Report Presented by 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

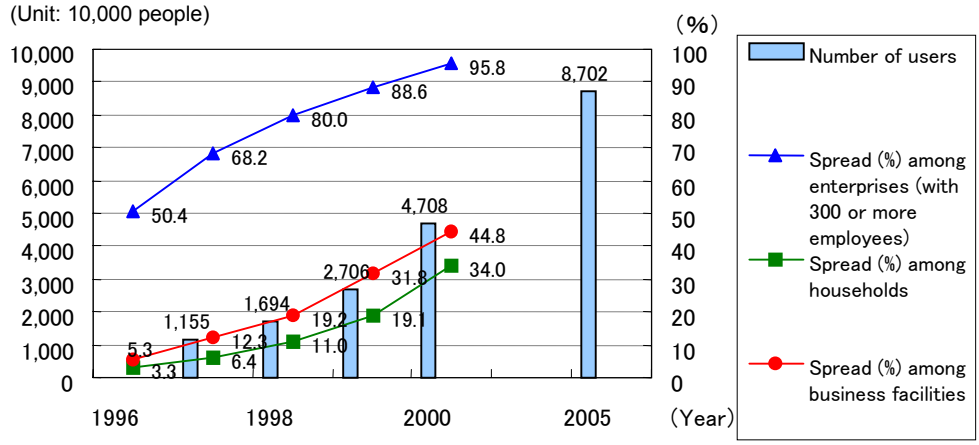
Section 1　Changing environment affecting intellectual property

With advances in information technology (IT)　making information exchanges more intense and more widespread , the socio-economic system is rapidly becoming network-oriented and digitized. 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 on 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

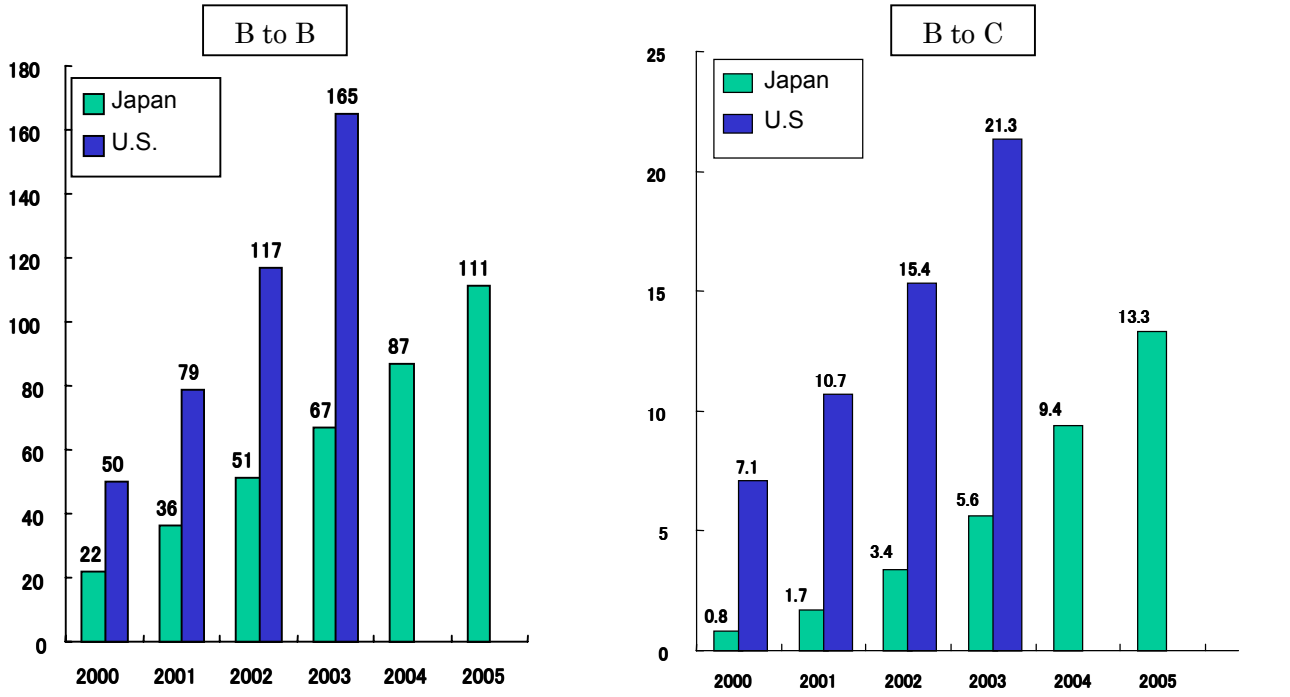
Based on “Survey on the progress of information-oriented life” and “Survey on trends in the use of communications technologies,” both published by the Management and Coordination Department　（Source: White paper on information communication 2001）

（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)



(Unit: trillion yen)

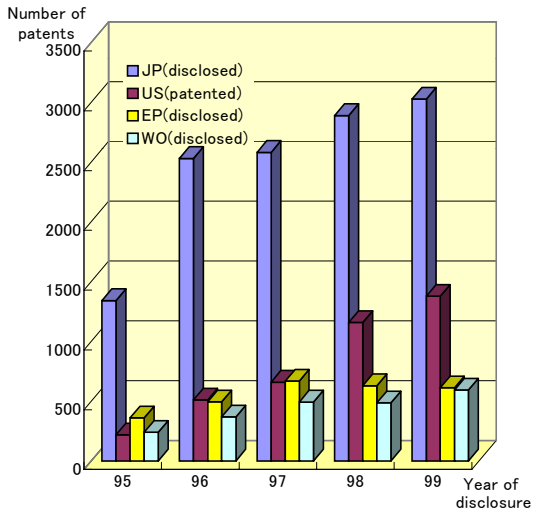
Source: Data for U.S. (joint survey conducted by Accenture and Ministry of Economy, Trade and Industry in March 1999)
Data for Japan (continued joint survey conducted by Accenture, Electronic Commerce Promotion Council and Ministry of Economy, Trade and Industry in February 2001)[1)]

[1] http://www.meti.go.jp/kohosys/press/0001317/

（３）New business activities developing on the networks

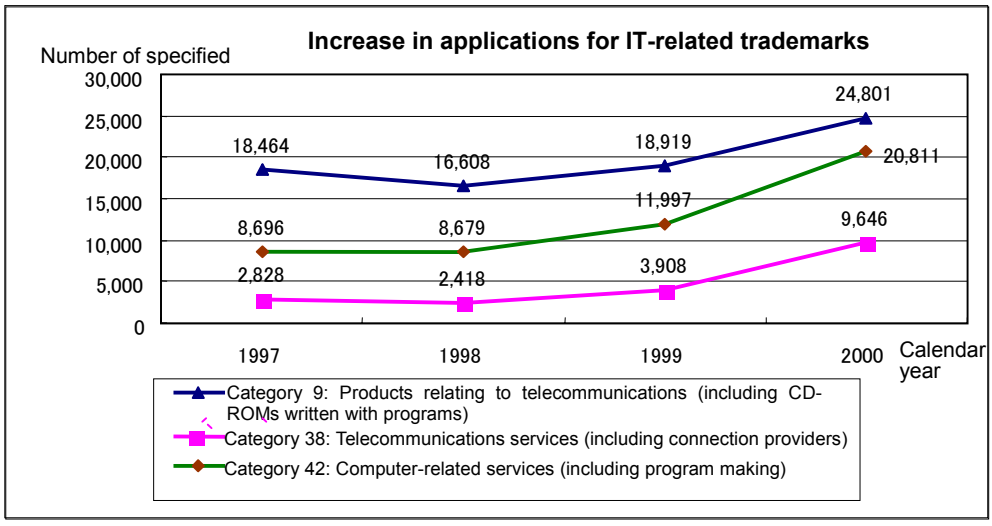
There has been an increase in intellectual property related to the new business systems. For example, a new distribution method different from the existing distribution of tangible goods is expanding in which patented, intangible items such as computer programs are supplied via networks. Reflecting this trend business method patents dealing with areas 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 Japan Patent Office, 2000 (Refer to JPO homepage)[2]

[2] 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.[3]。

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 to the Internet 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. 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 –as well as global licensing issues for using patents for business methods and jointly-owned patent licenses.

[3] Reference: http://www.kantei.go.jp/jp/it/index.html

Section 2　Efforts in the establishment of a system toward protection of intellectual property rights and future challenges

1. System improvements

JPO has carried out a series of legal revisions in order to enhance the "intellectual creation cycle" of granting IP rights to technology (acquisition of rights), utilizing the rights (the utilization of rights), and collect the money invested in research and development (exercising rights) towards further intellectual creation. By the promotion of such so-called pro-patent policies (placing importance on patents), a superior globally competitive intellectual property protection system has been realized.

（１）Strengthening of intellectual property protection

In recent years the JPO has we have been promoting various measures towards the realization of "broad, strong, and speedy protection" of intellectual property. Concretely speaking, the following measures have been adopted.

1) expansion of the patentable material, expansion of the effect of patent rights, and responses to the TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights) Convention　such as extension of the patent term (1994 Patent Law revision)
2) realization of appropriate compensation for infringement of rights by amendment of relief measures, speeding of patent trials (1998 and 1999 Patent Law revisions)
3) realization of early acquisition of rights by means of speeding deliberation of invalidation trials (1998 Patent Law revisions) and shortening of the request for examination period (1999　Patent Law revision)
4) reduction of burden on the part of applicants by lowering patent fees, etc. (1998 and 1999 Patent Law revision)
5) expansion of the protection of designs by means of the introduction of the Partial Design System, related Design System, etc. (1998 Design Law revision)
6) response to the Trademark Convention by the introduction of a multiple claim system and realization of the early acquisition of rights by the introduction of a grievance system after granting of trademark rights (1998 Trademark Law revision)
7) facilitating and speeding of international deployment of trademark rights by the participation in the Madrid Protocol (1999 Trademark Law revision)

（２）Enhancement of utilization of rights

The following measures have been carried out in recent years to enhance the utilization of intellectual property rights.
1) establishment of the Act for Promotion of Technology Transfer from Universities, etc. (Support for TLO: 1998)
2) "Japanese version" of the Bayh-Dole Act (Special Measure Act for Industrial Revitalization of : 1999)
3) Enrichment of special services in the field of intellectual property such as review of the scope of patent attorney business(2000 Patent Attorney Law revision)

（３）"broad, strong and speedy" protection

As regards "strong" protection, the amount of damage from counterfeits declared at in courts has been steadily increasing. The average amount of damages in major lawsuits concerning the infringement of patents and model utility rights in the past was as small as approximately 46 million yen between 1990 and 1994. The average amount reached approximately 113 million yen [5] between 1998 and 2000. (Reference 1)

