

# **STRATEGY FOR HARMONIZATION OF THE US PATENT SYSTEM WITH THE INTERNATIONAL NORM**

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## *SCENERIO*

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Assuming the role of an independent consultant hired by the International Relations Bureau of Keidanren (Japanese Federation of Economic Organization), I will propose a strategy that changes the unique US patent system. Through commercial, economic, legal, and political analysis, I will show that the current US “first-to-invent” patent system is an impediment to international business activities. I will propose that Keidanren, by building a coalition with other trade organizations and government agencies in developed countries, including the US and Japan, press the US to shift its patent system from its “first-to-invent” to the near universal “first-to-file” system.

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## *ISSUE*

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The US patent system, based on the “first-to-invent” principle, is unique. All other countries employ the “first-to-file” system, and this discrepancy is an impediment in terms of predictability and certainty of patent protection. Under the “first-to-invent” system, if more than one applicant files patent applications claiming the same subject matter, the USPTO (United States Patent and Trademark Office) institutes so-called “interference proceedings” in order to determine who is truly the “first-to-invent.” The interference proceeding is costly and time consuming. It becomes a huge impediment, not only to foreigners, who want patent protection in the US, but also to Americans seeking protection overseas, since the US is the only country that employs a “first-to-invent” system. Despite the fact that international bodies such as WIPO (World Intellectual Property Organization) and WTO (World Trade Organization) are trying to create a patent system that assures patent protections all over the world, the United States still strictly maintains its 200-year old system. On behalf of Keidanren, which represents major Japanese companies, the US is urged to change its patent system to create a “world patent system” under the “first-to-file” principle.

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## *KEIDANREN (Japanese Federation of Economic Organization)*

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Keidanren is the largest business association in Japan. Members represent 1,005 of Japan’s leading corporations, including 62 foreign firms. One hundred eighteen industry-wide groups such as manufacturing, trade, distribution, finance, and energy are represented. The organization’s goal is to resolve major problems facing the business community in Japan and abroad in order to realize the Japanese and world economies’ sound development.<sup>1</sup> Committees in Keidanren deal with many different policy issues. These committees gather input from the business community, draft position papers, and delivering them to the government and to political parties. Keidanren also cooperates with governments and business organizations in other countries to solve international problems. The International Relations Bureau conveys the views of the Japanese business community to international organizations, and helps to formulate international rules

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<sup>1</sup> Keidanren <http://www.keidanren.or.jp/english/profile/index.html>

governing trade and investment. It also frequently exchanges opinions not only with the Japanese government, but also with business communities overseas. Keidanren recognizes that Japan faces important changes this century, such as economic globalization. In order to meet such challenges, Keidanren and Nikkeiren (Japan Federation of Employers Association) chaired by Mr. Hiroshi Okuda, Toyota Motor Corporation, agreed to merge by May 2002. The new organization's name will be Japan Business Federation (JBF).

## ***BACKGROUND***

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### ***Patent and Its Protection***

A patent is an exclusive right granted for an invention which protects the owner. The protection is granted for 20 years from the date of filing a patent application. The invention cannot be commercially made, used, distributed or sold without the patent owner's consent during that limited time. A patent owner has the right to license others to use the invention or even sell the patent to them. When a patent protection expires, an invention becomes commercially available to others.<sup>2</sup>

Patent rights reward individuals for their marketable inventions, thereby encouraging the innovation that continuously enhances the quality of human life. Accordingly, patents provide not only protection for the owner but valuable information and inspiration for further research and development.<sup>3</sup>

In order to acquire a patent, the invention should fulfill the following conditions.

1. **Practical Use:** the invention is subject to practical use.
2. **Novelty:** Invention should not be known to existing knowledge, or "prior art."
3. **Inventive Step:** Invention could not be deduced by a average knowledgeable person in the technical field.

