

**Report Presented by the Legislative Affair
Subcommittee of the Intellectual Property
Committee of the Industrial Structure Council**

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Chapter 1 Improvement of statutes relating to intellectual property in view of developments in information technology

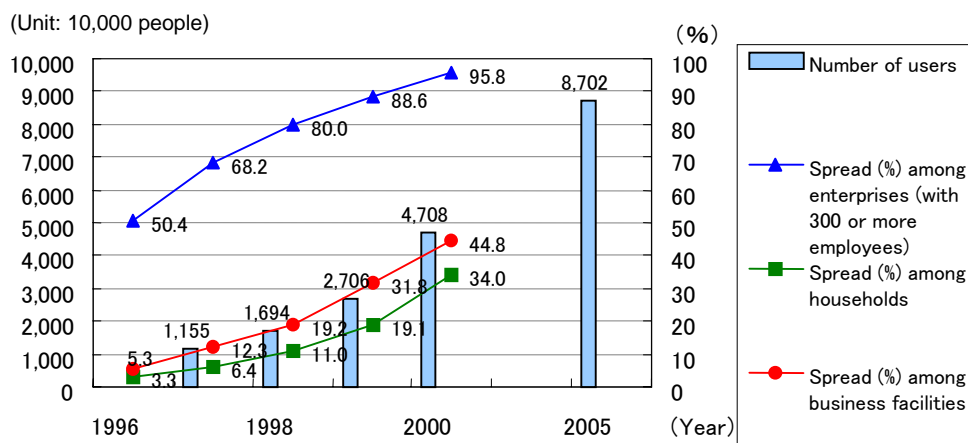
Section 1 Changing environment affecting intellectual property

With advances in information technology (IT) making information exchanges more intense and more widespread, the socio-economic system is rapidly becoming network-oriented and digitalized. To leverage the effects of IT, it is indispensable to adjust and improve laws and regulations relating to intellectual property.

(1) Development of IT

With the remarkable progress in IT, networks connected by IT such as the Internet are rapidly expanding, allowing information to be exchanged with an unprecedented scale, intensity and extent. This development is being followed by the spread of broad-band communication technology making current information exchange even faster and larger in capacity, resulting in stronger network effects.

(Reference material) Spread of the Internet in Japan



*1: Business facility: Business facility (excluding postal and communication business) in Japan that has 5 or more employees

*2: Spread (%) among enterprises (with 300 or more employees): Enterprises (excluding those engaged in agriculture, forestry and fishery) in Japan, each having 300 or more employees

Based on "Survey on the progress of information-oriented life" and "Survey on trends in the use of communications technologies," both published by the Management and Coordination Department

(Source: White paper on information communication 2001¹)

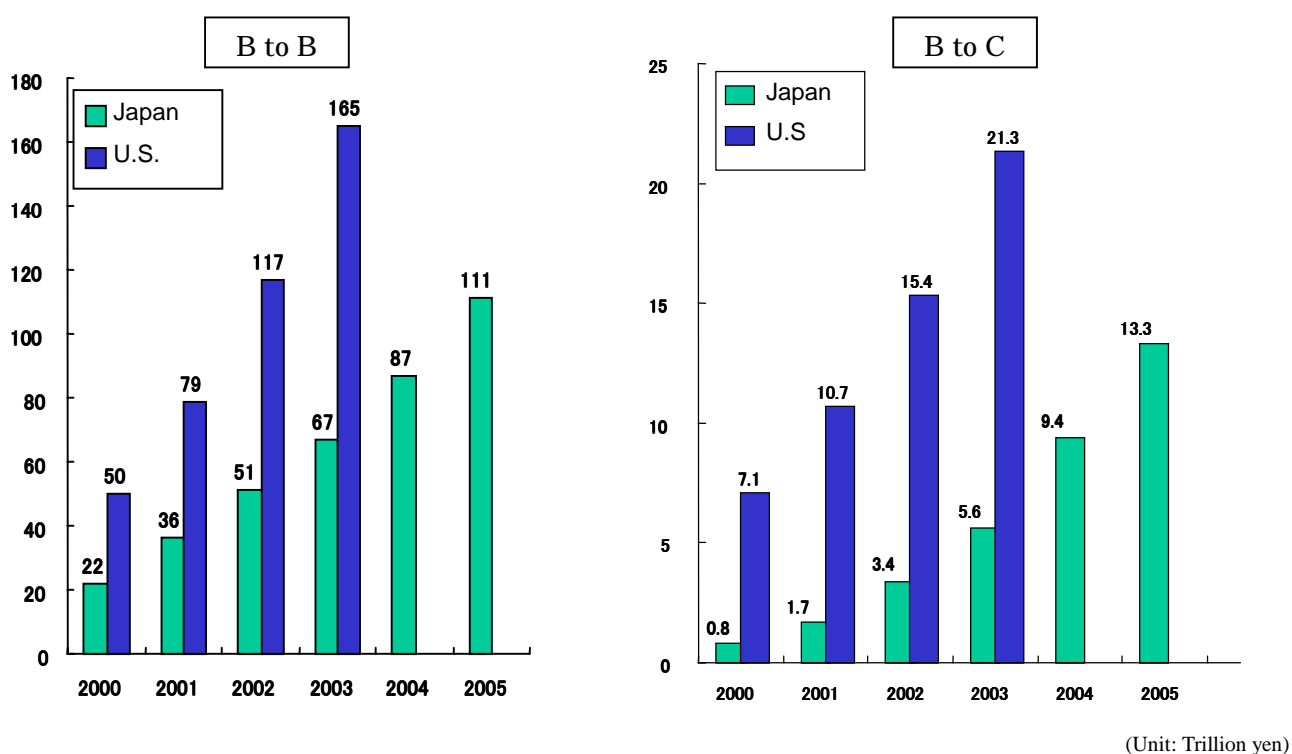
¹ <http://www.soumu.go.jp/hakusyo/tsushin/index.html>

(2) Evolution of Socio-economic system resulting from the development of information technology

The development of information technology has the effect of reducing the costs related to information in economic activity. It also provides various opportunities in business, by changing distribution systems and business models, leading to the creation and growth of new types of industries.

It is expected that new industries will be created and business efficiency will be improved by a wide range of IT applications that will lead to more advanced economic structure and enhanced competitiveness in the world market. It is also expected that this development will achieve continuous economic growth and increased employment.

(Reference material) Estimated changes in the electronic commerce market (comparison between U.S. and Japan)



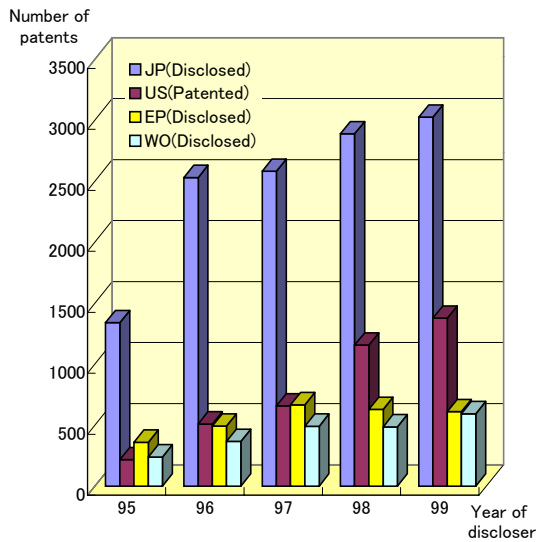
Source: Data for U.S. (joint survey conducted by Accenture and Ministry of Economy, Trade and Industry in March 1999)
 Data for Japan (continued joint survey conducted by Accenture, Electronic Commerce Promotion Council and Ministry of Economy, Trade and Industry in February 2001)²⁾

² <http://www.meti.go.jp/kohosys/press/0001317/>

(3) New business activities developing on the networks

There has been a new trend of increasing Intellectual property that corresponds to the new business systems. For example, a new distribution method different from the existing distribution of tangible goods is expanding in which, patented intangible items such as computer programs are supplied via networks. Reflecting this trend business method patents dealing with such as financial services are increasing, as are applications for trademarks of IT related goods and services.

(Reference material 1) Increase in patents for computer applications (including patents for business-related inventions)
 Patents disclosed in 1999 in Japan were almost double the number disclosed in 1995.



←G06F17/60 + 19/00 (Category of international patent)

G06F17/60

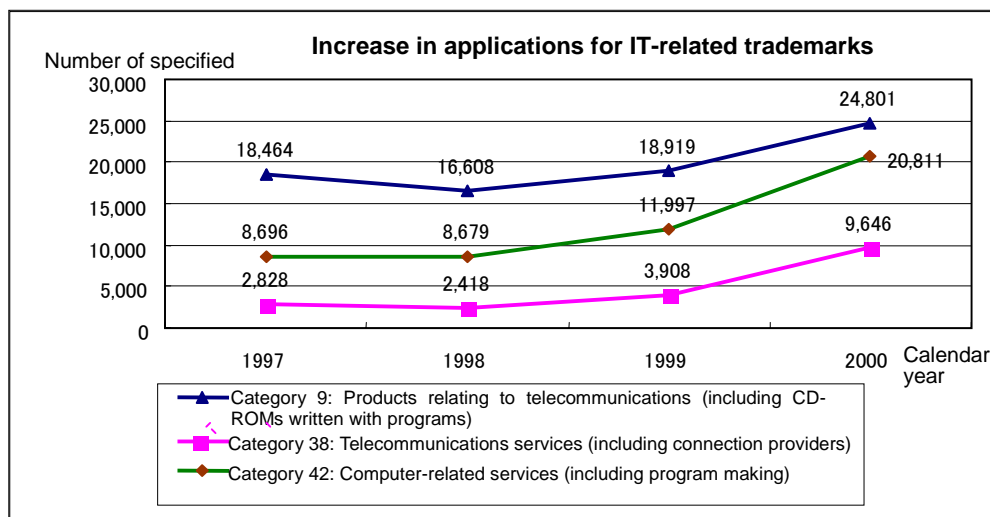
Equipment or method for digital computation or data processing particularly serving the purposes of administration, business, management and auditing

G06F19/00

Equipment or method for digital computation or data processing particularly serving specific applications

(Reference material 2) Increase in applications for IT-related trademarks

Applications for trademarks of IT-related services and products are increasing.



(Source) Annual Report by Patent Agency, 2000 (Refer to Japan Patent Office's HP site)³

³ <http://www.jpo.go.jp/indexj.htm>

(4) Upgrading legal and regulatory systems in response to the needs of a networked society and digital economy

To foster the development of a new socio-economic system where knowledge and information are sources of added value, it is necessary to promptly establish statutes suitable for this type of system. We already have the Basic Law for the Promotion of an Advanced Information and Telecommunications Society (the Basic IT Law) established in November 2000, which set out the e-Japan Strategy aimed at achieving the national goal of “making Japan the world’s most advanced IT nation within 5 years.” A specific road map for this strategy, the e-Japan Priority Policy Program, was published in March this year.⁴

The intellectual property law plays an important role in accelerating such efforts. It promotes the creation of content to be distributed on the networks, and provides a legal infrastructure that protects the reliability of business activities developed on the networks.

The ubiquitous network environment, in which anyone can connect at any time, anywhere and with any device to the Internet in order to exchange information, differs from the existing business environment in which tangible goods are the major items. The ubiquitous network environment produces advantages such as a far more unfettered way of receiving, sending and sharing information, simplified procedures for copying, processing and retrieving information, and the use of global information crossing borders. On the other hand, this new environment is giving rise to new problems in relation to intellectual property law. These require immediate action to be taken on issues such as changes in the methods of distributing products and services and the development of global distribution – with the appearance of web sites such as Napster and Gnutella that allow the public to exchange a wide range of information among themselves – and also licensing issues for using patents for business methods across borders, as well as jointly-owned patent licenses.