[5] The Tokyo District Court (July 17, 2001) has renounced a verdict to protect the right holders by flexible interpretation of the law

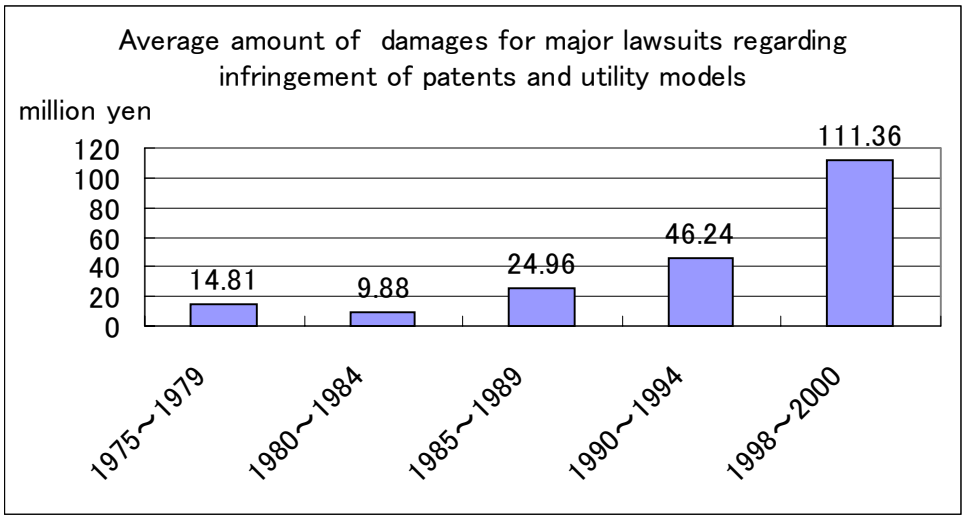
There have in fact been verdicts which have admitted damages of as much as 3 billion yen and have damages in a flexible manner respecting the purpose of the revision of Patent Law [6].

In terms of "swift" protection, the first action period at the JPO (the period between application filing and issuance of first notice) has been shortened, mainly in the areas of designs and trademarks(Reference 2). The processing period of appeals has also been shortened (Reference 3).

The average period of deliberation at courts has also been shortened. The average length of the deliberation period at district courts nationwide for civil lawsuits regarding intellectual property rights was 21.6 months in 2000, the shortest period ever in Japan (Reference 4).

Furthermore, in the Tokyo and Osaka district courts, which have exclusive departments for intellectual property, the average length of the deliberation period for patent cases was drastically shortened to 16.1 months and 17.2 months respectively in 2000. (Reference 5)

(Reference 1)

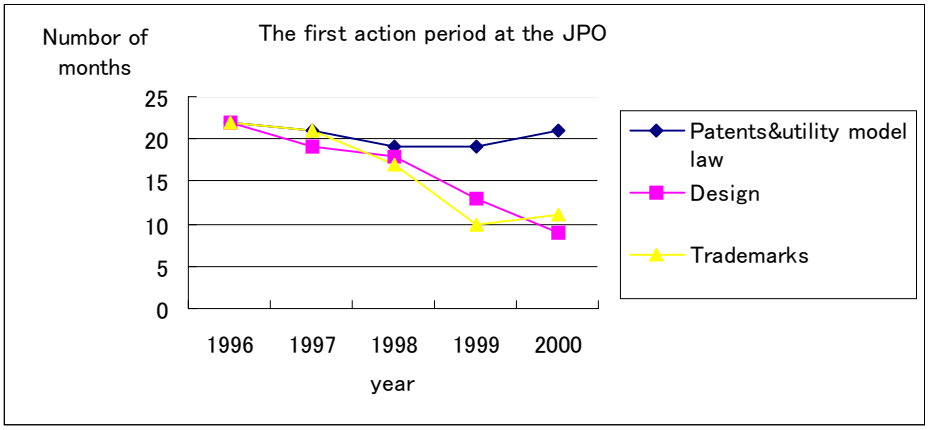


The average amount of damages awarded was only approximately 46 million yen 1990 and 1994. The amount, however, reached a high of approximately 111 million yen 1998 and 2000.

saying that "exercising ability" as depicted in the Patent Law only refers to potential capabilities and "the amount of profit per unit quantity" cannot be calculated accurately and is to be calculated approximately, considering the purpose of the revision of Patent Law to which was added Subsection 1, Section 102 (Provision of Damage Estimation) aiming to expand the protection of rights of the right holders.

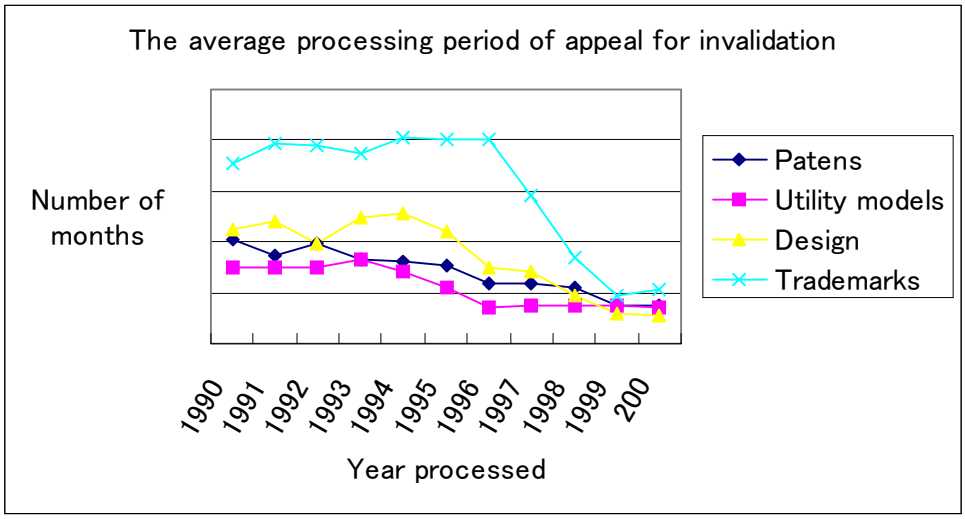
[6] The Tokyo District Court (October 12, 1998) awarded 2.56 billions yen as passive damages, the highest ever in Japan, and returned 500 million yen as excessive profit, in a case of patent infringement case of the production method of a stomach medicine named H2 Blocker.

(Reference 2)　The first action period has decreased mainly in the fields of patents and trademarks.



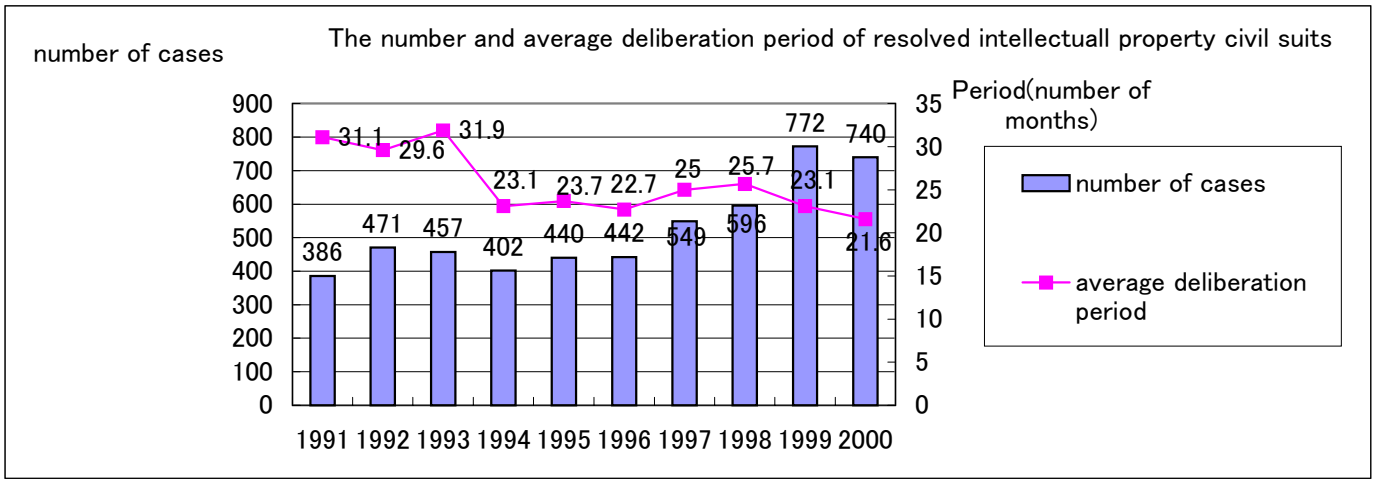
* Data were not collected before 1995.

(Reference 3)



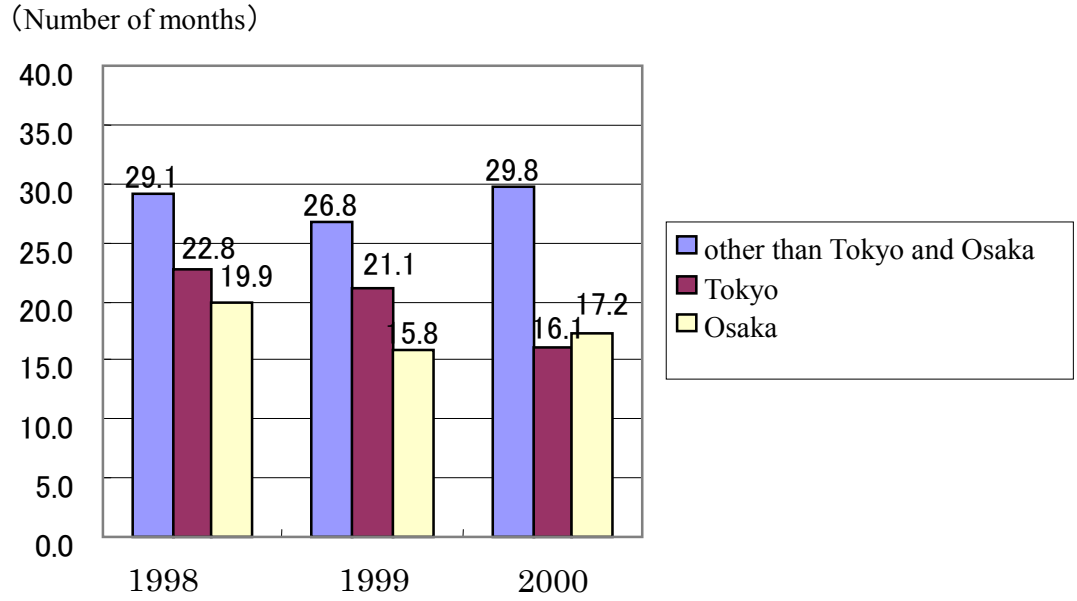
The processing period of appeals for invalidation has also been shortened.