Patent systems, which protect technological innovations, differ from country to country. A national patent office or a regional office, such as the European Patent Office and the African Regional Industrial Property Organization, is in charge of granting patents. Under regional systems, an applicant requests protection for the invention in one or more countries, and each country decides whether to offer patent protection within its borders.<sup>4</sup>

### ***"First-to-Invent" and "First-to-File"***

There are two principles for patent issuance, the "first-to-invent" and the "first-to-file" systems. Under the "first-to-invent" system, a patent is granted to the first person to invent a subject matter. Under the "first-to-file" system, a patent is granted to the first person to file the patent application. Currently, the US is the only country utilizing the "first-to-invent" system. Ever since the Philippines changed their patent system from "first-to-invent" to "first-to-file," the rest of the world has abided by the "first-to-file" system. The conflicting standards become an issue if two or more applicants file for patent application, claiming the same invention.

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<sup>2</sup> World Intellectual Property Organization, "about Intellectual Property," [http://www.wipo.org/about-ip/en/index.html?wipo\\_content\\_frame=/about-ip/en/patents.html](http://www.wipo.org/about-ip/en/index.html?wipo_content_frame=/about-ip/en/patents.html)

<sup>3</sup> Ibid

<sup>4</sup> Ibid

### ***Trend Toward International Harmonization***

In response to global business practice, the growing trend toward international harmonization of intellectual property laws is also evidenced by the number of treaties and agreements accepted by participating countries in the World Intellectual Property Organization and the World Trade Organization.

#### **WIPO Treaties**

WIPO (World Intellectual Property Organization) is attempting to draft an international treaty to harmonize intellectual property laws. The Committee of Experts of the WIPO discusses the provisions of each draft treaty at the annual meeting. Delegations from each participating nation vote on adoption of specific provisions and articles to select the provision that represents their nations' interests. In its final version, all the countries ratifying the agreement will adopt the draft treaty.<sup>5</sup>

The WIPO simplifies and reduces the cost of making individual applications or filings in all the countries where a patent protection is sought through such treaties. By providing a stable environment for the marketing of intellectual property products, it also facilitates international trade and investment.<sup>6</sup>

#### **Paris Convention for the Protection of Industrial Property**

The Paris Convention was designed in 1883 to help the applicants of one country obtain protection in other countries for their intellectual creations in the form of industrial property rights, such as Inventions (patents), Trademarks, and Industrial designs.<sup>7</sup> The Paris Convention was the first major international treaty regarding patents. The United States, Japan and most developed and developing nations are members of the convention. It guarantees national treatment, which allows the inventors from any signatory nation to claim priority based on the filing date of its first application. However, in order to obtain foreign patents, it is still necessary to file separately with a particular nation under this convention.<sup>8</sup>

#### **Patent Cooperation Treaty**

WIPO drafted The Patent Cooperation Treaty (PCT), which was established in 1978. PCT introduced "a single centralized filing system," which allows an inventor to file a single application at the Patent Office of any member nation for patent protection in the signatory nations. Forty countries that account for over 90% of the total number of world filings are signatories. As of February 7, 2001, after Ecuador became a member, 110 countries in all had signed the treaty.<sup>9</sup> The PCT division of the local Patent Office examines each patent application for novelty, non-obviousness and utility. The application may then be submitted for examination by the patent offices of other nations.

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<sup>5</sup> WIPO "Intellectual Property Protection Treaties," <http://www.wipo.int/treaties/ip/index.html>