⁴ Reference: <http://www.kantei.go.jp/jp/it/index.html>

Chapter 2 Direction of statute revision

Section 1 The Desirable Patent System in a Networked Society

1. Increased software-related inventions and the definition of invention

(1) Software-related invention and the definition of invention

With regard to patents for software-related inventions, it is indicated that the definition of invention stated in the existing Patent Law, “technical ideas by which a law of nature is utilized,” especially the phrase “a law of nature is utilized,” imposes restriction in acknowledging statutory subject matter (in clearing the definition of invention in case of the Japanese Patent Law).

In actual practice, however, due to successive revisions of the examination guidelines, the definition of invention has been interpreted in a flexible manner, so that statutory subject matter of software-related inventions is widely acknowledged. There are currently no specific differences between Japan and the U.S. in procedures for examining statutory subject matter of software-related inventions, including inventions of business methods⁷. Therefore, we do not recognize that the definition of invention stated in the existing Patent Law is a restrictive factor in protecting software-related inventions. While active efforts should be continued to protect software-related inventions under the Patent Law, the present application of the Law is widely accepted by Japanese industries.

(2) Invention of pure business method and the definition of invention

Some have argued that a broader range of inventions, including those that are not implemented by computer or the Internet i.e. inventions of pure business methods, should be included in statutory subject matter, as is done in the U.S., by revising or deleting the definition of an invention stated in the Patent Law.

However, there is little demand for including such pure business methods among statutory subject matter. The difficulty of determining the boundaries of statutory subject matter has also been pointed out. Revision of the definition of invention should be done prudently. Elements such as social and economic needs must be considered in determining whether such revisions are required.

(1) Statutes relating to statutory subject matter (the definition of invention)

① Japan

Whether or not to meet the definition of invention is a requirement for statutory subject matter. Subject matter is judged according to the definition of invention⁸ stated in Section 2(1) of the Patent Law. In other words, whether an invention fits statutory subject matter is judged according to the definition that says “technical ideas by which a law of nature is utilized.”

⁷ “Patent for invention of business methods” is called business method patent in English. It is also called business model patent in Japan. In this document, it is called business method patent.

⁸ Among the trilateral (U.S., Europe and Japan), Japan only has a statutory written definition of invention.

② European countries

The European Patent Convention (EPC) has no written definition of an invention. Instead, a negative list indicating those items that are not categorized as inventions functions as a standard, and it excludes computer programs and business methods from statutory subject matter⁹. The EPO's examination guidelines state that inventions must have specific and technical characteristics. EPC Article 52 (not yet enacted), which was revised in November 2000, states that patents should be granted to inventions in "all technical fields."

③ U.S.

Article 100 of the Federal Patent Act states that "invention" means an invention or a discovery, but no written definition is given for an invention or a discovery. However, Article 101 of the same Act lists four categories of inventions to be patented, namely novel and useful processes, machines, manufactures and compositions of matter. It is decided by judicial precedence that discoveries that are categorized as representing laws of nature, physical phenomena, or abstract ideas are not within the scope of statutory subject matter.

(2) Patent protection for software-related invention

Up to now, no specific legislative revision has been applied to patents for software-related inventions in the U.S., Europe, or Japan. Necessary actions have been taken on the basis of applications, or by referring to judicial precedence.

① Japan

The 1993 revision of the Patent Examination Guidelines stated that both "computer programs" and "recording media recorded with computer programs" are not categorized as inventions. However, due to changes in the international situation, the operational guidelines announced in 1997 changed the application of the guidelines in such a way that subject matter of "computer programs" and "recording media recorded with computer programs" was acknowledged in certain cases. However, the guidelines admitted a claim only for "recording media recorded with programs" on the basis of the requirements for description, insisting that "recording media recorded with programs" are inventions of products, but that the category of "programs in themselves" is not definite. After that, prompted by the increasing need to protect network-distributed software, the 2000 revision of the Patent Examination Guidelines stated that "computer programs" can be described in claims as inventions of products, regardless of whether or not they are recorded on recording media.

⁹ The following are what EPC Article 52 (2) lists as those that are not deemed as invention:

- (a) Discovery, scientific theory and mathematical expression
- (b) Aesthetic creation
- (c) Plan, law and method as well as computer program for doing spiritual act, game or business
- (d) Offer of information

② Europe

The EPC specifies that computer programs do not fit within any category of subject matter. In application, however, it assumes that computer programs with technical characteristics constitute subject matter. The range of software-related inventions that can be assumed to have technical characteristics has been expanded and clarified by the decisions made by the European Patent Office (EPO). In more specific terms, since 1990, determination of whether an applied invention is statutory subject matter has been made on the basis of whether or not that invention makes a technical contribution to prior art. However, the T769/92 judgment passed on the SOHEI case¹⁰ in 1995 adopted a need for technical consideration as an examination standard. The T1173/97 judgment passed on the IBM case¹¹ in 1998 confirmed that a computer program is statutory subject matter, asserting that computer program that has “further technical effects” has technical feature. The judgment also ruled that whether a claim is made for a computer program itself or for a computer program as a record written on a medium has no relationship with the patentability of the computer program. In the actual cases that followed the IBM case, the EPO has taken a course toward broadening the interpretation of patentability of software-related inventions¹².

③ U.S.

Previous discussion concerning the patentability of computer programs has focused on their relationship with algorithms (methods for making mathematical computation or, in case of computer programs, steps for solving problems), especially in the case of mathematical algorithms, which have been assumed not to be statutory subject matter. At present, thanks to recent judgments by the courts and the USPTO’s application standard that takes those judgments into account, practical applications of mathematical algorithms that produce useful, specific and tangible results are acknowledged as patentable¹³ (USPTO = U.S. Patent Trademark Office). Business method had long been assumed to be non-statutory subject matter. This principle, however, was rejected in recent court decisions, which clarified standards of patentability for inventions of business method¹⁴. With regard to the patentability of computer program in itself, the “Examination Guidelines for Computer-Related Inventions, Final Version”¹⁵ issued by the USPTO in 1996, stated that it is non-statutory subject matter. In fact, however, a number of computer programs have been granted patents, on the assumption that they represent “computer program products.”

¹⁰ T769/92 judgment

¹¹ T1173/97 judgment

¹² On August 31, 2001, the EPO examination guideline was revised in such a way that the judgment of SOHEI case, IBM case, etc. is reflected in examination. See the following web site:

http://www.european-patent-office.org/news/pressrl/2001_10_05_e.htm

However, the proposal for deleting computer programs from the list of non-statutory subject matter stated in EPC Article 52 (2) was put on the shelf, because major countries diversified of opinions

¹³ Judgment of Alappat case passed in 1994

¹⁴ Judgment of State Street Bank case passed in 1998

¹⁵ United States Court of Appeals for the Federal Circuit.96-1327

Examination Guidelines for Computer-Related Inventions Final Version

(3) Invention of business method as software-related invention

Rapid progress in information technology and the arrival of broad-band communications brought about full-scale development of content distribution and electronic commerce on the network, accompanied by an increase in applications for patent for an invention of business method. At present, most of these inventions are covered by the current regulations, as they can be categorized into software-related inventions thanks to their use of computer technologies. Judgments regarding this type of invention of software-related business method differ between Japan and the U.S. in some cases, based on the novelty and inventive steps involved. However, no specific differences are recognized in the judgment of subject matter between the two countries.

As manifested by the results of consultations^{16,17} conducted, respectively, by the European Commission and the British Patent Office in 2000, prudent or negative arguments still prevail in Europe concerning patent for an invention of business method. However, as seen from the Final Resolution made at the 2001 Melbourne Congress of the International Association for the Protection of Intellectual Property (AIPPI),¹⁸ a prevailing need for positive patent protection for an invention of business method is the trend in the world of today. Accordingly, Japan should make continuous efforts to enhance protection for software-related inventions, including inventions of business methods.

(Reference materials)

Comparative study on inventions relating to business methods¹⁹

The study carried out in 2000 on inventions relating to business methods (a joint study conducted by the Patent Agencies of Japan, the U.S., and Europe) compared examination results using virtual inventions of business methods. The result of the study confirmed that there is no marked difference between Japan and the U.S. in the practice of examination of business methods as software-related inventions. In judgments of subject matter, the U.S., which seeks concreteness and utility in the results, in some cases passed stricter judgments than Japan, which seeks concreteness of composition.

Investigation on patents granted in the U.S.

In 2001, the Japan Patent Office conducted an investigation, mainly based on mechanical searches, to analyze whether there is a difference between Japan and the U.S. in judgments passed on applications seeking patents for business methods. The Office analyzed whether patent applications that were categorized into class 705 (business methods patented) in the U.S. were judged differently in Japan. The results of this analysis indicate that it is highly probable that most of the business methods patented in the U.S., for which protection has been increasingly needed as software-related inventions, also satisfy the requirements of the definition of invention in Japan.

Trilateral comparison of examination of business methods

In 2001, the Japan Patent Office compared the status of examinations in different countries for typical inventions of business methods. The results indicate that the final judgment of patentability is generally at its strictest in the U.S., then Japan, and then Europe. However, the differences in strictness of judgment mainly arise from judgments regarding novelty and inventive steps. No specific differences were seen in the judgment of subject matter.

(4) Increased patents for business methods and differences in patentability

There are no practical differences between the U.S. and Japan with regard to patents for computer-related inventions, even when they handle business methods. However, as the U.S. acknowledges the patentability of business method more broadly than Japan, differences in patent for business method itself may emerge in the future.

^{16,17} The Patentability of Computer-Related Inventions

See the following web site:

http://europa.eu_int/comm/internal_market/en/indprop/softpatanalyse.htm

Should Patents Be Granted for Computer Software or Ways of Doing Business?

See the following web site:

<http://www.patent.gov.uk/about/consultations/conclusions.htm>

¹⁸ Congress Melbourne 2001, Final Resolution, Q 158 Patentability of Business Methods

See the following web site:

<http://www.aippi.org/reports/resolutions/res-q158-e-Congres-2001.htm>

¹⁹ Report on Comparative Study Carried out Under Trilateral Project B3b

See the following web site:

http://www.jpo.go.jp/saikine/tws/b3b_start_page.htm

(5) The propriety and direction of legislative revision

In determining whether or not the provision in Section 2(1) of the current Patent Law, which defines invention as “the highly advanced creation of technical ideas by which a law of nature is utilized,” should be revised to broaden the range of statutory subject matter, views and arguments from various angles must be reviewed.

① Affirmative arguments

Arguments affirmative for the revision of the current provision that defines an invention

- As the current Patent Law was formulated with priority to protect manufacturing industry, the definition of invention cannot cover needs arising from changes in the economic system, such as increased network business or the development of service industries that have been brought about by advances in information technology.
- The application of broader interpretations of the definition of an invention achieved by revising the examination standard, particularly with regard to applications that seek to use a law of nature in relation to hardware resources, has already reached the limit. In other words, the time has come for the definition itself to be radically reformed.
- From a global point of view, it is rare for the Patent Law to involve the provision of a definition of invention. This provision prevents flexible interpretation that can cover the need for broadened patent protection arising from technological developments. In particular, the phrase “a law of nature is utilized” imposes severe restrictions on attempts to broaden patent protection.
- The current restrictive definition of invention must be revised in such a way that it can serve industrial policy that supports technological development in service industries, including financial business methods.

② Prudent arguments

Arguments that assume a prudent attitude in revising the provision are as follows:

- Judgments passed on subject matter under the current Patent Law of Japan are at the same level as those passed in the U.S., thanks to the flexible interpretation of the definition of invention. On the other hand, there are few demands for patent protection for pure business methods that use computers or the Internet. No specific demands have actually been made even in the U.S. Protection by means of patent might lead to excessive monopoly in businesses, and might prevent free competition.
- The defined requirements for an invention, such as “a law of nature is utilized” or “creation of technical ideas,” function as a basis for excluding abstract ideas and artificial arrangements. If these requirements were nullified, the range of statutory subject matter would be broadened infinitely, leading to confusion.
- A provision of statutory subject matter is currently included as an item to be discussed in the draft of the Substantive Patent Law Treaty (SPLT)²⁰ being prepared by the World Intellectual Property Organization/Standing Committee of Patent (WIPO/SCP). The direction of discussions in this body should be taken into account when revising provisions for statutory subject matter.