(Reference 4) The number and average deliberation period of resolved intellectual property civil suits



(Source) Excerpts from "Trends of Civil Lawsuits regarding Intellectual Property Rights (Nationwide District Courts, First Instances)(researched by the Administration Affairs Bureau)",available on the Supreme Court homepage

(Reference 5) Average deliberation period of pending patent lawsuits
The average deliberation period of patent lawsuits is especially short in the Osaka and Tokyo District Courts, which have exclusive departments for Intellectual Property.



(Source) "Civil Law Information" No. 178 (July 10, 2001), page 14, published by the Civil Suits Information Center

2. Basic viewpoints of system revision

When considering system improvement in response to progress in the IT field, it is important to consider cyberspace characteristics, swift and appropriate deliberation, and further promotion of international accordance.

（１）Strong protection of rights in cyberspace

As business activities on computer networks expand, it is necessary to secure the business environment at that which exists in the real physical world.

Since digital information distributed on computer networks can be copied or reproduced quite easily at low cost, it is appropriate to say that stronger protection of digital information is required. On the Internet, information flows under anonymous conditions. It is therefore very important to establish trust upon inauguration of business activities. In this regard , it is necessary to establish a system that sufficiently protects marks which embody trust in cyberspace.

（２）Necessity of swift and appropriate deliberation

The number of cases examined by the JPO has been increasing in recent years. The number of patent applications has increased from 191,026 in 1980, 367,590 in 1990, to 436,865 in 2000. Due to the 1999 Patent Law revision, the examination period has been shortened from 7 years to 3 years for applications filed on and after October 01, 2001. This is expected to result in a further increase in the number of requests for examination. The number of applications in cutting-edge fields such as software, including business method inventions has been increasing.

Because of the increase in the number of applications, it is urgent to make further efforts toward swift and appropriate examination. Especially from viewpoint of improving the efficiency of examination, it is necessary to introduce a new system to improve the quality of examination in the fields, eliminate redundancy in prior art searches, and strengthen cooperation between users and examiners in order to utilize the results of prior art searches conducted by users.

（３）Further promotion of international accordance

In IT societies, where international businesses expand beyond national boarders via free distribution of information, intellectual property systems must also to the greatest extent possible be borderless. By internationally harmonizing intellectual property systems, it will become possible for users to provide technology in international markets with ease, thus lessening user burdens deriving from differences in systems among countries. From this viewpoint, it is necessary to promote intellectual property system international harmony to include regulations concerning relevant procedures, etc.

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 inventions and the definition of invention

With regard to patents for software-related inventions, 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 the restriction of acknowledging only statutory subject matter (in meeting 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 methods[7]. 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 industry.

（２）Invention of pure business methods 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 the definition of invention is met a requirement for statutory subject matter. Subject matter is judged according to the definition of invention[8] stated in Section 2(1) of the Patent Law. In other words, whether an invention fit statutory subject matter is judged according to the definition which states "technical ideas by which a law of nature is utilized."

[7] "Patent for invention of business methods" is called a business method patent in English, while it is also called a business model patent in Japanese. In this document, it is called business method patent.

[8] Among the Trilateral Patent Offices (U.S., Europe and Japan), only Japan has a statutory written definition of invention

② Europe

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. The list excludes computer programs and business methods from statutory subject matter[9]. 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 such 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, manufacture and compositions of matter. It is decided by judicial precedent that discoveries 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 precedent.

① Japan

The 1993 revision of the Patent Examination Guidelines states 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.

② Europe

The EPC specifies that computer programs do not fit within any category of subject matter. In practice, 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 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 case[10] in 1995 adopted a need for technical consideration as an examination standard. The T1173/97 judgment passed on the IBM case[11] in 1998 confirmed that a computer program is statutory subject matter, asserting that a computer program that has "further technical effects" has technical features. 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

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[9] EPC Article 52(2)

The following in particular shall not be regarded as inventions within the meaning of paragraph 1:

(a) discoveries, scientific theories and mathematical methods;
(b) aesthetic creations;
(c) schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers;
(d) presentations of information

[10] T769/92 judgment

[11] T1173/97 judgment

interpretation of patentability of software-related inventions[12].

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 the case of computer programs, steps for solving problems), especially mathematical algorithms, which are assumed not to be statutory subject matter. At present, as a resolt of recent judgments by the courts and the U.S. Patent and Trademark Office(USPTO) application standard that takes those judgments into account, practical applications of mathematical algorithms that produce useful, specific and tangible results are acknowledged as patentable[13] . Business methods 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 methods[14]. With regard to the patentability of a computer program in itself, the "Examination Guidelines for Computer-Related Inventions"[15] of the USPTO, 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."

（３）Invention of business methods 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 patent applications for business method inventions. 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 technology. 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 patents for business method inventions. 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 business method inventions is the global trend today. Accordingly, Japan should make continuous efforts to enhance protection for software-related inventions including inventions of business method.

(Reference materials)

Comparative study on inventions relating to business methods[19]
Study (a joint study conducted by the Trilateral Patent Offices)was carried out in 2000 on inventions relating to business methods and compared examination results using virtual inventions of business methods. The study confirmed that there is no marked difference between Japan and the U.S. in the practice of examination of business

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12 On August 31, 2001, the EPO examination guidelines were revised in such a way that the judgments of the SOHEI case, IBM case, etc. are reflected in examination. Available at <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 shelved due to differences in opinion among major countries.

13 Judgment of Alappat case passed in 1994

14 Judgment of State Street Bank case passed in 1998
United States Court of Appeals for the Federal Circuit.96-1327

15 Patentable Subject Matter - Computer-Related Inventions, Manual of Patent Examining Procedure (MPEP), Edition 8, August, 2001
http://www.uspto.gov/web/offices/pac/mpep/mpep.htm

16,17 The Patentability of Computer-Related Inventions, available at at
<http://europa.eu_int/comm/internal_market/en/indprop/softpatanalyse.htm>
Should Patents Be Granted for Computer Software or Ways of Doing Business? , available at
<http://www.patent.gov.uk/about/consultations/conclusions.htm>

18 Congress Melbourne 2001, Final Resolution, Q 158 Patentability of Business Methods,available at
<http://www.aippi.org/reports/resolutions/res-q158-e-Congres-2001.htm>

19 Report on Comparative Study Carried out Under Trilateral Project B3b, available at
<http://www.jpo.go.jp/saikine/tws/b3b_start_page.htm>

methods as software-related inventions. In judgments of subject matter, the U.S., which seeks concreteness and utility in 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 JPO 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 a software-related invention has been increasingly needed as, 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 Europe, then Japan, and then the U.S. However, the differences in strictness of judgment mainly arise from judgments regarding novelty and inventive step. No specific differences were seen in the judgment of subject matter.

（４）Increase in the number of 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 business method patents themselves may emerge in the future.

（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 an 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 do not use computers or the Internet. No remarkable patents for pure bushiness methods have actually been granted even in the U.S. Protection by means of patent might lead to excessive monopoly in businesses and 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 Patents (WIPO/SCP). The direction of discussions in this body should be taken into account when revising provisions for statutory subject matter.

[Specific direction]

- The following are arguments for and against revising the definition of an invention,: a high level of protection is maintained for software-related inventions even under current legislative provisions, current protection is generally evaluated positively,and there have been few requests from industry 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 the negative reasoning that there is no appropriate definition to 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 of continuous software development and a weakening relationship with hardware must be taken into consideration, 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 proposal concerning a new definition of invention was presented by the Legislative Affair Subcommittee asserting that a list of items not categorized into inventions should be adopted, as in the European Patent Convention (EPC), instead of nullifying the phrase "a law of nature is utilized."

(Supplementation) Inventive step of business-related inventions

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[20] SCP/6/2,6/3 DRAFT SUBSTANTIVE PATENT LAW TREATY, available at <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.

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

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

Even if an invention relating to a claim is a systematized version of a business method, it must meet the requirement for subject matter, stating "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 step. Judgment is passed as to 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.

Approval of inventive step in a claimed invention from a novel business method using manifest techniques is judged claim by claim. 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 techniques[21].

[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 recognized as having "inventive step" is another matter. If a business method is very unique and not easily thought of, an invention that results from systematization of that business method will likely be recognized as having inventive step.

2. Increased network distribution and working of inventions

The rapid progress of information technology has brought about the new form of distribution of 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

A 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 "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.

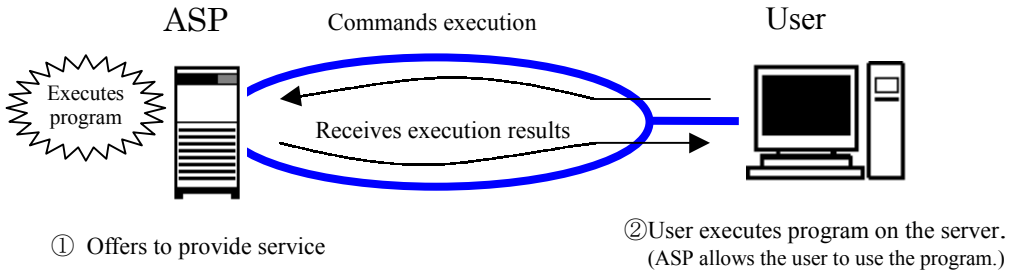
（３）New forms of working of an invention

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 of whether such an action by an ASP can be covered by the term "lend" or "offer to lend" has

[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)

therefore been posed.



（４）Change of statutes related to use of invention

In the language of the old statute (the Law of 1921), "a patent granted to an invention of a product" includes 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 out for 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, lending, exhibit for the purpose of transfer or lending[23], importing" (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 invention 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.

[Basic viewpoints]

In revising the provision that defines an 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 clarified that these new subjects and forms are included in items to be patented.

[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)."

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 inventions.

③ Legislative stability of rights

Lest the revision cause existing rights to become unstable, the legislative stability of rights must be taken into account, along with 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 of "a product" and "a process" (provided that it is e expressly stated in the provisions that a computer program is included in "a product")

With the most generalized classification used in 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 Affairs Subcommittee, arguments supporting ① above (maintain the division of "a product" and "a process" and include 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 put of a confirmatory nature, such as "what can be controlled"; 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 also meaning "a product (seihin)" should be adopted instead of "a product (mono)."

- There is also the 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. 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.

(Supplement) 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.

In judging whether an invention can be patented it is therefore 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 in the examination stage that a category of an invention be defined in a claim as this helps third parties to enhance 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 the term ① "offer via telecommunication line" being added in a form such as "supply (including offer via telecommunication line)."