<sup>6</sup> Ibid

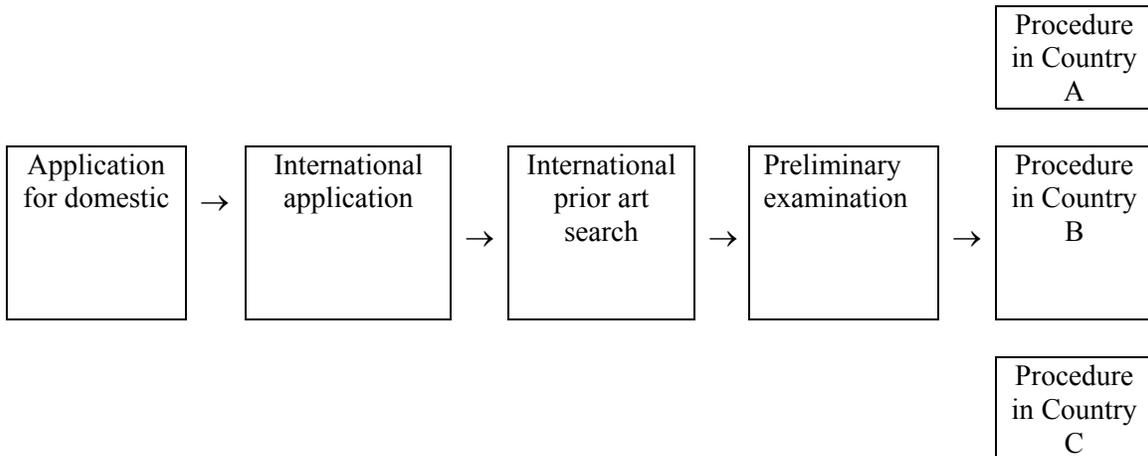
<sup>7</sup> Ibid

<sup>8</sup> Sheldon & Mak "First-to-file v. First-to-invent, A Bone of Contention in the International Harmonization of US Patent Law," <http://www.usip.com/articles/1st2fil.htm>

<sup>9</sup> See Appendix

However, the patentability of the invention is still examined under patent laws of each member nation and patents are granted by other countries only if their requirements are satisfied.<sup>10</sup>

*Flow of International Patent Application under the PCT*



(Source: <http://www.furutani.co.jp/kiso/tokkyo3.html>)

**Patent Law Treaty**

The Patent Law Treaty (PLT) aims to harmonize national patent formalities throughout the world. Referring to the provisions of the PCT, the regulations under the PLT attempt to avoid creating different standards for patent formalities with respect to national and international applications.

Through harmonization of procedures under national laws, the applicants are expected to have easy access to worldwide patent protection. They should also enjoy lower fees since the PLT aims to reduce the administrative costs of Patent Offices.<sup>11</sup>

PLT includes provisions on harmonization of patent applications, procedures of examination, standards for obtaining a patent, and rights and remedies under a patent. It aimed to harmonize conflicting patent systems such as “first-to-file” and early publication. During a Diplomatic Conference in 1991 however, divergent views became apparent, as the US was adamant in its desire to maintain the “first-to-invent” system. In 1995, participating nations agreed to take another approach to harmonization, covering matters concerning the formality requirements of national and regional patent procedures.<sup>12</sup>

<sup>10</sup> Ibid

<sup>11</sup> Ibid

<sup>12</sup> WIPO “Intellectual Property Protection Treaties,” <http://www.wipo.int/treaties/ip/index.html>

### **GATT/WTO**

Another international organization which deals patents is the World Trade Organization (WTO). Participating countries established the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) on April 15, 1994, in the Uruguay Round GATT Multilateral Trade Negotiation, which was succeeded by the WTO. The TRIPS Agreement encompasses the protection and enforcement of intellectual property rights, enhancing the value of WIPO's program. The objective of TRIPS is to protect intellectual property rights around the world under common international rules.<sup>13</sup>

TRIPS negotiations focused primarily on minimum standards of intellectual property protection in the international community. Japan and members of the EU attempted to obtain changes in US patent law, particularly the elimination of the "first-to-invent" principle. Even though the GATT draft text proposed that member countries adopt the "first-to-file" principle on October 10, 1990 in the Uruguay round of negotiation, the US delegation fought to keep its law and the text was rejected on November 23, 1991.<sup>14</sup> Currently, the TRIPS Agreement does not require the "first-to-file" system.