[Specific direction]

- There are arguments for and against revising the definition of an invention. Considering that a high level of protection is maintained for software-related invention even under current legislative provisions; that the

²⁰ SCP/6/2,6/3 DRAFT SUBSTANTIVE PATENT LAW TREATY

See the following web site:

http://www.wipo.int/eng/document/scp_ce/index_6.htm

The draft treaty was presented by the International Secretariat of WIPO to be put to the 6th SCP meeting that is to be held in November 2001. Article 12 of the Draft Treaty states that “subjects to be patented are products and processes which can be made and used in any field of activity, unless specifically specified under law.” Item 13 of the Draft Treaty states that “(i) mere discovery, (ii) abstract idea in itself, (iii) scientific theory and mathematical process in themselves and (iv) aesthetic creation” are excluded from subjects to be patented.

current protection is generally evaluated positively; and that there have been few requests from industries for a revision of the definition of invention or for patent protection for pure business methods – it seems that the time is still not ripe for revising the definition of invention.

- Some of the arguments that regard the revision of the definition as unnecessary, however, are based on negative reasoning, that there is no appropriate definition that can replace the current definition. We cannot deny the impact of the assertion that a new definition of invention is needed to respond to needs arising from rapid technological and social changes. The assertion that there is a limit to what can be achieved in broadening patent protection simply by the way in which the examination standard is applied also has some persuasive power. We must therefore continue discussion of this subject, paying full attention to future technical developments and changes in the social and economic system, as well as to trends in the discussion of international harmonization being conducted by the WIPO.
- Even if the current definition of invention is maintained, the actual situation must be taken into consideration, in which software is being developed more and more (with increasing numbers of inventions that are being developed in networks or virtual spaces) and in which the relationship with hardware is becoming weaker and weaker. Arguments on this subject must be deepened, from the point of view of whether the current standard is easily understandable or from the point of view of whether a new judgment standard should be formulated that can replace the utility of hardware resources.
- A specific proposition concerning a new definition of invention was presented by the Legislative Affairs Subcommittee, which asserts that a negative list of entities that are not categorized into inventions should be adopted, as in the European Patent Convention (EPC), instead of nullifying the phrase “a laws of nature is utilized.”

(Supplementation) Inventive step of business-related inventions

With regard to the discussion of subject matter of business-related inventions, a question was raised on the technique for judging inventive steps in business-related inventions, especially in cases a business method itself is considered to have the fundamental characteristics of an invention, such as the invention that systematized a novel business method by using a manifest technique. With regard to this point, the Patent Office currently practices examination as follows:

An invention relating to a claim is grasped as a whole and judged with regard to whether it meets the patent requirement, such as subject matter or inventive steps. No judgment is passed on inventive steps based only on the business method extracted from the inventions relating to the claim.

Even if an invention relating to a claim are systematized version of a business method, it must meet the requirement for subject matter, “creation of technical ideas by which a law of nature is utilized”. It is only after an invention is determined as meeting the requirement that judgment is passed on inventive steps. The judgment is passed on whether the invention could be easily thought of from the information manifest at the time of application of the claim (manifest techniques for systematization, business methods, etc.), based on the claim as a whole.

It depends on each claim whether inventive step is approved in the claimed invention that has been systematized from a novel business method by using manifest techniques. In other words, there are some inventions that are judged to have no inventive step because examiners determine that they are easily thought of from manifest systematization or business techniques. There are others that are judged to have inventive step because examiners determine that it is difficult to think of such inventions from manifest systematization or business techniques²¹.

²¹ It is not “novelty” but “inventive step” that is the subject of discussion here. An invention that is a systematized version of a novel business method, namely an invention systematized by using manifest techniques, is generally categorized into “novel inventions.” However, whether that invention is approved to have “inventive step” is another matter. If a business method is very unique and no others can think of it easily, an invention that results from systematization of that business method may, highly probably, be approved to have inventive step.

2. Increased network distribution and working of inventions

The rapid progress of information technology has brought about a new form of distribution – i.e., trading intangible information assets such as computer programs on networks.

To protect software-related inventions, efforts have been made to broaden the range of statutory subject matter by revising the examination guidelines. However, as Section 85 of the Civil Law defines “material” as tangible items, there is apprehension regarding the inclusion of information assets such as computer programs under the term “material” used in the Patent Law.

In sending computer programs or providing Application Service Provider (ASP) services via networks, original copies of programs remain at the sender or the service provider even after the programs or services have been sent or provided. It is therefore not clear whether such processing or services can be covered by such terms as “transfer (handover)” or “lend” in the current law that assumes alienation of a right or property.

Considering these issues, and with the aim of taking flexible action in relation to new forms of invention to allow adequate protection to be provided for intangible assets such as programs, a review must be carried out to allow inventions to be defined from two angles – namely from the point of view of categories of statutory subject matter, and from the point of view of forms of working of inventions.

(1) Range of patent protection

Patent is an exclusive right to commercially work the patented invention (Section 68 of the Patent Law). Section 2(3) of the Patent Law defines the content of working, making a clear distinction between “an inventions of products” and “inventions of methods.”²² It can generally be said that protection for “an invention of a product” has a broader range.

(2) Protection for and categories of program-related inventions

There are many methods of describing a program-implemented invention in a claim. From the point of view of coverage and ease of use of a patent right, it is generally more advantageous to describe such invention as “an invention of a product.”

On the other hand, as Section 85 of the Civil Law defines “material” as tangible items, there is apprehension regarding the inclusion of information assets such as computer programs in “material (or product)” as defined under the Patent Law. There is a demand for legislative action to make the provision more definite.

²² Forms of execution of invention under Section 2(3) of the Patent Law are:

“Invention of materials”...“Manufacture”, “use”, “transfer”, “lend”, “import”, or “offer to transfer or lend” the invented materials (Paragraph 1)

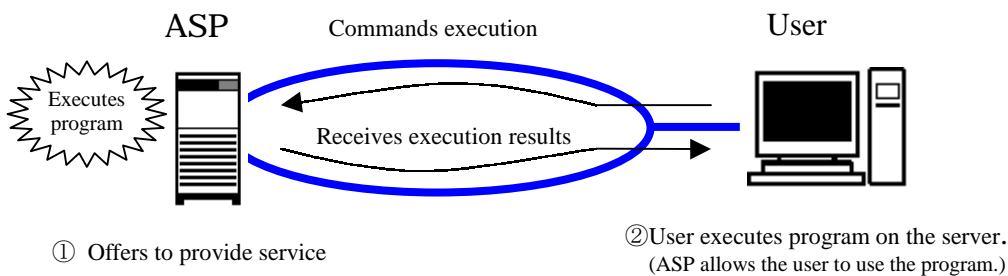
“Invention of methods”...“use” of the invented methods (Paragraph 2)

Invention of material-manufacturing methods...“Manufacture”, “use “transfer”, “lend”, “import”, or “offer to transfer or lend” of the invented method (Paragraph 3)

(3) New forms of working of an invention

The Internet has enabled the general public to send programs via the network. However, as the term “transfer (handover)” used in Section 2(3)(i) of the Patent Law is legislatively interpreted as alienation of a right or property to others with its identity being maintained, it is disputable whether the action of sending a program on the network, with the original program remaining at the sender – namely the action of sending a program without complete alienation of the program – can be covered by the term “transfer (handover).”

An ASP that provides an application program function to a third party via the network has promoted business that allows the user to use only the function of the computer program, without the program being transmitted to that user. The computer program itself is also kept at the application service provider (ASP). The question has therefore been posed of whether such an action by an ASP can be covered by the term “lend” or “offer to lend.”



(4) Change of statutes related to use of invention

In the language of the ancient statute (the Law of 1921), “a patent granted to an invention of a product” enjoys an exclusive right to manufacture, use, sell or put on the market the invention (Section 35). In the language of this statute, the term “put on the market” refers to an act of placing the invention on the distribution.

In the language of the current law (the Law of 1959), working of an invention of a product is defined as “manufacture, use, transfer, lend, exhibit for the purpose of transfer or lending²³, import” (Section 2(3)). It is assumed that the purpose of this statute was not to revise the provision of the Law of 1921 but to clarify that provision, which was called illustrative provision. This, however, narrowed the range allowed for interpretation to a certain extent.

(5) Statutes relating to the use of inventions in foreign countries

In the German Patent Act, French Patent Act, CPC, etc., a clear distinction is made between “an invention of a product” and “an inventions of a process,” and the “working of an invention” is defined by broad concept such as “supply” or “distribute.”

In the language of the U.S. Patent Act and TRIPS Agreement, working of an invention is an economic action corresponding to a “sale” or an “offer of a sale.” The U.S. Patent Act makes no categorical distinction between a product and a process, and merely describes acts of infringement.

Neither the U.S. nor the European Patent Act sets individual and specific rules for typical acts of infringement on networks.

(6) The propriety and direction of legislative revision

To provide adequate protection under the Patent Law, namely, to enable the Patent Law to respond to the needs arising from various methods of providing computer programs via the network, the provision in Section 2(3) of the current Patent Law, which defines an invention, should be reviewed and revised in such a way that statutory subject matter is clearly defined.

²³ For consistency with the TRIPS Agreement, the phrase “exhibit for the purpose of transfer or lending” was revised in 1994 to “transfer or offer of transfer (including exhibit for the purpose of transfer or lending).”

[Basic viewpoints]

In revising the provision that defines invention, the following points must be noted:

① Clarity of applications

What triggered the current review for statutory revision are new subjects and forms to be patented, which have been brought about by the development of information technology and the popularization of the Internet. It must therefore be made more obvious that these new subjects and forms are included in items to be patented.

② Flexibility in relation to technological advances

It is expected that further technological advances and social developments may produce new subjects and forms to be patented, such as digital contents with functionality, or genetic information. The current statute must be improved to offer greater flexibility, so that it can respond to needs arising from such technological inventions.

③ Legislative stability of rights

Lest the revision should cause existing rights to become unstable, the legislative stability of rights must be taken into account, as well as consistency with existing statutes and applications.

[Classification of subject matter to be patented (categories of inventions)]

For classification of statutory subject matter in defining working of an invention:

① Maintain the existing division into “a product” and “a process” (provided that it should be expressly stated in the provisions that a computer program is included in “a product”)

With the most generalized classification used throughout the world – namely the existing division into “a product” and “a process” – being maintained, the provision should be revised in such a way that it expressly states that a computer program is included in “a product.”

② State all inventions as inventions to be patented

The division that classifies all inventions into “an invention of a product” or “an invention of process” may lead to discussion on whether a new invention should be classified as a product or a process whenever such new inventions appear. To avoid such problems, no discrimination should be introduced among inventions, as in the case of Paragraph (a), Article 271 of the U.S. Patent Act.

③ Introduce a new category of invention (an invention of electronic information such as a computer program)

With the existing division into “a product” and “a process” being maintained, a third category should be introduced that concerns electronic information distributed on networks (such as inventions composed as electronic information).