- In the Legislative Affair 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 inventions, 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 of whether the patent should also cover the stage of distribution arises. 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 existing provisions which adopt only objective criteria never 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 the modes 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 "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 an 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 a patent-infringing product, they are extremely likely to constitute infringement of the patent right. Thus in this provision such acts as "manufacturing" and "an transferring", 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 "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 a process. These acts therefore do 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 an act is extremely likely to constitute infringement of the patent right, and if such a 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 a process is an individual person where 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 relation between objective criteria of the subjects of indirect infringement and subjective criteria of acting persons.

<table>
<tr><td></td><td colspan="2">Japan</td><td colspan="3">Europe (Germany)</td><td colspan="3">U.S.</td></tr>
<tr><td></td><td>Objective requirement</td><td>Subjective requirement</td><td colspan="2">Objective requirement</td><td>Subjective requirement</td><td colspan="2">Objective requirement</td><td>Subjective requirement</td></tr>
<tr><td>Exclusive article</td><td>(invention of a thing) any article to be used only in manufacturing the thing or (invention of a process) any article to be used only for the working of the process</td><td>Unnecessary</td><td>Means related to the intrinsic factor of the invention</td><td>Suitable for the working of the invention (used only for the specific purpose)</td><td>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 (proof is unnecessary based upon judicial precedent)</td><td>Major portion of the invention</td><td>Non-generic article that is especially manufactured or remodeled and has usage not constituting infringement of the invention</td><td>Had bad faith in infringing patent right</td></tr>
<tr><td>Neutral article*</td><td colspan="2" rowspan="2">Certain cases may be covered by general provisions of civil law</td><td rowspan="3"></td><td>Suitable for the working of the invention (but usable for other purposes)</td><td>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</td><td colspan="3" rowspan="3">Certain cases may be covered by the theory of active inducement (supplying parts is not a requirement).</td></tr>
<tr><td>Staple article*</td><td colspan="2">Indirect infringement if any staple article is supplied to intentionally induce an infringement act</td></tr>
</table>

Objective requirement

Subjective requirement

* "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 an 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 proven based upon judicial precedent. As to supplying any staple article, active inducement is required for indirect infringement.

③ U.S.

In the United States, with respect to any exclusive article, a certain subjective criterion is imposed similarly in Germany. In the U.S., 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 that 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 a neutral article or staple article.

（３）Expansion of software-related inventions and review of indirect infringement provisions

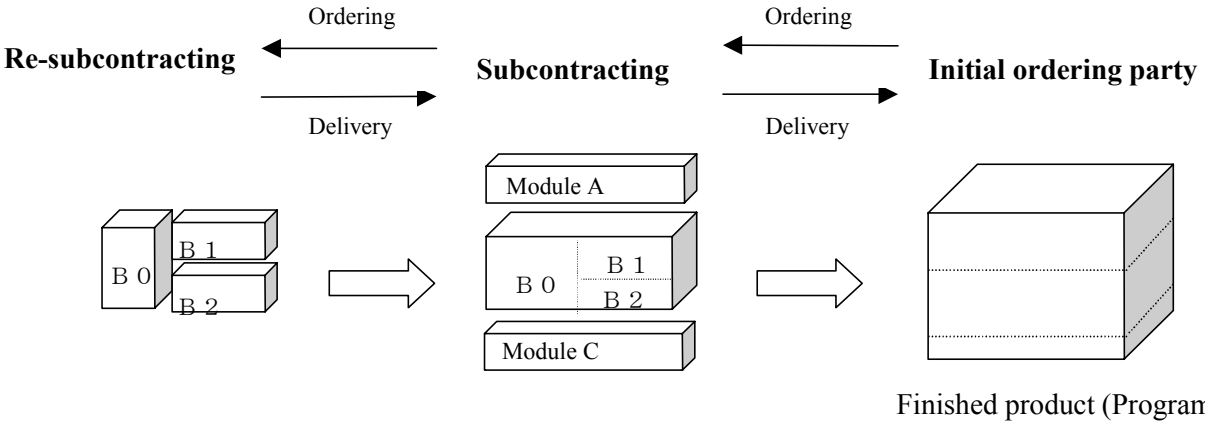
With the progress of information technology in recent years, patent applications for software-related inventions have been increasing. It has become necessary to protect these inventions to cope with the actual development and distribution of software products. The existing provisions of the 1959 Patent 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. 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

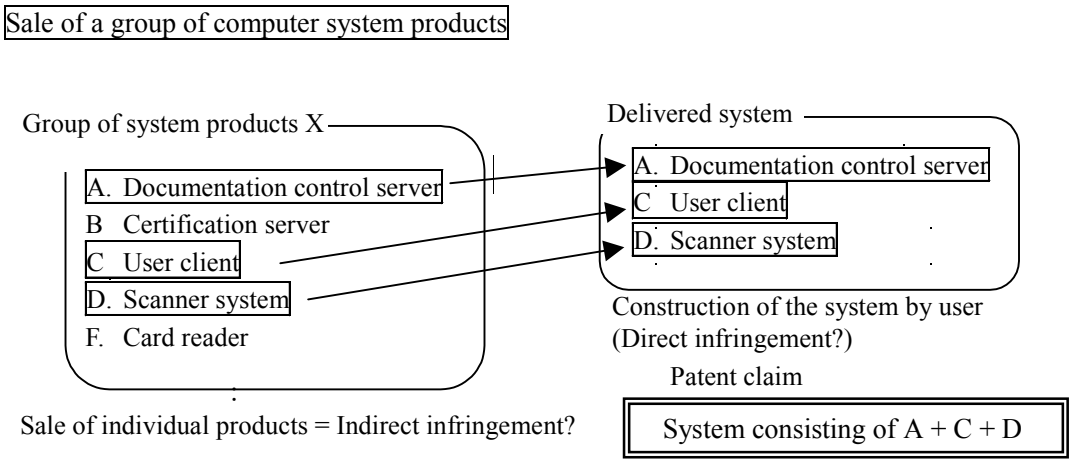


Finished product (Program)

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 a 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 the 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.



③ Process claims and multiple purposes of software programs

If a patent is granted to 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), relief from indirect infringement may become extremely difficult if the "only" requirement is strictly applied.

（４） Evaluation of the existing provisions after a 40 year in 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 the intention to infringe 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 thing covered by the invention (or only for working of the invention)".

It is also necessary to consider the issue of the whether the existing provisions themselves have, in view of the original purport of the indirect infringement system, functioned effectively by giving appropriate protection to 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. 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:
  ①that the act in issue is an intrinsic or important factor of the working of the invention;
  ②that the product, etc. in issue is fit for the purpose of the infringed patent but has no generic usage; and
  ③that 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.

- Concrete methods of revising the existing provisions include:
  ①a new provision to relax the objective criterion by introducing a subjective criterion is added to the existing provisions; and
  ②the existing provisions are replaced with a new provision to relax the objective criterion by introducing a subjective criterion. In cases 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 contains, with respect to the case of a patent granted to an invention of a product, the provision of "any article to be used only in manufacturing the thing". However, there may exist cases where supplying a necessary article to be used jointly with the patented system such as a server, etc. may be necessary. Thus the said article should not always be limited to such articles used only in "manufacturing" the product. The scope of the article should be expanded to cover any article to be used for the "working" of the invention similar to a patents granted to an invention of a process.

4. Expansion of networked society and infringement of patent rights by multiple principals

In networks, a working mode in which multiple principals work in a dispersed manner on a software-related invention including business method patents, etc. has become prevalent. In the case of software-related inventions, multiple 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 multiple persons through their joint working of a patented invention and infringement of the right by multiple persons including those who assist or instigate the direct infringers. With respect to such an 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 multiple 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 had had intention or negligence, while any person who has infringed an 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 the nature of real rights, the right to demand cease-and-desist was recognized in judicial precedent and theory. 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 Punishment

Any acts falling under the category of the above-mentioned direct infringement or indirect infringement are regarded as crimes of infringement and subject to penalty. To constitute a crime of infringement of any patent, illegality and responsibility are required as well as the fact of an infringing act (satisfaction of requirements). 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 and Penal Code, if multiple persons jointly commit any unlawful or criminal act, all the persons who have committed such an act must be responsible for the act under the provisions of joint unlawful acts and complicity.

① Article 719 of the Civil Code

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

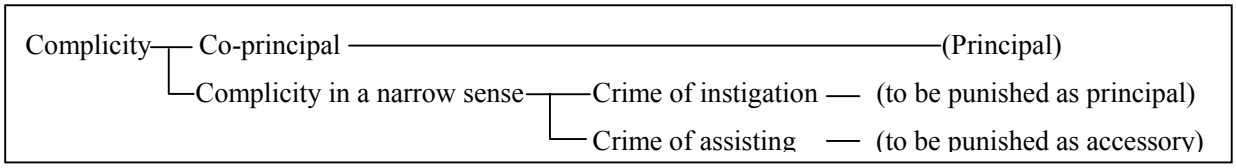
With respect to this provision, there are a variety of opinions in both judicial precedents and theory but they agree in the one point that if multiple persons commit as one body an unlawful act in conspiracy with each other or with a recognition of joint act, any person who has not directly committed such an act in actuality shall also be responsible for all the results of such an 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 an 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 disputable in theory. 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 subject to punishment imposed on the principal but one who has assisted any other person in a crime is subject to lighter punishment as an accessory.

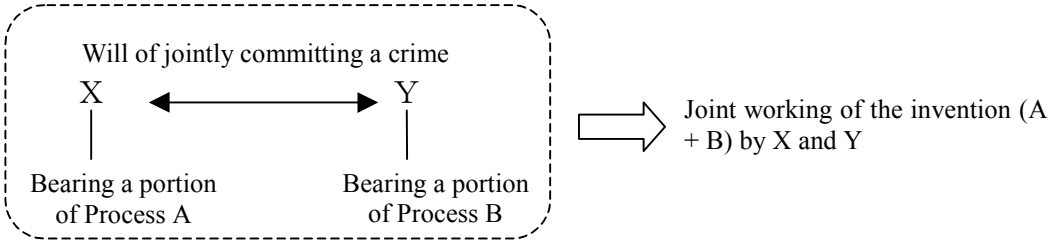


（3） Multiple principals jointly work a patented invention

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 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

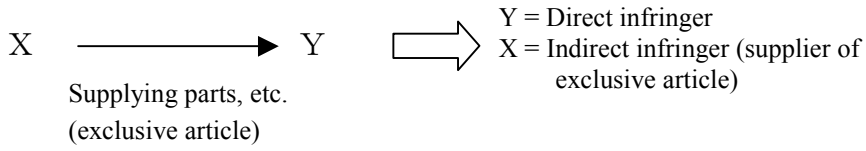
Even when joint infringement of a patent right is constituted as stated above, it is possible to pursue the infringers' responsibility by regarding their act as indirect infringement if a certain fixed requirement is satisfied. In other words, where mutiple persons bear their respective portions of manufacturing 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 compensate damages and 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 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 a 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 Indirect infringement

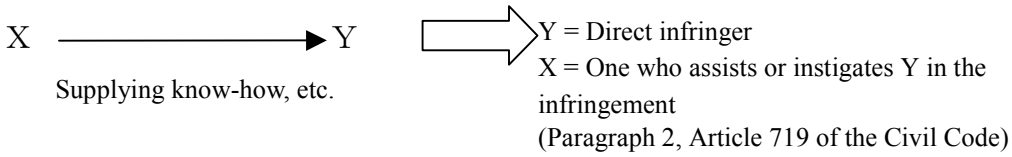
If any act by a person who has assisted any other person in the crime of patent infringement is the manufacture or transfer of any article to be used only for the working of a patented invention for the benefit of the direct infringer, the act is construed as an act of infringing the patent right which 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 Otherwise assisting or instigating any other person in infringement

When 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[24].