The TRIPS Agreement Article 27.1 requires national treatment to Member countries. Without discrimination, and through the normal tests of novelty, inventiveness and industrial applicability, the countries must make patents available for any inventions in the field of technology. Patents must be available and patent rights enjoyable without discrimination regardless of the place of invention and whether products are imported or locally produced.<sup>15</sup> TRIPS also regulates that the term of protection should not expire before twenty years, counting from the filing date under Article 33.<sup>16</sup>

### **Regional harmonization in Europe**

Nineteen countries in Europe signed the European Patent Convention (EPC).<sup>17</sup> The EPC established procedures whereby an applicant could file a single patent application (in one of three languages, English, French, or German) at the European Patent Office (EPO).<sup>18</sup> Applications through the EPC undergo a single examination proceeding, even though the ultimate decision regarding patentability still depends on each signatory according to its own patent law. The European Patent Office does not grant a single European patent. The EPC is expected to incorporate 30 countries, including the entire former Eastern block of Poland, Hungary, the Czech Republic, the Slovak Republic, and Bulgaria.<sup>19</sup>

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<sup>13</sup> WTO, "The Overview: the TRIPS Agreement,"  
[http://www.wto.org/english/tratop\\_e/trips\\_e/intel2\\_e.htm#patents](http://www.wto.org/english/tratop_e/trips_e/intel2_e.htm#patents)

<sup>14</sup> Sheldon & Mak "First-to-file v. First-to-invent, A Bone of Contention in the International Harmonization of US Patent Law," <http://www.usip.com/articles/1st2fil.htm>

<sup>15</sup> Ibid

<sup>16</sup> Ibid

<sup>17</sup> The 19 member nations are Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Hellenic Republic, Ireland, Italy, Liechtenstein, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, Switzerland, and United Kingdom.

<sup>18</sup> Gerald J. Mossinghoff, "World Patent System Circa 20xx, A.D."  
[http://lawtech.law.yale.edu/symposium/99/speech\\_mossinghoff.htm](http://lawtech.law.yale.edu/symposium/99/speech_mossinghoff.htm)

<sup>19</sup> Ibid

Another negotiated convention is the European Community Patent Convention in 1972. This agreement aimed to create a single patent right, effective throughout the European Community and granted by the EPO.<sup>20</sup> However, It has not yet entered into force.<sup>21</sup>

### **Trilateral Cooperation**

The Japanese Patent Office, together with the European Patent Office (EPO) and the US Patent and Trademark Office (USPTO) launched Trilateral Cooperation in 1983. Trilateral Cooperation aims to coordinate the administration of patent functions for possible mutual benefits. Exchanged is information and views regarding patent administration, patent documentation and classification, automation programs and patent examination practices. Trilateral Offices hold a Conference every year to increase understanding and development in the field of patent systems. Trilateral Offices recognized that “the globalization of industry and trade would create the need for a worldwide system for the grant of patents.” This program is beneficial for users in terms of cost reduction, quality of patents granted, dissemination of patent information, and the timeliness of processing.<sup>22</sup>

## ***United States Patent Law***

The Constitution of the United States gives Congress the power to enact laws relating to patents. Article 1, section 8, reads “Congress shall have power...to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.” Under this power, Congress has enacted various laws relating to patents. The first patent law was enacted in 1790. The law now in effect is a general revision which was enacted July 19, 1952, and which came into force January 1, 1953. It is codified in Title 35, United States Code. The patent law specifies the subject matter for which a patent may be obtained and the conditions for patentability. The law establishes the Patent and Trademark Office for administering the law relating to the granting of patents, and contains various other provisions relating to patents.<sup>23</sup>

### **Patent Requirements**

There are four requirements for inventions to be patentable.<sup>24</sup>

**Statutory requirement:** The invention must fall into one of the five “statutory classes” of things that are patentable.<sup>25</sup>

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<sup>20</sup> Sheldon & Mak “First-to-file v. First-to-invent, A Bone of Contention in the International Harmonization of US Patent Law”

<sup>21</sup> This is largely because there is the problem with enforcement and translations for a single European patent right. In addition, Countries such as Switzerland, major participant of EPC are not the members of European Union.