- In the Legislative Affair Subcommittee, arguments supporting ① above (maintain the division into “a product” and “a process” and including a computer program in “a product”) are dominant. Opinions are divided regarding the method of stating this concept; there is one opinion asserting that the definition of “a product” should be of a confirmatory nature, such as “what can be controllable”; another arguing that the meaning of “a product” can be broadened by interpretation, namely by revising a statute that defines actions (working of an invention); and there is yet another opinion insisting that another Japanese term meaning also “a product (seihin)” should be adopted instead of “a product (mono).”
- There is also another opinion – that concept ③ (introducing a third category of electronic information) would be the best, in view of the obviousness of the concept of working of an invention and the effect on the existing working of an invention of a tangible item; and in view of consistency with the Civil Law as well. With regard to this opinion, there is a need for discussion of the relationship with genetic information and for a full review of the reaction to the introduction of a third category (with the concept of “a product” being narrowed).

- In view of the above results, the most desirable course would be to carry out a specific review of categories of inventions to be patented, with the division presented in ① being maintained. From the legislative point of view (for example, in relation to consistency), sufficient action must be taken in relation to the points noted above when introducing a third category, as described in ③ above.

(Supplementary) Significance of categorization of inventions

Section 2(3) of the Patent Law divides inventions into “an invention of a product” and “an invention of a process,” based on the difference in working of an invention. This division is made to clarify the range to be covered by a patent when granted. It does not specify the requirements of subject matter.

Therefore, in judging whether an invention can be patented, it is not necessary to consider whether that invention is a product or a process. A review of whether an invention is a “creation of technical ideas by which a law of nature is utilized” is sufficient for the examination.

It is very important, at the examination stage, that a category of an invention should be defined in a claim, as this helps a third party to enhance his precognitive ability. Stating a definite category is one of the requirements of a claim.

[Working to be patented]

The following proposals are being considered:

① Add a specific form of working that corresponds to information technology

This may be the first legislative example of such an approach in the world. Terms such as “send” or “offer via telecommunication line” could be used.

② Replace “transfer” and “lend” with more comprehensive terms

For example, the term “put on the market” could be replaced with a more inclusive term such as “supply” or “provide.” A compromise between plans ① and ② is a plan in which terms ② such as “supply” or “provide” are used, with term ① “offer via telecommunication line” being added in a form such as “supply (including offer via telecommunication line).”

- In the Legislative Affairs Subcommittee, arguments supporting the use of a comprehensive term such as “put on the market” ② are dominant. However, there are other opinions asserting that from the point of view of obviousness, a specific term such as “send,” which expresses an action specific to network distribution, should be added to a comprehensive term.
- There are arguments that the action of sending corresponds to the term “transfer.” In view of the purpose of the current revision, and considering the fundamental direction toward providing sufficient flexibility to allow the statute to respond to the needs of technological invention, it is necessary to create a specific definition, taking care that the action of distribution developed on the network is included in the term.

[Invention of a process for producing a product]

When it is assumed that information assets such as programs are included in subjects to be patented, due care must be taken regarding the effect on the provision of working of “an invention of a process for producing a product” stated in Section 2(3)(iii) of the Patent Law. When the results produced by the invention of a process are information assets such as programs, the question arises of whether the patent should also cover the stage of distribution. Basically, if the results of the invention of a process have a certain level of economic value and can produce profit via trade, it is not necessary to make a distinction depending on whether the results are tangible items traded in the real world or intangible items traded in cyberspace.

Digital information such as a computer program is distinct in that a complete copy of it can be made very easily. For example, when a program created by a patented process is copied, the question arises of whether the copied version can also be protected by the patent. Such issues must be considered in a specific review.

3. Expansion of Software-related Inventions and Indirect Infringement

In protecting the rights of software-related inventions, acts that cannot be construed as indirect infringement under the existing provisions of the Patent Law which adopt only an objective criterion are likely to increase. In addition, with respect to these existing provisions which adopt only objective criteria that have never been reviewed since their introduction in 1959, many people have pointed out not only issues concerning the progress of networks in society but also the possible insufficiency of the existing provisions. In order to solve these issues, existing criteria for constituting indirect infringement of patents should be reviewed and a new subjective criterion should be introduced to expand the scope of relief from infringement of software-related inventions.

(1) Indirect Infringement

Infringement of any patent right primarily occurs only when all claims of the patent are worked commercially in any one of such modes of act as set forth in Section 2(3) of the Patent Law (“direct infringement”). However, Section 101 of the Patent Law does, for the purpose of securing effectiveness of force of patent rights, prescribe that certain kinds of acts shall be especially construed as infringement of patent rights, regarding such acts as preparatory or assisting acts of infringing patent rights (so-called “indirect infringement”).

① In case of an “invention of a product” (Section 101(i))

Any act of supplying parts (e.g., cathode ray tubes) to be used only in manufacturing a patent-infringing product, or any act of selling all parts necessary for assembling a patent-infringing product as a set (e.g., sale of all TV assemblies as a set), etc. would not constitute direct infringement of the patent right because such act is not an act of manufacturing, transferring, etc. (as prescribed in Section 2(3)(i)) the patent-infringing product itself.

However, if these parts have no other usage than manufacturing or assembling such patent-infringing product, they are extremely likely to constitute infringement of the patent right. Thus, in this provision, such acts as “manufacturing”, “transferring”, etc. any part to be used only in manufacturing the thing covered by the patented invention are prohibited as preparatory or assisting acts of direct infringement of the patent right.

② In case of an “invention of a process” (Section 101 (ii))

Any act of manufacturing, selling, etc. raw material, machinery or equipment essential for the use of a “process” covered by any patent (e.g., a machine tool using a specific manufacturing process, or cleanser to be used for a specific process of cleaning contact lenses) is not working of such process. Thus, these acts would not constitute direct infringement.

However, if said raw material, machinery, equipment or the like is supplied by one person and used by another person, such act is extremely likely to constitute infringement of the patent right, and if such process covered by the patent is used by many unspecified persons, it will be difficult to identify all the persons. In addition, if any user of such process is an individual person and his use is not for business, the individual person would not be a direct infringer. Thus, in this provision such acts as manufacturing, transferring, etc. any article to be used only for the working of any process covered by any patented invention are prohibited as preparatory or assisting acts leading to acts of infringement of patent rights.

(2) Comparison of Indirect Infringement Provisions among Japan, USA and Europe

The indirect infringement provisions of the Japanese Patent Law do not require any subjective criteria for persons who do certain acts with respect to exclusive articles. On the contrary, with respect to neutral articles having other uses as well as staple articles, there is no room for constituting indirect infringement even if a supplier of such articles had bad faith. These provisions are still peculiar when viewed from an international perspective. The following table compares indirect infringement provisions among Japan, USA and Europe (Germany) in terms of the relations between objective criteria of the subjects of indirect infringement and subjective criteria of acting persons.

	Japan		Europe (Germany)		USA				
	Objective requirement	Subjective requirement	Objective requirement	Subjective requirement	Objective requirement	Subjective requirement			
Exclusive article	(In case of an invention of a thing) any article to be used only in manufacturing the thing or (in case of an invention of a process) any article to be used only for the working of the process	Unnecessary	Means related to the intrinsic factor of the invention	Suitable for the working of the invention (used only for the specific purpose)	Had bad faith with respect to suitability for the working and contemplation of the act or such bad faith is clear from the surrounding circumstance (Proving is unnecessary based upon judicial precedents)	Major portion of the invention	Non-generic article that is especially manufactured or remodeled and has usage not constituting infringement of the invention	Had bad faith in infringing patent right	Objective requirement
Neutral article*	Certain cases may be covered by general provisions of civil law			Suitable for the working of the invention (but usable for other purpose)	Had bad faith with respect to suitability for the working and contemplation of the act or such bad faith is clear from the surrounding circumstances	Certain cases may be covered by the theory of active inducement (supplying parts is not a requirement).		Subjective requirement	
Staple article*				Indirect infringement if any staple article is supplied to intentionally induce an infringement act					

* "Neutral article" – Article that is suitable for the working of a specific invention but has other usage.

* "Staple article" – Article that is generally available in the market such as a screw, nail, transistor, etc.

① Japan

If any article satisfies the subjective criterion of "article to be used only in manufacturing the thing covered by the patented invention (or to be used only for working of the invention)," it constitutes indirect infringement, without considering any objective criteria. On the other hand, with respect to any neutral article having other usage or any staple article that is generally available in the market, even if the supplier is, in selling such article, aware of an act of infringing any patent by the receiving party, there is no room for constituting indirect infringement.

② Germany

In Germany, with respect to any exclusive article or neutral article, a certain subjective criterion is established in the provisions (i.e., that the person had bad faith with respect to the suitability of his means for working of the invention and to his contemplation of the working or such bad faith is presumed to be obvious from the surrounding circumstances). However, as to any exclusive article, if the objective criterion of exclusivity of the article is satisfied, subjective criteria need not be proved based upon judicial precedents. As to supplying any staple article, active inducement is required for indirect infringement.

③ USA

In the United States, with respect to any exclusive article, a certain subjective criterion is imposed similarly in Germany. In the States, for this subjective criterion, bad faith is also required in connection with patent rights.

For any neutral article or staple article, there is no special provision. However, since there is a provision setting forth any acts falling under the category of active inducement be generally construed as acts of infringing patent rights, infringement may be constituted if there is active inducement in infringing such neutral article or staple article.

(3) Expansion of Software-related Inventions and Review of Indirect Infringement Provisions

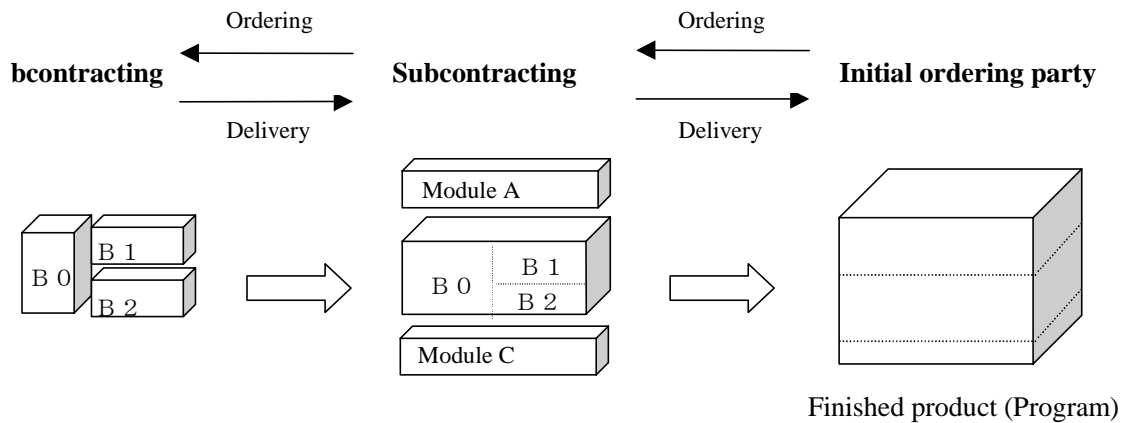
With the progress of information technology in recent years, patent applications under software-related inventions have been increasing and it has become necessary to protect these inventions to cope with the actual development and distribution of software products. The existing provisions of the 1959 Patent Law of Japan concerning indirect infringement were prescribed at the time of enactment of the Law with a view to tangible articles such as parts, raw materials, equipment, etc., and whether these provisions can properly protect software-related inventions or not should be reviewed now. Specifically, the following cases should be considered.

① Development and supply of parts (modules) of software programs

Designing one software program by breaking it down into several modules and placing orders with subcontractors for development of these modules is a generally accepted method of developing software programs.

If a software program constitutes infringement of any other person's patent right, should the act of developing modules of the program through subcontractors be construed as indirect infringement of the patent right as manufacture of the modules that are parts of the program? In particular, even when one of the modules is an important constituent of the program, it is considered that such module rarely has exclusivity judging from the peculiarity of software programs in general. Thus, if the "only" requirement is strictly applied, relief from indirect infringement may become extremely difficult.