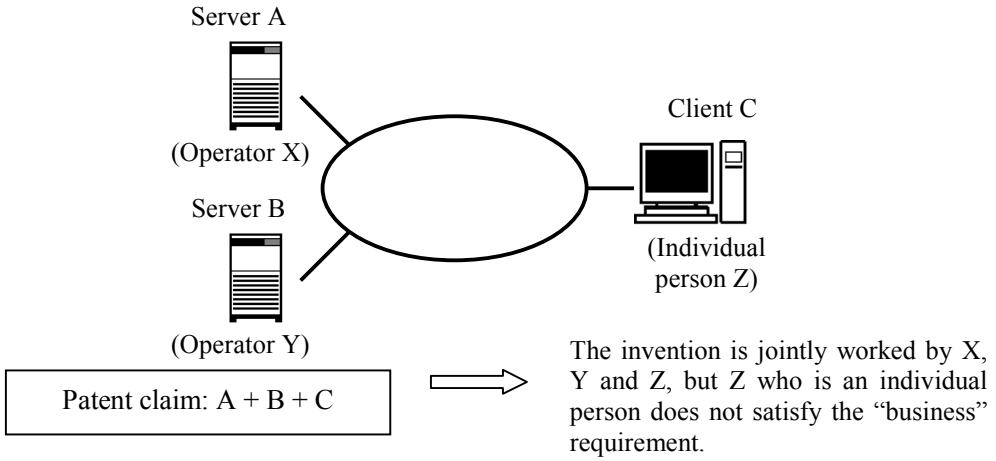
[24] In a copyright case, the defendant's responsibility for compensating damages for unlawful acts was recognized by the decision of the last instance in the Tokimeki Memorial Case (Feb. 2, 2001 by No. 3 Petty Bench of the Supreme Court). In that case, the sale of memory cards to be used only for revising 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, when certain means supplied by mutiple 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 Case[25], there has not 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 the future by court judgments.

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

[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, patent right infringement 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 rights, 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, 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.

[25] 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 Appeals Court rendered a decision recognizing Napster's responsibility for indirect infringement of copyright and subrogation responsibility.

Section 2 The desirable patent system in a 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. 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 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 tangible information assets such as computer programs.

（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, intangible information assets such as computer programs and electronic publications that have heretofore been distributed as tangible goods including CD-ROMs and books, etc. have come to be traded through the network using certain technologies including downloading.

（2）Change in the concept of goods

There is no leagal definition of goods but the concept of this term has been left to construction in theory 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 articles by focusing on their distributable nature in the market.

Under the Unfair Competition Prevention Law, goods have been construed as tangible articles. 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]

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(magnetic data carriers, data processing equipment, and computers etc.) by revising the International Classification of Goods and Services of the Nice Agreement[27]. On the basis of this revision, the US Patent & Trademark Office (USPTO), the Office for Harmonization in the Internal Market (OHIM), 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.

（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

[26] "Morisawa Typeface Case" (Dec. 24, 1993, the Tokyo High Court)

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

as a requirement for constituting infringement of trademark rights as a crime.

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 such as "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 "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 marks 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 as used when the mark is placed in any manner on the goods, and the goods are sold or transported in commerce [28]. The Trademark Act of the UK 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 trademark[29]. The German Trademark Act similarly provides 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 mark[30]. In the United States and European countries, wider concepts of "use" than in Japan as shown in the wording of "under the sign" and "putting on the market" are adopted.

（５）Propriety of reform of the system and direction thereof

[Goods]

Theory and judicial precedent have shown construction of the concept of goods laying stress on their 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 assets including computer programs has to be construed as "goods". Taking into consideration these circumstances, under the Trademark Law of Japan it is considered reasonable to construe that intangible information assets including computer programs, 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 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. 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.

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[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* ")

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 streaming[31] 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 the comprehensive act of 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 displayed on the screen are providing services through the network, those marks can perform the same functions (such as source indicating functions, quality guarantee function, and advertising functions)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 network. 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 established in 1959 was planned, the introduction of a service mark registration system was studied but it was abandoned as it was deemed too early for businesses and the Patent Office was not prepared to implement the system. In 1991, due to the demand for service mark protection from both overseas and in Japan and to ensure the international harmonization of trademark systems, the service mark registration system was at last introduced.

（３）Use of service marks

Use of 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:

（ｉ）～（ii） (omitted)

（iii） acts 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;

（iv） acts 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;

（ｖ） acts 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);

（vi）acts 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;

（vii） (omitted)

[31] the service of providing data such as sounds and animations over the network

In 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 to clarify these acts. At the time, since services offered via the Internet were not widespread the Trademark Law provides the use of service marks on the assumption that the marks would be used on the tangible articles.

In those provisions the use of a mark displayed on the screen of terminals of computer users is therefore not deemed as in the offer of services through a network.

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

In the Lanham Act[32], 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. Furthermore, in the trademark laws of the United Kingdom and Germany[33], offering or supplying of services under the sign is considered to be a violation of trademark rights. 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.

（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 articles. 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.

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[32] 15 U.S.C § 1114 (1)(a)

[33] United Kingdom, Article 10 (4)(b) of The Trade Marks Act 1994; Germany, Article 14 [3](3) of German Trademark Act ("*Markengesetz-markenG*")

● 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 for the use of service marks and which "use" is appropriate in judging no-use cancellation. This causes problems in legal interpretation.

● Opinions① and ② are not contradictory 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. Various views such as the reform of provisions in "definition of trademark" and "act deemed to beinfringement" in the Trademark Law must be broadly studied.

(Reference) Section 1 of Article 2 of the 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 to the network society can be fully attained. 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 marks in "advertisements", "price lists" and "transaction documents"]

No. 7 of Section 3 of Article 2 of the Trademark Law provides for 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 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.

This act is not connected directly to the sale of goods or offer of services, It is a peripheral act. However "use" of a mark in an advertisement can have the function of a trademark as the source display function or accumulation of trust through advertising publicity. Trademark Law therefore provides that using marks on advertisements, 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 concepts such as "advertisements", "price lists" and "transaction documents" that are shown on terminal screens or distributed through networks are included in the provision according to 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 since service marks of retailers such as department stores and convenience stores are be admitted internationally such service marks should also be admitted in Japan.

3. Possibility of indirect infringement in “network societies”

The Trademark Law is intended to secure the effectiveness of rights by deeming preparatory activity to be infringement. If there is a strong possibility that such activities may harm trust embodied in a trademark. In order to apply the same protection of rights to preliminary activities on computer networks, it is necessary to study whether to prepare regulations that specifically cope with each activity.

Unlike the distribution of physical materials, electronic data distributed on computer networks cannot be recognized visually at the stage of production and distribution, and the status of infringement activities cannot be grasped clearly. A thus a problem therefore remains in terms of effectiveness. It is thus appropriate to take countermeasures after development of technology such as electronic data monitoring.

（１）Indirect infringement

The Trademark Law of 1909 (Section 23), which is deemed to have introduced the legal theory of “contributory infringement”, defines a betting activities as infringement.

In the Trademark Law of 1921, although there were no provisions clearly defining what activities infringe the trademark right, there were provision to define “possession for the purpose of sale” and “falsification for the purpose of provision to others” etc. as infringement activities that constitute criminal offenses. (Section 34)

In the Section 37 of the current Trademark Law, activities to “use” in a similar areas that have a strong possibility of harming the trust embodied in the relevant trademark right as well as preliminary activities to infringe trademark rights have been defined as “assumed infringement”. Activities infringing trademark rights have been defined clearly both in civil laws and criminal laws in order to strengthen the protection of trademark rights.

Furthermore, with the introduction of the registration system of service marks in the same manners as trademarks, activities have been added to the list of items deemed as infringing service marks.

1) Activities to “Use” in similar areas (Subsection 1)

This provision prohibits use of trademarks that resemble the registered trademarks for any products and services that resemble the designated products and designated services.

2) Preparatory activities of infringement (Subsections 2 through 7)