<sup>22</sup> Trilateral Cooperation “About Trilateral Cooperation,” <http://www.jpo-miti.go.jp/saikine/tws/gen-1.htm>

<sup>23</sup> Sheldon & Mak “First-to-file v. First-to-invent, A Bone of Contention in the International Harmonization of US Patent Law,” <http://www.usip.com/articles/1st2fil.htm>

<sup>24</sup> US patent law Section 101 “Patent Requirements” <http://www.bitlaw.com/patent/requirements.html>

<sup>25</sup> <http://www.patents.com/patents.htm#patentable>

1. processes
2. machines
3. manufactures (that is, objects made by humans or machines)
4. compositions of matter
5. new uses of any of the above

Novelty requirement: Novelty requirement states that an invention cannot be patented if certain public disclosures of the invention have been made. The statute which explains when a public disclosure has been made (35 USC Section 102) is complicated and often requires a detailed analysis of the facts and the law. The most important rules, however, are that an invention will not be patentable if:

1. the invention was known to the public before “invented” by the individual seeking patent protection
2. the invention was described in a publication more than one year prior to the filing date
3. the invention was used publicly, or offered for sale to the public more than one year prior to the filing date.

Useful requirement: US patent law specifies that the subject matter must be “useful.” The term “useful” implies both that the subject matter has a useful purpose and that it is operative. That is, that the invention can perform the intended purpose. A machine that could not do so would not be called useful, and accordingly would not be granted a patent. In most cases, the usefulness requirement is met in computer and electronic technologies.

Non-obviousness requirement: An invention is considered novel if it is not exactly the same as prior products or processes, which are referred to as the “prior art.” However, in order to be patentable, an invention should not only be novel, but also be a non-obvious improvement over the prior art. This determination is made by comparison with the prior art and a determination is made whether the differences in the new invention would be obvious to a person having ordinary skill in the type of technology used in the invention.

### **“First-to-invent” System**

The United States has the “first-to-invent” system. Under the Title 35 USC 102,

“A person shall be entitled to a patent unless —

*(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent”<sup>26</sup>*

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<sup>26</sup> Legal Information Institute “US Code: Title 35, Section 102”  
<http://www4.law.cornell.edu/uscode/35/102.html>

The United States is the only country in the world using the “first-to-invent” system. Under the “first-to-invent,” a patent is granted to the first person that invented the claimed subject matter. This system is implemented in the Patent Act of 1836, with the notion that the patent system should reward the first true inventor rather than a later inventor who merely wins the race to the Patent Office.

**Grace Period**

Many countries, including the United States and Japan, have the grace period system. Patent applications are not rejected, even if the invention has been published (lose Novelty), as long as it is filed with prescribed conditions. It is a shield during which prior art cannot be used to refuse the issuance of patents. This period is called “grace period.” However, there are some differences in the details among the US, Japan, and European systems.

	<b>Grace Period Term</b>	<b>Restrictions</b>
<b>US</b>	12 months from US filing	No restrictions
<b>Japan</b>	6 months from Japan filing	Restricted to academic conferences, exposition announcements, issue of publication, involuntary announcements
<b>Europe</b>	6 months from EU filing	Restricted to exposition announcements and involuntary announcements

US patent law provides that applicants can file patent applications within one year after inventions become public domain. In other words, the patent law allows an inventor one year to file a patent after its first discloser. For example, even if the earlier disclosure is by someone other than the patent applicant, the applicant has the opportunity to overcome the earlier disclosure by a showing its prior invention.<sup>27</sup> This is in contrast to the patent laws in some countries where absolute novelty is required for patentability prior to patent application.<sup>28</sup>

On the other hand, European and Japanese patent laws provide 6 months grace period. Grace period is one of the critical areas being negotiated under the auspices of the WIPO as part of the patent law harmonization effort.<sup>29</sup>