Development and supply of parts (modules) of a software program

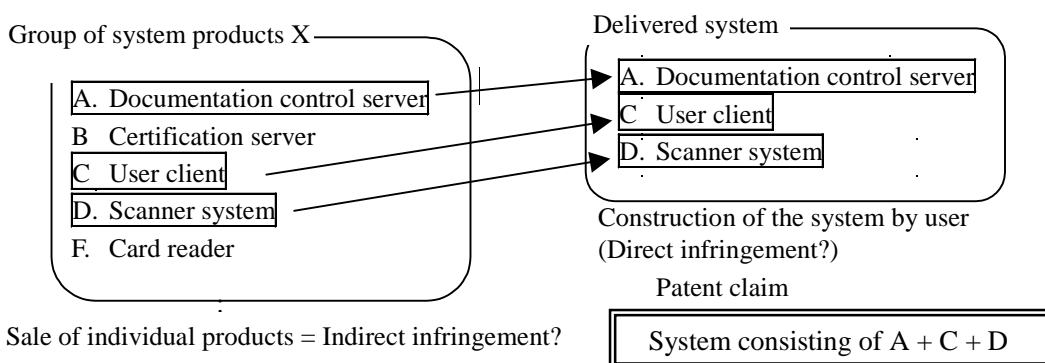


② Sale of a group of computer system products

If a system is constructed by combining a group of computer system products selected to suit a customer's needs, the system so constructed may constitute infringement of another party's patent right.

In such case, should the act of supplying such products (software and hardware) to compose the said group of computer systems that are parts of the constructed system be construed as indirect infringement of any patent right? In case of sale of a specific combination of several products as a set, there is room for regarding the set as an article to be used only in manufacturing the system that infringes a patent right. However, where these products are seen individually, since they are respectively usable in other combinations, relief from indirect infringement may become extremely difficult if the "only" requirement is strictly applied.

Sale of a group of computer system products



③ Process claims and multiple purposes of software programs

If a patent is granted on a software-related invention as "an invention of a process", working of the invention of such process is limited to use of the invention (Section 2(3)(2)), and any person who uses the process is the user of the software but not the person who sells the same. Therefore, in order to force the act of selling the software itself to stop, constitution of indirect infringement is necessary.

Since any software product (program) has many purposes (functions) from the first, relief from indirect infringement may become extremely difficult if the "only" requirement is strictly applied.

(4) Evaluation of the Existing Provisions after Lapse of 40 Years from Enforcement

Under the existing provisions of the Patent Law of Japan concerning indirect infringement, different from those of the United States and European countries, constitution of indirect infringement is decided only by application of the above-mentioned objective criterion of "article to be used only in manufacturing a thing covered by the invention (or only for the working of the invention)."

These provisions were introduced in the 1959 Patent Law. At the time of commencement of drafting the Law, provisions of an American and European type to make each acting person's subject as a requirement were discussed, but to reduce the burden of proof and prevent excessive expansion of force of patent rights, the existing provisions were finally adopted, under which infringement is decided only on the basis of the objective criterion of "article to be used only in manufacturing such thing covered by the invention (or only for working of the invention)".

It is also necessary to consider the issue as to whether the existing provisions themselves have, in view of the original purport of the indirect infringement system, functioned effectively by giving appropriate protection of patent rights. For example, in connection with the "only" requirement, there are a number of judicial precedents that did not recognize indirect infringement as a result of strict construction of the "only" requirement. In recent years, we have seen some court decisions containing reasonable settlement through flexible construction of the "only" requirement, but patent owners generally complain that the "only" requirement is still constructed too strictly.

(Reference) Relations between direct infringement and indirect infringement

As for constitution of indirect infringement, there are two theories, i.e., “dependency theory” – constitution of indirect infringement requires existence of direct infringement, and “independency theory” – indirect infringement may be constituted without the existence of direct infringement. However, if either of these theories is thoroughly applied, a reasonable settlement cannot be obtained in some cases. Thus, judicial precedents and academic theories have taken a compromise attitude between the two to secure reasonable settlement.

(5) Propriety of Reform of the System and Direction Thereof

- The existing provisions for deciding indirect infringement of patent rights only on the basis of the objective criterion of “article to be used only in manufacturing a thing covered by the invention (or only for the working of the invention)” have raised not only issues concerning software-related inventions but also another issue that it is difficult to recognize the existence of indirect infringement if the “only” requirement is strictly applied. In particular, as stated above, there is a fear of almost no room for applying the provisions to software products that have multiple functions in nature. The issue is whether the act of supplying certain parts (modules), etc. of a patent-infringing product could never be construed as indirect infringement simply for the reason that they do not satisfy the “only” requirement, though the act is known to have contributed to the act of infringement. Thus, the “only” requirement should be relaxed by introducing a subjective criterion and at the same time the concept of “article” (which refers to any “article to be used only ...”) mentioned in Section 101 of the Patent Law should be expanded in concert with the concept of “article” used in classifying inventions to secure sufficient protection of patent rights.
- On the other hand, it is necessary to avoid the restrictive effects of the existing provisions on the free sale and supply of products, parts, etc. not intrinsically belonging to the scope of any patent rights. From this point of view, the following requirements should be imposed:
 - ① That the act in issue is an intrinsic or important factor of the working of the invention;
 - ② That the product, etc. in issue is fit for the purpose of the infringed patent but has no generic usage; and
 - ③ That the product, etc. in issue is manufactured in bad faith (or by grave negligence) in terms of the working of the invention or infringement of the patent right.In addition, it is necessary to reconsider the necessity of criminal penalty, too.
- Concrete methods of revising the existing provisions include:
 - ① A new provision to relax the objective criterion by introducing a subjective criterion is added to the existing provisions; and
 - ② The existing provisions are replaced with a new provision to relax the objective criterion by introducing a subjective criterion and in case of supply of any exclusive article satisfying the existing “only” requirement, a provision setting forth presumable bad faith is additionally prescribed.In any case, it is necessary to consider not making any protection area narrower than that of the existing provisions concerning indirect infringement.
- In addition, the existing Patent Law has, with respect to the case of a patent granted on an invention of a product, a provision of “any article to be used only in manufacturing the thing”. However, there may exist cases whereby supplying a necessary article to be used jointly with the patented system such as a server, etc. may be necessary. Thus, said article should not always be limited to such article as to be used only in “manufacturing” the product, but the scope of the article should be expanded to cover any article to be used for the “working” of the invention similarly to the case of a patent granted on an invention of a process.

4. Expansion of Networked Society and Infringement of Patent Rights by Plural Principals

On networks, a working mode in which plural principals work in a dispersed manner on a software-related invention including business method patent, etc. has become prevalent. In the case of software-related inventions, plural principals are involved in acts of infringing such inventions more frequently than in the case of inventions of manufacturing common articles heretofore.

Infringements of any patent right involving plural principals include indirect infringement of the right by plural persons through their joint working of a patented invention and infringement of the right by plural persons including those who assist or instigate the direct infringers. With respect to such act of assisting or instigating the direct infringers, there is a fear that compensation for damages for the joint unlawful act may be claimed, but a cease-and-desist order for the act cannot be demanded unless constitution of indirect infringement is recognized.

In addition, in many cases where plural persons connected on a network work an invention covered by a business model patent, individual users, etc. who do not satisfy the “commercial” requirement may be among the plural persons. The concept of infringement of patent rights in such cases also must be considered.

(1) Infringement under the Patent Law and Relief from such Infringement

Under the Patent Law, it is expressly prescribed that in order to challenge infringement acts by any unauthorized person through the working of any patented invention (direct infringement) and acts construed as infringement under Section 101 of the Patent Law (indirect infringement), a right to demand cease-and-desist of such infringement is granted, in addition to a right to claim compensation for damages under the Civil Code.

① Right to claim compensation for damages (under Article 709 of the Civil Code)

The provision of Article 709 of the Civil Code concerning unlawful acts is applicable to infringement of patent rights and there exists a right to claim compensation for damages. In order to claim compensation for damages based upon any unlawful act, the acting person must have had intention or negligence, while any person who has infringed other person’s patent right is presumed to have been negligent under Section 103 of the Patent Law.

② Right to demand cease-and-desist of infringement (under Section 100 of the Patent Law)

The former law (the Patent Law of 1921) had no provision for the right to demand cease-and-desist of infringement of patent rights but on the basis of their nature of real rights, the right to demand cease-and-desist was recognized in judicial precedents and theories. Under the current Patent Law, this right is expressly provided for in Section 100. To demand cease-and-desist of infringement, the infringer’s intention or negligence is not necessary.

③ Penal punishment

Any acts falling under the category of the above-mentioned direct infringement or indirect infringement are regarded as crimes of infringement and subjected to penalty. To constitute a crime of infringement of any patent, illegality and responsibility are required as well as the fact of infringing act (satisfaction of constituting requirement). In deciding said responsibility, since there is no provision for negligence in connection with crimes of patent infringement, only intentional crimes are punished.

(2) Basic Concept of Joint Unlawful Acts or Criminal Acts under Civil and Penal Codes

Under the Civil Code or Penal Code, if plural persons jointly commit any unlawful or criminal act, all the persons who have committed such act must be responsible for the act under the provisions of joint unlawful acts or complicity.

① Article 719 of the Civil Code

Article 719 of the Civil Code, in the first half of Paragraph 1, prescribes that if plural persons jointly commit any unlawful act that results in damage, all the persons who have committed such act shall be jointly responsible for compensating such damage.

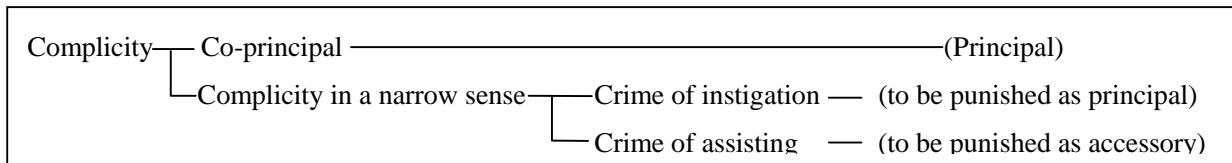
With respect to this provision, there are a variety of opinions in both judicial precedents and theories but they agree in the one point that if plural persons commit as one body an unlawful act in conspiracy with each other or with a recognition of joint act, any person who has not directly committed such act in actuality shall also be responsible for all the results of such act.

In addition, Paragraph 2 of the same Article prescribes that any person who assists or instigates any other person who has actually committed such unlawful act shall be construed as one who has jointly committed the unlawful act and shall be jointly responsible for damages caused thereby.

② Complicity under the Penal Code

Article 60 through Article 65 of the Penal Code prescribe complicity of any criminal act of which the principal consists of plural persons (in a broad sense). The extent to which complicity should be recognized is a disputable theme in theories but at least if there exists “sharing of committing a crime” and “communication of will” (will of jointly committing a crime) among the persons involved in the crime, all the persons shall be construed as the principal (co-principals) of the crime.

Instigating any other person in a crime prescribed in Article 61 of the Penal Code and assisting any other person in a crime in Articles 62 and 63 of the same Code are collectively called complicity in a narrow sense. Under the Civil Code, there is no difference in handling such instigation and assisting but under the Penal Code there is a clear difference, i.e., one who has instigated any other person in a crime is subjected to punishment imposed on the principal but one who has assisted any other person in a crime is subjected to lighter punishment as an accessory.