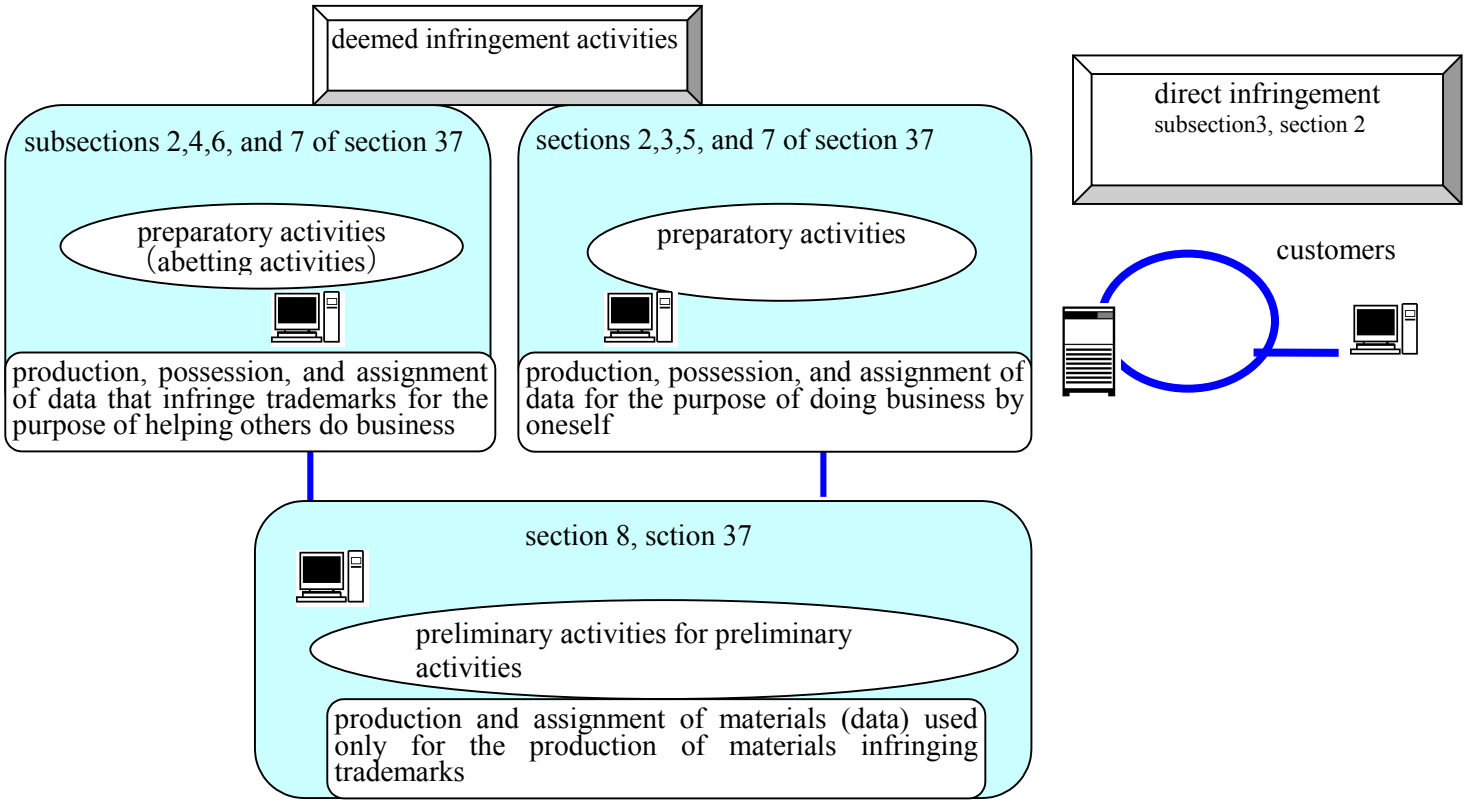
These provisions prohibit possession of products that bear marks for the purpose of assignment, possession of materials which bear marks for the purpose of using them to render services, and possession, production, assignment, transfer, and import of materials that consist of items infringing the trademark rights of logos, labels etc. (i.e. materials bearing trademarks). To be specific, such activities as counterfeit production and storage of infringing materials at warehouses are prohibited. The relevant provisions provide definitions of preliminary activities in cases of infringement for private use(Subsections 2, 3, 5, and 7) and of preliminary activities in cases of other parties infringing directly (Subsections 2, 4, 6, and 7) in a separate manner.

3) Preparatory activities for preparatory activities (Subsection 8)

Only production of material “solely” used for production of materials that infringe trademarks (e.g. a stamp of a falsified mark) is considered to be infringement. This provision, the same as Section 101 of the Patent Law, stipulates objective conditions, i.e. “use” only for production. The scope of application is thus very limited. Very few objections have been raised regarding this subsection.

（２）Preliminary activities of infringement on computer networks

Activities of 1) through 3) above apply even to cases where data that infringing trademark rights are distributed on computer networks. Case 1), use in similar areas, is easily assumed to happen on computer networks. The following cases may be assumed to be preliminary activities of cases 2) and 3).



Eectronic data distributed on computer networks, unlike the physical materials, can be copied or reproduced worldwide quickly and easily through personal computers, PDAs (Personal Digital Assistance), mobile terminals and network servers regardless of whether the parties involved are individuals or business entities. Reproduction and distribution of electronic data is extremely difficult to detect compared to the production and distribution of physical material.

However, if one understands that electronic data infringing trademark rights is stored on recording media, it is possible to define and consider this as an infringement activity within the framework of "deemed infringement", applying the interpretation that it constitutes the ossession of media (i.e. materials that infringe trademark rights).

（３）Merits and direction of system revision

Even when preliminary activities on computer networks are clearly defined as "deemed infringement", due to the above-mentioned reasons, it is not possible at this moment to grasp the status of the activities that may constitute infringement. Therefore, regarding possession of infringing data by means of recording media it is appropriate to leave judgment to the interpretation of current laws within the present frameworks wherever possible.Uunderstanding electronic data itself is an issue that should be addressed after technological developments such as electronic data, monitoring technology become available.

Section 3: Responsibility of intermediaries for infringement of patents and trademark rights on computer networks

When information is provided that infringes IP rights on computer networks, it is necessary to prevent intermediaries from(i.e. internet service providers) being placed in an unstable position by clarifying the responsibilities. To be specific, it is necessary to establish a certain set of procedures that enable intermediaries to be exempted from responsibility for infringement of rights upon their receipt of a notice of infringement.

A study conducted by various parties concerned to introduce a legislative bill aiming to clarify the responsibility of intermediaries in general currently under consideration at the Ministry of Public Management, Home Affairs, Posts and Telecommunications, stated that it is necessary to further consider whether there are any specific problems which have to be specially addressed in the framework of Patent Law, Trademark Law, etc.

（１）Increased interest in legal responsibility of intermediaries

With the rapid increase in popularity of computer networks in recent years , discussions about the legal responsibilities of intermediaries in cases of illegal information being published on computer networks have attracted people's attention. Especially there have been arguments as to whether intermediaries are liable to monitor and delete information on computer networks that slanders the reputation of a third party. There are some judicial precedents in this aera[34]. On the other hand, there are no judicial precedents available regarding the responsibility of intermediaries infringements of patent and trademark rights. However, since such lawsuits will probably occur in the future, there are growing demands for the establishment of a system that enables swift handling, including smooth deletion, of illegal information placed on computer networks to.
Also, there are demands among intermediaries for the establishment of an environment allowing stable operation of business by providing a clear definition of legal liability and scope of responsibility for illegal information.

（２）Status of study on legislative bills in Japan

To establish civil rules better suited for computer network markets, the Information and Economy Committee of the Industrial Structure Council advocated establishment of a set of responsibility rules to intermediaries (i.e. exemption from responsibility for illegal acts, procedures to disclose sender information, etc.)(published on November 22, 2000) [35].

At the Ministry of Public Management, Home Affairs, Posts and Telecommunications, based on the "Study Group on Appropriate Security of Information Distribution on the Internet" (published on December 20, 2000)[36], a legislative bill is being prepared with the main purpose of clarifying the responsibility of providers (intermediaries) for illegal acts and to create a system that allows the disclosure of sender information. This bill will be submitted to the extraordinary Diet session this Autumn.

(Reference) Clarification of provider (intermediary) responsibility for illegal acts

● Providers (Intermediaries) are not liable for damages for having left illegal information intact unless they have been aware of or there are substantial reasons to believe that they must have been aware of the fact that the mediated information is illegal.

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[34] Nifty Serve Case (Verdict of Tokyo District Court, May 26, 1997; Adjudication of Tokyo High Court, September 6, 2001), Tokyo Metropolitan University Case (Verdict of Tokyo District Court, September 24, 1999)
[35] http://www.meti.go.jp/feedback/data/i01122aj.html
[36] http://www.yusei.go.jp/pressrelease/japanese/denki/001220j601.html

● Providers (Intermediaries) are not liable for damages when there are substantial reasons for their a belief that the mediated information is not illegal, or when they have responded in accordance with a certain set of procedures and have taken measures to stop or delete the relevant information upon their receipt of a notice from the individual who asserts that his/her right has been infringed by the relevant information.

Creation of procedures that allow disclosure of sender information

● Creation of procedures that allow providers (intermediaries) etc., under certain requirements, to disclose the sender information in their possession toward the individuals who assert that their rights have been infringed by the transmitted information.

The Copyright Council has, regarding the infringement of copyrights, analyzed the responsibility of intermediaries and proposed certain exemption procedures (exception from responsibility for illegal acts if one has taken a certain measure such as deletion of the information etc. upon his/her receipt of a notice to the effect that illegal information has been published) as well as the creation of Sender Information Disclosure System.[37]

（３）Situations in foreign countries

1) EU instructions

The EU provided provisions on the legal responsibility of intermediaries from the viewpoint of general laws in the "EU Instructions on Legal Aspect of E-Commerce", which came into effect in June 2000. The basic idea of the instructions is below.

● When an intermediary only bears a passive role as a forwarder of information from a third party, in principle the intermediary is not liable for anything other than suspending the transmitted information.

● Even when automatic, intermediate, and temporary storing of information is carried out the intermediary is not liable for anything other than suspending the information, if certain conditions have been met such as the intermediary not having changed the information.

2) US Digital Millennium Copyright Act (DMCA)

In the U.S. when one is liable for the infringement of copyrights, one is inevitably liable for damage regardless of whether or not there is criminal intent or negligence involved. Under the Digital Millennium Copyright Act (DMCA)[38] established in October 1998, legal responsibility of intermediaries has been clearly defined, in this manner.

To be specific, regarding the intermediate or temporary storing of information etc., when certain conditions have been met such as the intermediary not having changed the information, the intermediary is exempted from any monetary liability regarding the copyright infringement. On the other hand, the intermediary is considered as the subject of injunction regarding provision of access to the site where material related to the information or information per se that constitutes infringement is placed.

There is a provision regarding Notice and Takedown to the effect that the intermediary, upon receipt of a notice from the copyright owner that asserts the infringement of copyright in such a manner as to satisfy certain requirements, must delete the information and prohibit access thereto.

Furthermore, a document submission order system has been established for the intermediary to disclose information for the purpose of identifying the person who has infringed the copyright.

（４）Patent Law, Trademark Law, and responsibility of intermediaries

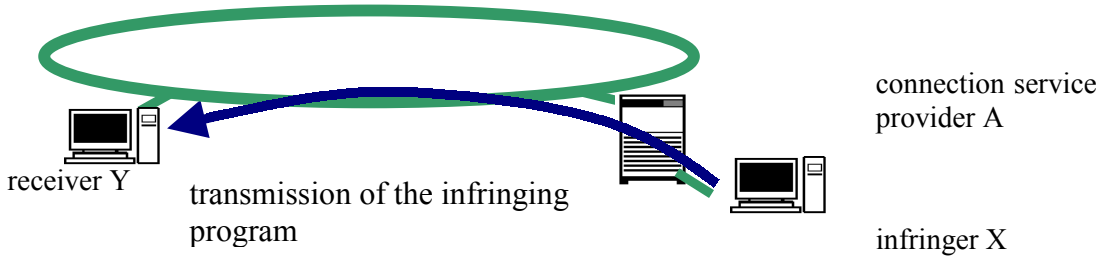
When the acts of intermediaries remain within the scope of regular Internet services such as communication connection services and server provision services, it is assumed that they are not in the position to have factual knowledge about infringement of patent rights or trademark rights even when such infringement has actually occurred. Therefore it is deemed that they are not liable for the infringement of

[37] The First Sub Committee of the Copyright Councils "Summary of Deliberation" (December 2000), available at <http://www.monbu.go.jp/singi/chosaku/00000360/>

[38] http://www.loc.gov/copyright/legislation/hr2281.pdf

copyrights and trademark rights because of the absence of criminal intent or negligence, which are the requirements for joint illegal acts.