**Provisional Application**

The provisional application is a simple, inexpensive (\$75 for small entity) patent application that will not be examined except for certain formal requirements. The provisional application allows filing without a formal patent claim, oath or declaration, or any information disclosure (prior art) statement. The benefit of a provisional application is low cost for obtaining priority or patent pending status. Filing of a provisional application does not start the 20-year patent term. It also permits additional time to obtain

<sup>27</sup> Iota Pi Law Group “The Requirements for Patentability”  
[http://www.dehlinger.com/ip\\_made\\_simple/requirements\\_novelty\\_bod.html](http://www.dehlinger.com/ip_made_simple/requirements_novelty_bod.html)

<sup>28</sup> Gregory Aharonian “Harmonization Related Issues”  
[http://students.cec.wustl.edu/~cs142/articl.../patent\\_office\\_reform\\_panel\\_final\\_report\\_overvie](http://students.cec.wustl.edu/~cs142/articl.../patent_office_reform_panel_final_report_overvie)

<sup>29</sup> Japan Patent Office “Grace Period” [http://www.jpo.go.jp/tousi/21\\_san03.htm](http://www.jpo.go.jp/tousi/21_san03.htm)

funding while preserving priority. Since this application will be regarded as abandoned 12 months after its filing date, a formal application must be filed within one year of a provisional application.

<b>Provisional</b>	<b>Formal application</b>
“Patent pending” status	“Patent pending” status
No formal drawings	Formal drawings required
USPTO filing fee \$75	USPTO filing fee \$355
Patent term – 20 years from filing formal application	Patent term – 20 years from filing formal application
Provisional must be converted to formal application within one year of provisional filing date	

### **Interference Proceedings**

When more than one applicant files patent applications claiming the same invention, USPTO institutes an “interference proceeding.” In an interference proceeding, the Patent Office determines which of the rival applicants is truly the first inventor.<sup>30</sup> The applicant who is the last to file a patent application must establish the evidence to prove that he or she has priority over the first person that filed a patent application. Interference proceedings are also instituted between an application and a patent that is already issued, if the patent had not been issued for more than one year prior to the filing of the conflicting application.

An interference proceeding is very complex. Each party is required to submit the evidence of facts that proves the date of invention, and each has an opportunity to engage in “discovery of the other party’s evidence.” Legal briefs are submitted that argue points of law as supported by the evidence; a final oral hearing is held, and judgment is made.<sup>31</sup> A board of three administrative patent judges makes determination on the submitted evidence. If the decision of the Board of Patent Appeals and Interferences is still adverse to the applicant, the losing party can appeal to the Court of Appeals for the Federal Circuit (CAFC) or file a civil action against the winning party in the appropriate United States district court. The CAFC will review the record made in the Office and may affirm or reverse the Office’s action. In a civil action, the applicant may present testimony in the court, and the court will make a decision.<sup>32</sup>

### **Definition of Invention**

USC Title 35, Section 102 states that a patent will be granted to an applicant unless,

<sup>30</sup> Iota Pi Law Group “The Requirements for Patentability”  
[http://www.dehlinger.com/ip\\_made\\_simple/requirements\\_novelty\\_bod.html](http://www.dehlinger.com/ip_made_simple/requirements_novelty_bod.html)

<sup>31</sup> Arnold B. Silverman “Interference Proceedings – Winner Take All”  
<http://www.tms.org/pubs/journals/JOM/matters/matters-9101.html>

<sup>32</sup> Matsumoto

“(g) before the applicant’s invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.”<sup>33</sup>

Priority of invention amongst rival applicants is decided by the Patent Office in an “interference proceeding.”<sup>34</sup> The three key terms to define the first inventor in the interference proceedings are Conception, Reduction to Practice, and Reasonable Diligence.