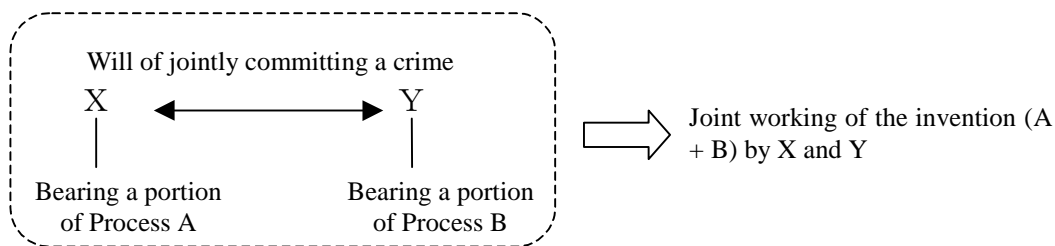


(3) In Case Where Plural Principals Jointly Work a Patented Invention

In this case, the following provisions are expected to be applied:

① Infringement of a patent right by joint working

The Patent Law has, differently from the Civil Code, no provision for joint unlawful acts. However, under the Patent Law, in a case such as that mentioned below, plural principals are construed to have infringed a patent right as one body and the patent holder may demand all the principals to cease-and-desist all acts of the infringement, in a manner similar to the theory of complicity under the Penal Code and the concept of joint unlawful act under the Civil Code. In this case, the responsibility for compensating damages must, under the provision of joint unlawful act in the first half of Paragraph 1, Article 719 of the Civil Code, be borne jointly by all the persons who have infringed the patent right.



② Constitution of indirect infringement

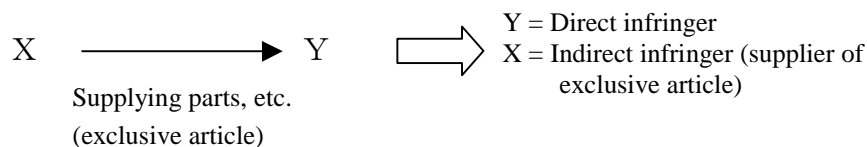
Even when joint infringement of a patent right is constituted as stated above, it is possible to pursue the infringers' responsibility by regarding their act as indirect infringement, if a certain fixed requirement is satisfied. In other words, in case where plural persons bear their respective portions of manufacturing a patent infringing article, if one person in charge of the last assembly can be construed as the manufacturer of the infringing article (direct infringer) and another person in charge of any intermediary process can be construed as the supplier of an "exclusive article" that is necessary for the last assembly of the infringing article (indirect infringer), it is possible to institute an action against the person in charge of the intermediary process as indirect infringer and to demand the person to compensate damages and to cease-and-desist the infringing act.

(4) Acts of Assisting or Instigating Any Other Person in Infringement

This term refers, when there exists a person who infringes a patent right (direct infringer), to any acts of assisting or instigating the person in the infringement. Specifically, it is presumed they may include such acts as assisting an infringer in a tangible or intangible manner by means of supplying equipment, parts, etc. necessary for the working of a patented invention or supplying know-how, etc. necessary for the working of such patented invention, or having another person make a decision to work a patented invention by arranging for him to do so. Separation of assisting the infringer in an intangible manner from instigating any other person concerns whether the will to work a patent right that has already existed is strengthened by the act (assisting) or whether the will to work such patented invention is newly generated by the act (instigation). The following provisions are expected to be applied to such acts of assisting or instigating other persons in infringement of patent rights.

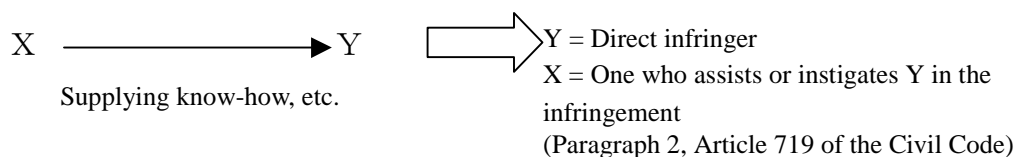
① In case of indirect infringement

If any act by a person who has assisted any other person in the crime of patent infringement is the manufacture or transfer of any article to be used only for the working of a patented invention for the benefit of the direct infringer, the act is construed as an act of infringing the patent right which constitutes indirect infringement. Thus, in addition to the right to claim compensation for damages, the right to demand cease-and-desist of the infringement is also allowed.



② In case of otherwise assisting or instigating any other person in infringement

In case where Article 719, Paragraph 2 of the Civil Code is applicable to assisting or instigating any other person in an infringement other than that falling under the category of indirect infringement mentioned in ① above such as assisting or instigating by supplying know-how necessary for the working of any patented invention, it is possible to make the person who has so assisted or instigated bear the responsibility for compensating damages jointly with the direct infringer. However, no judicial precedent has yet gone so far as to permit a demand for cease-and-desist of such infringing act.⁵

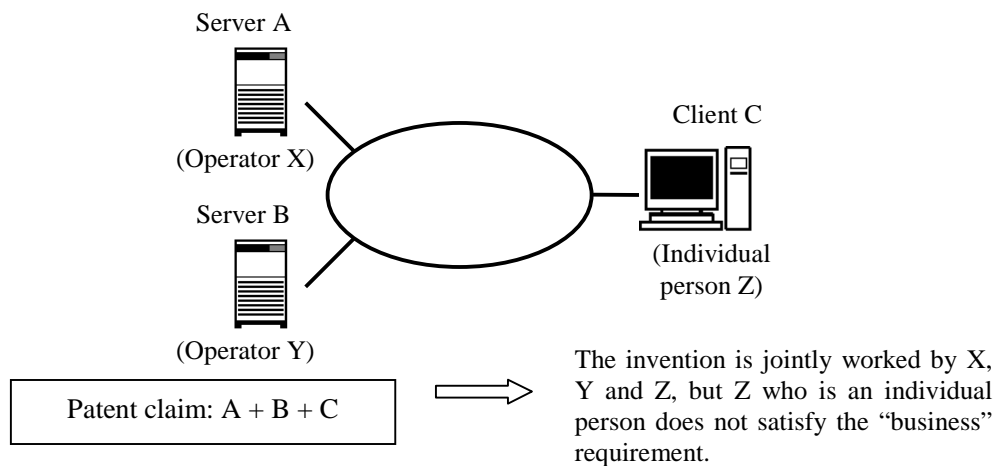


⁵ In a copyright case, the defendant's responsibility for compensating damages for unlawful acts was recognized by the decision of the last instance in the Tokimeki Memorial Case (Feb. 2, 2001 by No. 3 Petty Bench of the Supreme Court). In that case, the sale of memory cards to be used only for revising a certain game software was construed as an act causing infringement of the right to maintain the identity of the game software. There was another case recognizing a leasing company's duty of care for Karaoke devices to be used for business (Decision of the last instance in the Videomates Case) (Mar. 2, 2001 by No. 2 Petty Bench of the Supreme Court). The number of cases handling such acts of assisting or instigating any other person in infringing intellectual property rights has recently been increasing, and some people state that cease-and-desist of joint unlawful acts based upon such assisting or instigating may be demanded under the Civil Code.

(5) Appropriateness of the “Business” Requirement

Some people point out the following as a new issue arising from the spread of networks: In case where certain means supplied by plural persons connected on a network constitute one system as a whole, if terminals owned by individual users who do not satisfy the “business” requirement are included in the system, it may be difficult to claim that all the persons are jointly working the patented invention “as business”.

It is estimated that when a patented invention for a business model is worked by plural persons connected on a network, in many cases the persons who jointly work the invention may include individual users, etc. who do not satisfy the “business” requirement. Therefore, on the assumption that in such case infringement of patent rights is not constituted without exception, the issue that the effectiveness of patent rights may not be secured arises.



(6) Propriety of Reform of the System and Direction Thereof

[Regarding introduction of an active inducement provision]

- Under the existing Patent Law, cease-and-desist of any acts of assisting any other person in an intangible manner or instigating any other person in infringing patent rights cannot be demanded. In view of the strong possibility that such acts of assisting or instigating any other person in infringing patent rights will increase in future in line with the development of networks, some people assert that demand for cease-and-desist of such infringement should be allowed under the Patent Law by providing a definite provision in the Law, referring to the provision of active inducement in Section 271 (b) of the U.S. Patent Act, as an example. This assertion has attracted some support.
- On the other hand, the provision of active inducement in the U.S. Patent Act was, after classification of acts based upon judicial precedents accumulated over many years in that country, regulated as a general provision containing these acts. It has been strictly construed to a considerable extent there. In Japan, there is a prudent opinion that as judicial precedents handling joint unlawful acts of infringing patent rights (instigation) under the Civil Code have not yet been sufficiently accumulated, further consideration is necessary regarding introduction of a comprehensive provision similar to the U.S. provision.
- In addition, there is another opinion that revision of the Patent Law should be limited to expansion of the indirect infringement provision at the present time but introduction of an active inducement provision should be decided after confirming the results of such expansion. The reasons for this opinion include: a) broad acceptance of demand for cease-and-desist of such acts as assisting in an intangible manner or instigating any other person in infringing patent rights may have a restrictive effect upon people’s due business; b) with respect to such act of assisting any other person on a network as occurred in the Napster Case²⁵, there has not

²⁵ Napster Case

A&M Records Inc. v. Napster Inc., 239 F 3d 1004 (9th Cir. 2001).

With respect to such act by Napster as supplying a server for exchanging music files on the Internet, the relevant Appeal Court rendered a decision

yet been any case that has developed into a dispute in the field related to patents or trademarks; and c) Demand for cease-and-desist of acts of such assisting or instigating may be allowed under the Civil Code in future by judgments of court.

- Therefore, in introducing a provision similar to the provision of active inducement in the U.S. Patent Act, consideration should be continued taking into account the possible effects of expanding the indirect infringement provision, expected technology innovation in future, and the trends of trade on networks.

[Regarding appropriateness of the “commercial” requirement]

- With respect to handling of the “commercial” requirement when a business method invention is worked in a dispersed manner on a network, there are a variety of opinions. They include: a) taking into consideration that the whole of a patented system is used for realizing a business activity as a business, constitution of infringement of the patent right cannot be denied even when individual users take over a portion of the act of working the invention; b) at the stage of unauthorized working, a joint unlawful act will be constituted and individual users who do not satisfy the “commercial” requirement should be released from the responsibility for the working in such form as justifiable cause; and c) since somebody who does not satisfy the “commercial” requirement is involved, infringement of patent right cannot be recognized.
- However, there is a uniform prudent attitude on abolishment of the “commercial” requirement because there is a fear that it may excessively expand the scope of powerful exclusive right, i.e., patent right.
- There is another opinion that even when individual users’ involvement is essential in actuality, any person who installs a server, etc. that is an intrinsic factor for using the whole of a patented system may be treated as a supplier of parts, etc. in a broad sense, by elaborating the wording of claims, or excluding individual users from the constituents of the invention, or expanding the provision of indirect infringement. In view of these opinions, the “commercial” requirement itself should be prudently reviewed at the present time.

Section 2. The Desirable Trademark System in Networked Society

1. Advance of Networked Society and Change in Trademarks for Goods

Goods referred to in the Trademark Law have basically been regarded as tangible articles heretofore. However, with the rapid expansion of e-commerce in line with the spread of the Internet, intangible information assets such as computer programs that have been distributed as tangible goods including CD-ROMs, books, etc. have come to be traded through the Internet. As a result, it has become necessary to reconfirm that the concept of “goods” under the Trademark Law can be read to include the intangible information assets.

Differently from an “article” referred to in the Patent Law, such concept of goods that emphasizes their distributable nature even when they are intangible ones has been adopted in some theories and judicial precedents. Therefore, even if no particular revisions are made to the provisions of the Trademark Law, it may be appropriate to consider that the goods contain in tangible information assets such as computer programs, etc.

(1) Spread of a New Style of Distribution of Goods

In line with the rapid expansion of e-commerce due to the spread of the Internet and penetration of broadband communication services, in tangible information assets such as computer programs, electric publications, etc. that have heretofore been distributed as tangible goods including CD-ROMs, books, etc. have come to be traded through the networks by using certain technologies including downloading, etc.

(2) Change in the Concept of Goods

As for goods, there is no definition under law but the concept of this term has been left to construction in theories and judicial precedents. One theory construes goods as tangible articles in order to separate them from services but another theory construes they may contain intangible ones by focusing on their distributable nature in market.