This is considered the same as cases that do not constitute the infringement of copyrights or trademark rights such as a forwarding agency which merely transported the relevant infringing material as a third party when the materials that have infringed copyrights or trademark rights are assigned, or a landlord who has provided a factory site to a business proprietor who is manufacturing materials that infringe patent rights.

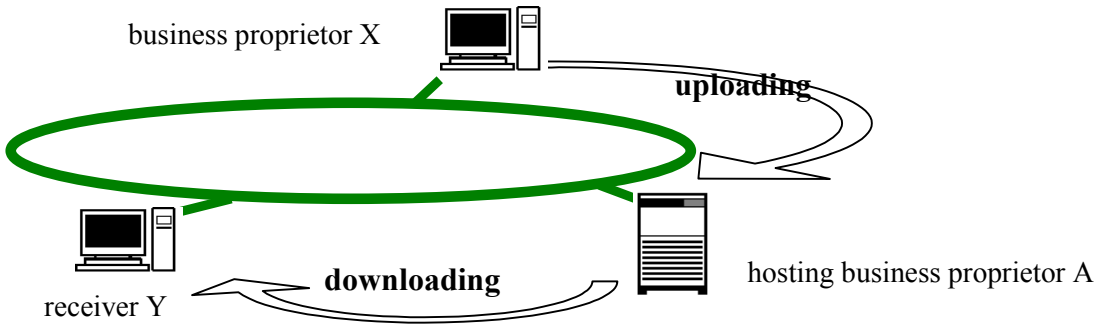


On the other hand, even when the intermediary has been providing commonly used Internet services, if the relevant intermediary has provided such services in order to positively aid, abet and promote the infringement, knowing that it constitutes the infringement of patent rights and trademark rights, joint illegal acts may be constituted.

Furthermore, in the event that the intermediary has taken sides with the users in the infringement activities and is assessed to have been conducting the infringement activities for itself, there is a possibility that injunction can be demanded against the intermediary based on the infringement of patent rights.

（５）Cases where establishment of exemption procedures is needed

How does an intermediary become responsible upon receipt of a notice of the infringement of patent/trademark rights, when a user (sender) has uploaded the information that infringes patent/trademark rights on to a server that is provided by the intermediary who has no intention to aid, abet and promote the infringement? For instance, if business proprietor X, who is provided a server by a hosting business proprietor A, has uploaded software that have infringed patent rights or trademark rights, the following will be the issue disputed.



1) Position of the intermediary before notice - with or without monitoring obligation

When taking into consideration such factors as the practical impossibility of intermediaries to monitor all the information uploaded on the servers provided by them, the high level of professional technology required to investigate the existence of patent rights, etc., and the difficulty of making a judgment as to the infringement of patent rights etc. from the externality of software and business methods, it is deemed inappropriate to oblige the intermediary to monitor since it will put an excessive burden on the intermediary.

2) Position of intermediary after notice

In the above chart, when the claimant who asserts that its software patent has been infringed has requested the hosting business proprietor A to delete the infringing material, it is deemed difficult for the hosting business proprietor A to judge whether or not the patent right has actually been infringed. In such a situation, the hosting business proprietor A is placed in an extremely unstable position due to the risk to get liability for damages under the contractual obligation to business proprietor X if he/she tries to delete the relevant

software. On the other hand, hosting business proprietor A risks liability for joint illegal acts if he/she tries to leave the software intact.

In order to avoid situations where the intermediary is placed in such an unstable position, it is obviously necessary to establish certain procedures for the intermediary to take in order to be exempted from the responsibility for the infringement of rights upon receipt of a notice.

（６）Merits and direction system revision

- When considering exemption procedures, it is necessary to seed up procedures to correspond to the fact that damage is rapidly expanded on the Internet, and make procedures simple and inexpensive to contribute to the convenience of the right owner. Also, in order to secure the effectiveness and fairness of the procedures it is necessary to consider inviting neutral organs such as the court to get involved.

- Upon introducing such exemption procedures, it is necessary to take into consideration the results of the study conducted to introduce the legislative bill to clarify the responsibility, of the intermediary, which is now under study at the Ministry of Public Management, Home Affairs, Posts and Telecommunications. It is then desirable to continue consideration as to whether or not there are any specific problems that have to be addressed in Patent Law and Trademark Law, etc.

Section 4 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 activity 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 patent examination they would 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. Those documents are therefore 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 patent examination, efficient and precise examination would be achieved. In fact the ratio of granting of patent applications with disclosure of prior art documents in the specifications is higher than that of applications without such disclosre[39].

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

Thus, through cooperation among users and the Japan Patent Office introduction of a prior art disclosure system will reduce overall costs to society in this regard.

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

The Japan Patent Office launched the 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 patent documents whose retrieval used to be possible only in the Japan Patent Office itself can now be conducted anywhere. Furthermore, convenience of examination using the Internet has been increased to reduce the burden on users in conducting prior art searches.

[39] (38% of applications disclosing prior art documents were rejected under Section 1/2 of Article 29 of the Patent Law in 2000, 47% of applications disclosing prior art documents were granted a patent in 2000 (JPO research).)

（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 of the Regulations under the Patent Law, it is stated that "if prior art documents in relation to the invention for which a 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 documents are not cited in the specifications are very common[40]. Full disclosure and use of information of prior art documents has not yet been realized.

（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 stipulated 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 suits provide standards for acts in which the duty of good faith and honesty of the parties is specifically determined.

- Civil Law (No. 89 of the Law of 1896)
  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.
- Rules of Civil Suits (Rule 5 of 1996 the Supreme Court)
  Article 85 (Duty of Investigation) The parties shall investigate the facts concerning witnesses and other evidence in advance so as to make claims 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 the fundamental effects of the suit action may threfore be denied.

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

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

[Securing effectiveness of disclosure]

Unless the disclosure is obligatory, a moral hazard will arise which will impose excessive burden on

[40] The indication ratio of prior art in patent applications in 1999 was 42% (JPO research)

honest applicants. On the other hand, dishonest applicants who deliberately disobey the obligation will be encouraged. If the violation of disclosure directly constitutes a reason for rejection and invalidity, and the examiners check whether the disclosure is sufficient or not, 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 art is disclosed in the application examiners can request the name of the documents to be disclosed. If this request is then ignored, the examiner can send a reason for rejection.

On the contrary, defense of violations of 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)[41].

[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, the establishment of guidelines 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 is required. Furthermore, appropriate measures for copyrights should be taken to facilitate access and utilization of non-patent documents.

[41] Unity of Invention is the standard for determining the scope of mutiple inventions which can be applied in one application. The standard is stipulated in Article 37 of the Patent Law. If the standard is violated, a reason for rejection is sent. 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. It 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 since 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 sent to the applicant, rejection is rarely decided due to dissolution by eliminating the claims or dividing the application.

2. International harmonization of application forms

In order to cope with the inauguration of electronic filing at WIPO, JPO has conducted a drastic review of the electronic filing system and is planning to begin accepting of electronic filing of international applications in January 2004.

It is appropriate, from the viewpoint of lessening applicant burden, to conform domestic applications to PCT designations and simultaneously change the application forms so that the "scopes of the patent claim" are separated from "specifications", thereby becoming an independent document.

（１）Difference of application forms used in PCT filing and domestic filing

Section 3 of the Patent Cooperation Treaty (PCT) stares that "international applications shall include application forms, specifications, scopes of claim, necessary drawings, and summaries", clearly depicting that "specifications" and "scopes of claim" are two separate items.

On the other hand, in Japan it has been a rule to enter the scope of patent claim as one of the items of the specification. When the Patent Law was revised in 1994, entry items for domestic applications were made consistent with international standards. However, the application forms for domestic applications have remained the same, maintaining "scopes of patent claim" as a part of "specifications". This is due to the fact that, in view of the necessity of drastic change in the electronic filing system of the JPO, all changes shall be made at the time of a future system change.

It has been pointed out that this has resulted in a burden for users in that it is necessary for applicants to use two different formats as the PCT filing system is different from the one stipulated in the Patent Law of Japan.

（２）Computerization of international filing

At the 24th General Assembly of the PCT League held in October 1997, Part II was adopted as an addition to PCT Rule 89 regarding electronic filing procedures. This has enabled filing of PCT international applications through electronic form or electronic means. A study was conducted at the World Intellectual Property Organization (WIPO) in the subsequent two years regarding electronic formats, etc. for electronic filing.

Based on the results of this study, the WIPO International Bureau plans to start accepting electronic applications in March 2003. In the electronic filing format adopted, in the same manner as PCT filing, "specifications" and "scopes of claim" are two separate things. This format is expected to become the common technological standard for electronic filing.

Under the European Patent Convention[42], German Patent Law[43], and Substantive Patent Law Treaty[44], which is now under consideration at WIPO, it has been decided to make "scopes of claim" and "specifications" two separate documents, in the same moment as the PCT. On the other hand, under US Patent Law the scope of the claim is made as part of the specification.

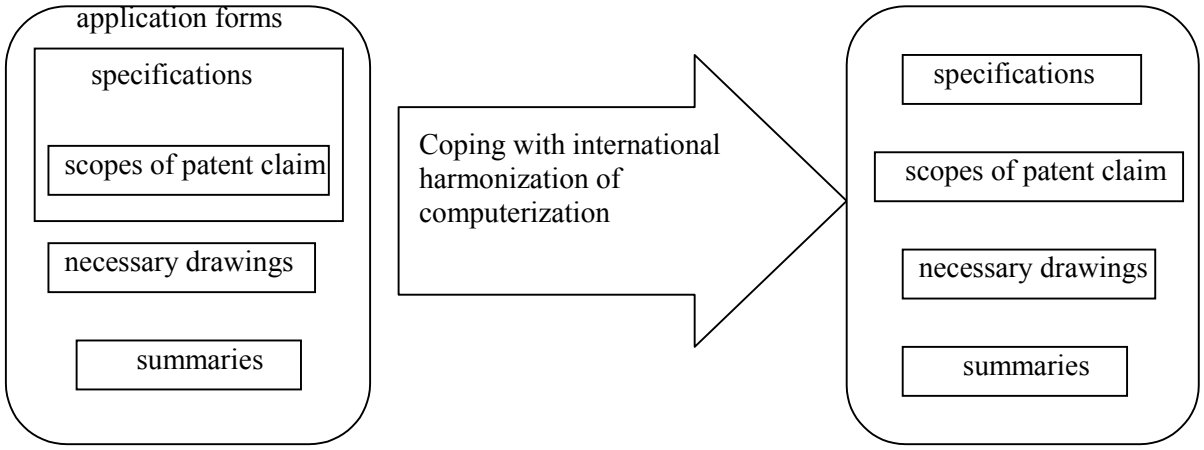
（３）Demands for conformity with PCT filing format

The JPO plans to start the accepting of electronic filing of international applications in January 2004, the same time as the start of electronic fling at WIPO. Drastic changes to the electronic filing system have been under study, aiming toward international standardization of application forms through computerization through adopting a trilaterally common PCT electronic format of XML bases.[45] If this is realized, international exchange of electronic information will become easier, and adoption of the same format for electronic filing and patent gazettes will enable more efficient publication of gazettes and swift searches.

