indications automatically about conditions in an apparatus or system is basically a technical problem. Since the displaying of only valid commands clearly reflect to the state of the system, the technical character of the claimed subject-matter was recognized.

9. Decision T453/91 [1994] IBM/method for physical VLSI-chip design.

The Examining Division had rejected claims relating to "A method of designing a chip ....." , because the claimed method would not result in a physical entity. The Board of Appeal agreed with that decision. The Board, however, allowed a claim which contained not only the steps of chip designing but also the feature "materially producing the chip so designed". Such claim was regarded to be clearly restricted to a process of manufacturing a real (physical) object having technical features and thus to a technical process.

From the above it can be concluded that the possibilities to obtain patent protection for software related inventions are more restricted in Europe than in the US. In Europe computerized automation of mental acts, such as linguistic processing designing and computer aided programming, are clearly excluded as such from patentability in Europe, whereas the same subjects have shown to be patentable in the US. The same holds for a computer program on a medium, which is not patentable in Europe, but seems patentable in the US in view of recent case law.