Under the Unfair Competition Prevention Law, goods have been construed as tangible articles heretofore. However, a decision of the Tokyo High Court holding that goods contain digital fonts states that intangible property may be construed as goods “when the economic value of the goods is recognized in society and they are traded independently”²⁶

Internationally, to cope with this new style of distributing goods, in October 2000 at the World Intellectual Property Organization (WIPO), “downloadable electronic publications” and “downloadable programs” were newly added as examples to the goods of the category of Class 9(Including magnetic data carriers, data processing equipment and computers) by revising the International Classification of Goods and Services of the Nice Agreement²⁷. On the basis of this revision, the US Patent & Trademark Office (USPTO), the Office for Harmonization in the Internal Market (OHIM), and principal countries including UK and Germany and other principal organizations have already adopted downloadable electronic publications and downloadable programs as goods (of Class 9) to which trademarks apply, without revising their trademark laws to reflect said change in the concept of goods.

²⁶ “Morisawa Typeface Case” (Dec. 24, 1993, the Tokyo High Court)

²⁷ Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of June 15, 1957.

(3) Expansion of Use of Trademarks for Goods

Under the Trademark Law, in securing protection of registered trademarks, the term “use” of marks is defined for the purpose of clarifying the effects of trademark rights. It serves to define the scope of rights to demand the injunction to prevent infringing acts and to claim compensation for damages, and also functions as a requirement for constituting a crime of infringement of trademark rights.

Under the former law (the 1921 Trademark Law), the term “use” was not defined and what kinds of acts should be construed as infringement of any trademark were utterly dependent upon the construction of the Law. Regarding the provisions for punishment of such infringement, there were some provisions classifying the acts of trademark infringement into several groups, i.e., “selling”, “delivering”, “counterfeiting”, “imitating”, “importing”, etc. (Article 34).

Under the existing law (the 1959 Trademark Law), in terms of the necessity of expressly prescribing the contents of effects of trademark rights, a provision defining the term “use” of marks was introduced (Article 2, Paragraph 3 of the Trademark Law). Specifically, referring to the construction of the term used theretofore, “applying”, “assigning”, “delivering”, “displaying”, “displaying advertisements”, etc. were enumerated as typical types of trademark use. This resembles the provision prescribing the working of inventions in Article 2, Paragraph 3 of the Patent Law.

(Reference) Article 2, Paragraph 3 of the Trademark Law

“Use” with respect to a mark in this Law means any of the following acts:

1. Acts of applying the mark on the goods or their packaging;
2. Acts of assigning, delivering, displaying for the purpose of assignment or delivery, or importing, the goods on which or on the packaging of which a mark has been applied;
3. through 6. (Omitted)
7. Acts of displaying or distributing advertisements relating to the goods or services, price lists or business papers with respect to the good or articles on which a mark has been applied;

(4) Provisions concerning Use of Trademarks for Goods in Foreign Countries

The US Trademark Act (Lanham Act) provides that a mark shall be deemed to be used when the mark is placed in any manner on the goods, and the goods are sold or transported in commerce²⁸. The Trademark Act of the UK has the provision that offering or exposing goods for sale, putting them on the market or stocking them for those purposes under the sign may constitute infringement of the trademark²⁹. The German Trademark Act similarly has a provision that offering the goods, putting them on the market or stocking them for those purposes under that sign is use of the trademark that may constitute infringement of the mark³⁰. Thus, in the United States and European countries, such wider concepts of “use” as shown in the wording of “under the sign” and “putting on the market” than in Japan are adopted.

²⁸ 15 U.S.C. § 1127 (1)(B)

²⁹ Article 10 (4) of the 1994 Trademark Act of the UK

³⁰ Article 14 [3] (2) of the Trademark Act of Germany (“*Markengesetz-MarkenG*”)

(5) Propriety of Reform of the System and Direction Thereof

[Goods]

As for goods, theories and judicial precedents have shown their construction of the concept of goods laying stress on the distributable nature of goods. Internationally, in many countries, without revising existing laws at the time of changing their construction of the concept of goods, intangible information assets including computer programs, etc. have become to be construed as “goods”. Taking into consideration the foregoing circumstances, under the Trademark Law of Japan, it is considered reasonable to construe that intangible information assets including computer programs, etc. are included within the concept of goods, without revising the existing Law.

[Use of trademarks for goods]

- In order to cope with various methods of distributing computer programs through networks and to secure proper protection of trademarks on the networks, the current trademark system should be reformed to expand the scope of the provision of Article 2, Paragraph 3, Item 2 of the Trademark Law defining the use of trademarks for goods. The revision of the Trademark Law should be discussed taking into account the revision of the provision concerning the working of inventions in the Patent Law.

2. Development of Network Society and Change in Service Mark

Network-based services have diversified recently as the Internet has spread. Various services such as music streaming³² and on-line banking are increasing, and many enterprises and individuals can easily sign service trade contracts. However, rules based on the present Trademark Law may not always be suitable for the new services on the Internet.

To respond to the diversification of types of services and ensure proper protection of service marks used on networks, the system must be revised to extend the scope of Section 3 of Article 2 of the Trademark Law defining the use of marks. Such revisions could include: 1) addition of the particular act of using marks on the network-based services to the present provision, and 2) introduction of the concept of comprehensive act of the using service marks.

Furthermore, use of marks in advertisements, price lists, and transaction documents should be clearly defined for actions on networks.

(1) Use of service marks in network-based services

When offering network-based services, marks are displayed on the screen of the user's personal computer. When the marks are displayed on the screen with providing services through the networks, those marks can perform the same functions (such as source indicating function, quality guarantee function, and advertising function) as the use of marks given to conventional tangible articles.

Regarding the use of service marks, it is difficult to recognize the marks in the preliminary step of making the mark data or transmitting them on the networks. Furthermore, these service marks can not be found until they are shown on the screen of the user's personal computer in the step of offering the services through the networks.

(2) Service mark

A service mark is a trademark that enables a business to distinguish its services from those of others, and hence give the service an identity.

In the former Law (the 1921 Trademark Law), trademarks concerning goods could be protected. When the present Trademark Law was established in 1951 was planned, the introduction of a service mark registration system was studied, but it was abandoned as it was too early on the business side and the Patent Office was not prepared to implement the system. In 1991, due to the demand for service mark protection from the foreign countries and in Japan and to ensure the international harmonization of trademark systems, the service mark registration system was at last introduced.

³² a service of providing data such as sounds and animations over networks

(3) Use of service mark

The use concerning service marks is defined as below in Section 3 of Article 2 of the Trademark Law.

(Reference) Section 3 of Article 2 of the Trademark Law

“Use” with respect to a mark in this Law means any of the following acts:

- 1~2 (omitted)
- 3 act of applying a mark to articles for use by persons to whom the services are provided (including articles assigned or leased – hereinafter the same) when providing services;
- 4 act of providing services by use of articles to which a mark has been applied for use by persons to whom the services are provided when providing services;
- 5 act of displaying, for the purpose of providing services, articles to which a mark has been applied and supplied for use in the provision of services (including articles for use by persons to whom the services are provided when providing services – hereinafter the same);
- 6 act of applying a mark to articles related to the provision of such services belonging to persons to whom the services are provided when providing services;
- 7 (Omitted)

In the studies for revising the Trademark Law in 1990, it was concluded that a service mark could be used for tangible articles as services themselves were intangible and could not be seen, but could be seen only by using the tool provided in the services. On the basis of this, the acts of using marks were defined individually and specifically according to the type of service activities so as to clarify the act of using a mark. At the time, services offered via the Internet were not widespread, and so the Trademark Law provides the use of service marks on the assumption that the marks would be used on the tangible articles.

Therefore, in those provisions, the use of a mark displayed on the screen of terminals of computer users would not be included in the offer of services through a network.

(4) Provisions concerning the use of service marks in foreign countries

In the Lanham Act of the United States³³, service marks should be used only in commerce for reproducing or counterfeiting registered trademarks in connection with the sale, offering for sale, distribution, or advertising services, and acts which may be likely to cause confusion are prohibited as a violation. Further, in the Trademark Law of the United Kingdom and Germany³⁴, offering or supplying of services under the sign is considered to be a violation of trademark rights. Thus, in Europe and the USA, the use of service marks is not prohibited as an act concerning tangible articles to which a mark is attached, but is considered to be the act of offering services “under the sign” or “in relation to the mark” comprehensively.

³³ 15 U.S.C § 1114 (1)(a)

³⁴ United Kingdom, Article 10 (4)(b) of The Trade Marks Act 1994; Germany, Article 14 3 of German Trademark Act (“*Markengesetz-markenG*”)

(5) Propriety and direction of system revision

[Use of Service marks]

Revision of the system should be considered so that the scope of provisions defining the use of marks in Section 3 of Article 2 of the Trademark Law is expanded to correspond to the expansion of various services offered through networks, and to appropriately protect trademarks concerning new services under the Trademark Law. In studying revision of the system, the following two proposals are considered.

① Addition of particular use of network-based services to present provisions

A provision for a specific use on networks, e.g. “Act of providing services through the computer screen while displaying a mark on the screen” is added to the present Section 3 of Article 2. In this proposal, the act of providing services through a screen via a network is clearly applicable to “use”, but such an act should cover new services that appear due to technological development of Internet technology and image processing technology.

② Introduction of comprehensive concept of use

The present provisions define the use of marks as individual specific acts, and so cannot flexibly adapt to economic developments. Some indicate that the present law is limited to services which can be offered using tangible article. Therefore, a general revision could be made with comprehensive provisions such as “offering services under the sign” according to the examples of legislation in Europe and the USA as well as corresponding to the service offered on the network. In this proposal, the use of trademarks in offering services can exhaustively be identified, and a flexible response can be made.

- Regarding opinions supporting the proposal of introducing the comprehensive concept of use according to ②, the subcommittee discussed the opinion that the present definition of the use of marks by means of “tangible articles” does not reflect the present situation as services are offered not always through tangible things, and that if the concept of use was not provided for comprehensively, the concept could not cover unexpected technological developments. It was also discussed that the present definition was too technologically oriented, and so a comprehensive provision was better in view of ease of understanding the law.
- On the contrary, regarding opinions supporting the proposal of the addition of the particular act of network-based services of ①, the subcommittee discussed opinions such as that when the comprehensive concept of use is admitted, it is not clear which act is appropriate to the use of service mark and which “use” is appropriate in judging no-use cancellation, and it causes the problem of the interpretation of the Law.
- Opinions① and ② are not contrary to each other and the comprehensive concept of ② should be introduced in the medium to long term. However, this concept is not applicable to “concept of use” only, but various views such as reform of provisions in “definition of trademark” and “Act deem to be-infringement” in the Trademark Law must be broadly studied.

(Reference) Section 1 of Article 2 of Trademark Law

“Trademark” in this law means characters, figures, signs, three-dimensional shapes or any combination thereof, or any combination thereof and colors (hereinafter referred to as a “mark”):

- 1 (Omitted)
- 2 which are used in respect of services by a person who provides or certifies such services in the course of trade (other than as in (i) above).

- If the proposal can add the particular act of providing a service using the network individually and specifically, the objective of suitability for the network society can be fully attained. So, at this stage, Opinion ① is suitable to cope with the service marks on the network. However, further study of the reform of the Trademark Law is necessary to cope with future technological revolution and diversification of services.

[Use of mark in “advertisements”, “price lists” and “transaction documents”]

No. 7 of Section 3 of Article 2 of the Trademark Law provides the act of using a mark in the advertisements, price lists or transaction documents of goods or services.

(Reference) Section 3 of Article 2 of the Trademark Law

“Use” with respect to a mark in this Law means any of the following acts:

- 1- 6 (Omitted)
- 7 Act of displaying or distributing advertisement relating to the goods or services, price lists or business papers with respect to the good or articles on which a mark has been applied.