Considering this timing, the JPO intends to adopt the filing form for domestic applications designated by

[42] Section78(1) of the European Patent Convention
[43] Section34(3) of the German Patent Law
[44] Section 5 of the Substantive Patent Law Treaty (SPLT)
[45] XML (eXtensible Markup Language) is a markup language which provides certain characters or character strings of text sentences with tags to give functional meanings in order to express what is more than a simple text. Compared with conventional computer languages, XML is unique in that its specifications have been published, it can define tags by itself, extraction and searches of information are available using the tags, and it is not dependent on platforms, etc.

the PCT, and to make “scopes of claim” independent documents separate from “specifications”. July 2003 will be the target date of this change in view of the preparation period of the electronic filing system.



3. Extension of the submission deadline of domestic documents for PCT applications

Based on the results of the 30th PCT League General Assembly, the period for domestic transition of international patent applications will be revised to two (2) years and six (6) months from the priority date regardless of whether or not there has been a request for international preliminary examination. This revision will of course also be realized in Japna.

There have been, however, cases overseas in which a grace period for submission of translations has been granted. It is appropriate to grant a grace period for submission of translations of PCT applications in foreign languages designating Japna to be completed within a certain period of time after the applicant has decided to make a domestic transition.

（１）Outline of PCT

Under the PCT it is guaranteed that, when an international application that designates multiple nations is filed with any one of the IP Offices of signatory nations (or the International Bureau of WIPO), the date of application is uniformly determined based on the first application.

Under the PCT, in order to transfer a filed application to the domestic stage, applicants have to pay a domestic handling fee and submit translations of documents prepared in foreign languages to the designated or selected IP Offices within a given period of time (Sections 22 and 39 of PCT).

The period for transition to the domestic stage is set at 20 months from the priority date set forth in Clause 2 (xi) of the PCT (or the date which has been certified as the international filing date, or the filing date that constitutes the foundation of an assertion of priority based on the Paris Convention if such assertion is made). The period is 30 months from the priority date for applications for which international preliminary examination has been registered. The same period is applied to cases where international applications are filed with Japan (Subsection 4, Section 184 of Patent Law). Signatory nations, however, are allowed to set a longer period than this (Sections 22 and 39 of the PCT).

（２）Request for extension of the period of domestic transition

When a request is made under the PCT for international preliminary examinations prior to transition to the domestic stage, the deadline to initiate the domestic stage may be extended to 30 months from the priority date instead of 20 months. Since there have been a considerable number of requests for extension of this period[46], the JPO, the European Patent Office (EPO), and the US Patent Office (hereinafter “Trilateral Patent Offices”) have confronted an ever-increasing work load.[47]

At a meeting of the Trilateral Patent Offices it was therefore agreed to revise national laws to make the domestic transition period to be 30 months uniformly in order to keep down the work load increased by requests for international preliminary examinations filed aiming to “buy time”.

Based thereon, WIPO submitted of revision proposal to change the domestic transition period as set forth in Section 22 of PCT from 20 months to 30 months this was adopted at the 30th PCT League General Assembly[48] and will be implemented starting in April 2002 after systems have been revised in each country.

（３）Requests for extension of the submission deadline of translations

In PCT application procedures applicants try to file the international application early in order to obtain an early international filing date. On the other hand, in many cases the final judgment of transition to the domestic stage is given very near the deadline for domestic transition since very careful examination is made taking into consideration the possibility of acquiring patent rights and the possibility of commercialization.

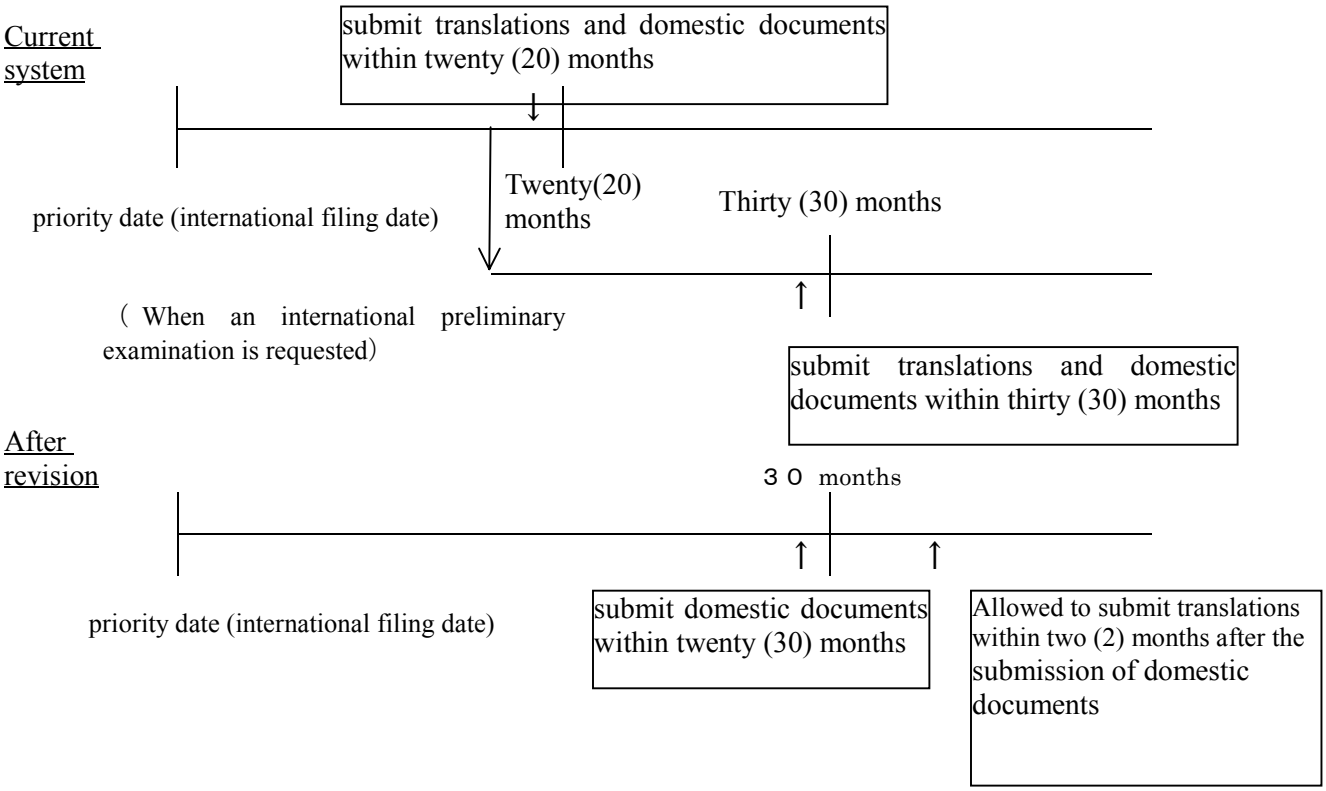
Under such circumstances, the preparation period of translations tends to be pressed and it is not rare that translations of very poor quality are submitted as the result. Such translations extremely decrease the

[46] Estimated to be approximately 20 to 40% of the requests for international preliminary examinations.

[47] The Trilateral Patent Offices in 2000 prepared more than 90% of the total of 59,201 international preliminary examination reports under the PCT.

[48] Held in Geneva from September 24 to October 3, 2001.

efficiency of examination not only causing delay of examination processing at the JPO but also a limiting grasping of the contents of the technology when distributed as published information. There have therefore been calls for a grace period in the submission of translations.



（４）Merits and direction of system revision

[Extension of deadline for domestic transition]

Based on the results of the 30th PCT League General Assembly, Japan plans to revise the period of domestic transition of international applications to two (2) years and six (6) months from the priority date regardless of whether there is a request for international preliminary examination.

[Extension of deadline for submission of translations]

Based on the fact that grace period have been granted for submission of translations even in other countries, it is appropriate to grant a grace period for submission of translations of PCT applications designating Japan filed in foreign languages so that the submission may be made within a certain period of time after the applicant has decided to enter the domestic stage. In this case, however, attention should be paid to the following.

1) Grace period

When an application is filed in a foreign language based on the Patent Law of Japan (Filing of Applications in Foreign Languages; Subsection 2, Section 36 of Patent Law) and is not an international application based on the PCT, a grace period of two months is given for the submission of translations from the date of filing. This provision has contributed to the improvement of the quality of translations of the relevant application. Since there has been no concern expressed about the shortness of the period, it is appropriate to leave the grace period at two months.

2) Conditions for grace period

It is feared that simple extension of the domestic transition period only postpones the timing of the applicant's judgment on domestic transition and will not contribute to the improvement of the quality of translations. Therefore, upon designing the system, it is necessary to extend the submission deadline for translations only while keeping the existing domestic transition period as is during which period a judgment of domestic transition is made.

[Timing of enforcement]
It is desirable that these revisions to be enforced at the earliest possible stage to contribute to user convenience.

Chapter 3　Conclusion of report

1.　Issues requiring immediate attention(Items to be revised)

（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 abetting 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 marks

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 a 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. Furthermore 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 issures

（１）Method of defining inventions

In the definition of invention in the present law, that is the “creation of a 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. Furthermore 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 such media as computers and the Internet.

However, for more appropriate definition of invention based on changes in the economy, 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 mutiple infringers

To respond to the increase in intangible abetment or instigation of violations of patent rights over networks and the situation concerning individuals, not undertakers, 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 cross-border business activities can be executed easily, 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 deemed illegal under Japanese law a long with 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. These problems also need to be tackled quickly in Japan by a basic response plan being drawn up, and international rules for settling disputes being 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 in order to fully harmonize the patent system of each country and review key issues such as the definition of trademarks and means of achieving international harmony for the trademark system. 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.

Intellectual Property Committee of the Industrial Structure Council

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