This act is not connected directly to the sale of goods or offer of services, and is a kind of peripheral act. However “use” of a mark in an advertisement can have the function of trademarks as the source display function or accumulation of trust through advertising publicity. Therefore the Law provides that using marks on advertisement, etc, may constitute the use of marks. Specifically, advertisements via television are included in addition to magazines and fliers.

- It is necessary to clarify that the concept such as “advertisements”, “price lists” and “transaction documents” that are shown on terminal screens or distributing through networks is included in the provision according to in the utilization and popularization of networks for transactions and advertising of goods and services.

[Other items indicated]

Furthermore, in the subcommittee, definition of use should be included in the comprehensive provisions without discrimination of goods and services, as the concept of goods and services is relative due to the development of distribution technology and the value of discriminating goods and services by using trademarks diminishes.

It was also discussed that internationally, service marks of retailers such as department stores and convenience stores are being admitted, and so such service marks should be admitted in Japan.

Section 3 Promotion of Prompt and Precise Examination and Improvement of Convenience

1. Introduction of Disclosure System for Prior Art

Recently, intellectual property has become an important part of enterprise activities, and the number of patent applications and requests for examination is increasing. If the results of search for prior art held by applicants could be disclosed and utilized in the patent examination, they could be a great help for efficient and precise examination.

Although the environment for efficient search for prior art is being developed, many applications do not list the prior art documents in the specifications, and those documents are not completely utilized. In Europe and the USA, prior art information of applicants is disclosed at the time of filing or in the examination process based on the principle of duty of candor and good faith in examination procedure.

As strong patents are based on a thorough search for prior art, it is necessary to consider introducing an efficient system for disclosing prior art in Japan, by using the European and US systems as reference.

(1) Necessity of reinforcing prior art information

To deal with the recent increase in number of patent applications and requests for examination, more efficient examination is necessary. If the results of checking prior art possessed by applicants, which should reduce investment risk accompanied by duplicated research and development and lead to reliable patent rights, could be used in the patent examination, efficient and precise examination could be achieved. In fact, the ratio of grant of patent applications with disclosure of prior art documents in the specifications is higher than that of applications without such disclosure⁴⁰.

Especially, the number of applications for business method patent concerning software is recently increasing due to rapid technological progress, and the prior art documents have not yet been accumulated systematically. Besides, non-technological documents as well as technological ones play an important role in the examination. The Patent Office is making every possible effort to reinforce prior art information on business method patent concerning software, such as reinforcing its database of prior art, requesting companies to supply prior art information, promoting mutual utilization of information held by Trilateral Patent Offices, etc. If applicants supply results of search for prior art, more prompt and precise examination is expected to be achieved. Further, if prior art information might be published in Patent Gazettes, other users could understand the invention correctly and get useful information for the future search of prior art.

Thus, through cooperation among users and the Patent Office, introduction of prior art disclosure system will reduce the social cost as a whole.

⁴⁰ (The ratio of applications disclosing prior art documents which were rejected under Section 1/2 of Article 29 of the Patent Law in 2000 was 38%, and the ratio of applications disclosing prior art documents which were granted a patent in 2000 was 47% (investigation by Patent Office).)

(2) Reduction of burden on users in checking prior art

The Patent Office started a Industrial Property Digital Library (IPDL) service on its home page in 1999 to encourage the use of various and inexpensive information sources while reducing the burden on users in conducting prior art searches. As a result, examination of past patent documents whose retrieval used to be possible only in the Patent Office can now be made anywhere. Further, convenience of examination using the Internet is being developed to reduce the burden on users in conducting prior art searches.

(3) Present Situation in Japan

In Section 4 of Article 36 of the Japanese Patent Law, specification requirements are given, and in Reference 15 of Form 29 in the Regulations under Patent Law, it is stated that “if prior art documents in relation with the invention for which patent is sought exist, the name of the documents should be cited, if possible”.

However, this provision is only given as a voluntary item, and applications in which prior art document is not cited in the specifications are very common⁴¹, so full disclosure and use of information of prior art document has not yet been made.

(4) Propriety and direction of system revision

[Legislation of embodiment of duty of good faith and honesty]

In Japan, the “rule of good faith and honesty” is provided in Article 1 of the Civil Law and in Article 2 of the Civil Suit Law. The latter was established when the Civil Suit Law was fully revised in 1996 from the viewpoint that prompt and appropriate execution of a suit requires the cooperation of parties as a conventional business duty. The Civil Suit Law and rules of civil suit provides standards for acts in which the duty of good faith and honesty of the parties is specifically determined.

- Civil Law (No. 89 of Law of 1996)
Article 1 [Basic Rule] ② Execution of rights and fulfillment of duty should be made in good faith and honesty.
- Civil Suit Law (No. 109 of 1996)
Article 2 (Responsibilities of Court and Parties) The court shall endeavor to execute civil suits equally and quickly, and the parties shall conduct the civil suit honestly in good faith.
- Rule of Civil Suit (Rule 5 of Supreme Court of 1996)
Article 85 (Duty of Investigation) The parties shall investigate the facts concerning witnesses and other evidences in advance so as to make claim and proof.

This law governing the duty of good faith and honesty has shortened the duration of suits through the efforts of the Court. When a suit action such as violation of the duty of good faith and honesty under the civil suit law occurs, the application is rejected by the Court, and so the fundamental effects of the suit action may be denied.

⁴¹ indication ratio of prior art in patent applications in 1999 was 42% (Investigation by Patent Office)

The assessment of patents is a legal administrative procedure executed by examiners of the Patent Office, which is different from that of civil suits where the principles of the parties and debate are compromised. However, in fact, both the parties exchange opinions in the form of notifications of reasons for rejection by the examiners and response by the applicant, and the process by which patent rights are granted involves the applicant and patent office as parties on an equal footing.

Therefore, it is considered possible to introduce a provision requiring indication of prior art literature based on the rule of good faith and honesty in the patent judgment procedure.

[Scope of prior art documents to be disclosed]

When applicants are obliged to actively investigate prior art documents and to supply and add prior art after submitting an application as in the old system of Germany and the USA, an excessive burden may be placed on applicants. Therefore, the scope of disclosure shall be limited to information which applicants knew at the time of filing.

But if the name of the document is disclosed, quick access the document can be made, and so the document itself need not be requested. The exhaustive supply of all information by applicants would cause an excessive burden, so appropriate consideration should be given regarding implementation.

[Measure of securing effectiveness of disclosure]

Unless the disclosure is obligatory, a moral hazard will arise, which impose excessive burden on honest applicants, on the other hand, encourage dishonest applicants who deliberately do not obey the obligation. If the violation of disclosure directly constitutes a reason for rejection and invalidity, and the examiners check whether the disclosure is sufficient or not, then a flood of information and delayed examination may occur.

To avoid this, a system of security measures such as in Germany can be considered, where disclosure is obligatory, and if no prior arts are disclosed in the application, then examiners can request the name of the documents to be disclosed. If this request is then ignored, they can notify a reason for rejection.

On the contrary, defense of violations of the disclosure duty may increase in suits after patent rights are granted. Violation of the duty of disclosure would be limited only to the reason for rejection, not to the reason for opposition or invalidity of patent rights. Such a system in which violation of patent procedure constitutes a reason for rejection but not a reason for opposition or invalidity of patent rights is employed as a standard of unity of invention (Article 37 of Patent Law)⁴².

⁴² Unity of Invention is the standard for determining the scope of plural inventions which can be applied in one application. The standard is provided in Article 37 of the Patent Law; if the standard is violated, a reason for rejection is notified. As this Article is a procedural provision to ensure swiftness of examination, the violation is not a defect in the actual substance of the invention, but is only a defect in procedures where an application for two or more patent rights should be made. Therefore, the violation is not a grounds for opposition or invalidity, because the profit of a third party is not infringed even if the application is granted with the defect. Even if the reason for rejection of violating unity of invention is notified, the rejection is rarely decided due to dissolution by eliminating the claims or dividing the application.

[Considerations for establishment of the system]

The system of disclosing prior art cannot be established efficiently without the understanding and cooperation of users. Therefore, detailed explanation to users is required, as well as the establishment of guideline and thorough dissemination of the purpose of the revision without placing excessive burden on small entities, venture businesses and individual inventors when introducing the system. Furthermore, appropriate measures for copyright should be taken to facilitate access and utilization of non-patent documents.

Chapter 3 Conclusion of Studies

1. Issues Requiring Immediate Attention (Items of Revision)

(1) Revision of provisions of enforcement actions for inventions

It is necessary to revise the provisions of enforcement actions of the Patent Law to clarify that the Patent Law protects the programs themselves, and that distribution of programs on networks is within the scope of patent rights.

(2) Expansion of inventions concerning software and indirect violation

Regarding provisions for indirect violation where preliminary and abetment acts of violation such as supply of parts to patent right infringers are prohibited, the applicable scope should be developed by relaxing the requirements for inventions concerning software.

(3) Revision of provisions for use of mark

In business activities utilizing networks, it should be clarified that trademarks displayed on a personal computer screen are protected by the Trademark Law. Regarding the part of the provision common to the Patent Law, revision after reviewing the Patent Law is necessary.

(4) Introduction of system for indicating prior art

To achieve quick and appropriate judgment of applications, a system for indicating prior art literature of applicants needs to be established. The system should be designed so that applicants do not suffer an excessive burden.

(5) Separation of “claims” from “specifications”

It is necessary to revise the patent application form of independent documents so as to separate “claims” from “specifications” by matching the domestic application with the application form provided in the PCT, in order to reduce the burden on applicants, ensure international harmony of patent systems, and promote electronic use.

(6) Extension of term for presenting domestic documents in PCT applications

Based on the results of the general meeting of the PCT Alliance, it is necessary to extend the term for domestic transfer of international patent applications to 30 months uniformly. Further, the term for presenting translations in PCT foreign language applications should be extended to ensure international harmony among patent systems and reduce the burden on applicants.

2. Future Issues

(1) Method of defining inventions

In the definition of invention of the present law, that is, “creation of technological idea utilizing natural laws”, it is not admitted that the definition restricts the actual admission of accuracy of patent inventions concerning software due to conventional flexible employment. Further, immediate revision of the definition of invention at present is not considered necessary as there is little demand for expansion of protection by the Patent Law to so-called pure business which does not use computers, the Internet, etc.

However, for more appropriate definition of invention based on changes in economic society, it is necessary to continuously study the issue while considering future technological trends and discussing international harmony.

(2) Response to violation of patent rights by plural subjects

To respond to the increase in intangible abetment or instigation of violations of patent rights over networks and the situation concerning individuals, not undertaker, the introduction of provisions for active inducement under the US Patent Law and review of business requirements should be studied continuously for drawing up measures while observing the situation of business activities concerning patents and trademarks on networks.

(3) Response to cross-border business activities

In today’s networked society where business activities can be executed easily across borders, when the whole or a part of a violation of intellectual property of Japan is carried out overseas and damage due to the violation occurs in Japan, it is necessary to solve the issue of the damage being deemed illegal under Japanese law or such problems as international trial jurisdiction, admission and execution of judgment. The study of some of these problems was begun in the Hague International Private Commission on international trial jurisdiction, and in WIPO, but these problems also need to be tackled quickly in Japan, a basic response plan drawn up, and international rules for settling disputes implemented.

(4) Cultivating international harmony of intellectual property

Intellectual property systems need to be harmonized to facilitate the development of global business and resolution of intellectual property disputes. It is therefore necessary to achieve “Deep Harmonization” in the Patent Substance Harmonization Treaty (SPLT) carried out by WIPO, to fully harmonize the patent system of each country, and to review key issues such as the definition of trademarks and means of achieving international harmony for the trademark system also. Moreover, it is necessary to study a new framework for the intellectual property system to handle the rapid pace of technological development in the IT field.

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