➤ **Conception**

“Conception is a purely mental process. It is the formation in the mind of the inventor of a definite and permanent idea of the complete and operative invention, as is hereafter to be applied in practice. The date of conception must be evidenced by written record, witnessed and dated by at least one other person, other than a co-inventor, who acknowledges that he or she understood the concept presented.”<sup>35</sup>

➤ **Reduction to Practice**

“Reduction to practice is a term of art representing the physical acts associated with the mental act of conception. The mere mental act of identifying a problem ripe for solution — or for that matter a potential theoretical solution to a problem — is insufficient to claim a patent.” The inventor must implement his or her idea or theoretical concept into a tangible product or process sufficiently. The inventor also has to show functions as a complete and operative invention to satisfy its intended purpose.<sup>36</sup>

➤ **Reasonable Diligence**

The last element to be examined in an interference proceeding is “reasonable diligence.” The inventor’s failure to exercise diligence in reducing the invention to practice may result in loss of priority. In applying the diligence requirement the proceeding considers reasonable problems and limitations encountered by the inventor. However, the USPTO does not accept any delay caused by the

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<sup>33</sup> Legal Information Institute “US Code: Title 35, Section 102”

<http://www4.law.cornell.edu/uscode/35/102.html>

<sup>34</sup> Iota Pi Law Group “The Requirements for Patentability”

[http://www.dehlinger.com/ip\\_made\\_simple/requirements\\_novelty\\_bod.html](http://www.dehlinger.com/ip_made_simple/requirements_novelty_bod.html)

<sup>35</sup> Ibid

<sup>36</sup> Ibid

inventor's efforts to refine the invention to the most marketable and profitable form.<sup>37</sup>

Hence, the first inventor is the person who first conceived the invention provided that this person diligently worked to “reduce the invention to practice” from the date of the conception to the date of filing the patent application. Thus, under a first-to-invent system, interference proceedings define the point of conception and factual circumstances that would indicate reasonable diligence in reducing an invention to practice.

### *Japanese Patent Law*

In Japan, a patent right expires 20 years from the date of application. A patent application in principle must be processed in the Japanese language, but documents accompanying the application may be written in English. However, within a certain period after the date of application, Japanese translation must be submitted. If two or more applications are filed claiming the same invention, the patent will be granted to the person who filed the application first, based on the “first-to-file” principle. In the Japanese patent system, the contents of the application will be published for the public 18 months from the date of application. Japanese patent law allows anyone to submit an opposition to a patent application, which is judged upon examination to meet the requirements for patentability, within 3 months from the date of publication.

### **Characteristics of Japanese Patent Law**

<b>“first-to-file” principle</b>	If more than one application is filed for the same invention, the patent will be granted to the individual who first filed the application
<b>Examination principle</b>	An examination of the patentability requirements such as novelty, etc. will be conducted and a patent will be granted only for patentable inventions.
<b>Public Disclosure of Applications</b>	The contents of the application will be disclosed to the public after 18 months have passed from the date of application.
<b>System of filing an opposition to grant of patent</b>	A patent application which is judged upon examination to meet the requirements for a patent is published, and anyone may submit an opposition to such patent application within 3 months of the date of publication.
<b>Registration principle</b>	A patent right is granted upon registration, and expires after 20 years from the date of application

(Source: JETRO)

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<sup>37</sup> Ibid

### ***Modifications made to US patent system***

With Japan's support, there were several provisions modified in US patent law through the GATT/WTO Agreement and WIPO treaties.

#### **GATT/WTO TRIPS**

##### **Treatment of Inventive Activity**

Title 35 of USC Section 104 was modified because there was a discriminatory provision to foreign applicants. The provision did not permit applicants to introduce the evidence of invention made outside the US in order to establish the priority of the invention.

“In proceedings in the Patent and Trademark Office, in the courts, and before any other competent authority, an applicant for a patent, or a patentee, may not establish a date of invention by reference to knowledge or use thereof, or other activity with respect thereto, in a foreign country.”<sup>38</sup>

Consequently, the date the foreign applicant filed the application was regarded as the date for both the conception and reduction to practice.<sup>39</sup>

However, since the TRIPS requires that patents be available without discrimination when the Agreement entered into force, section 104 was amended to allow applicants to use the date of invention within WTO and NAFTA members in order to establish the priority.<sup>40</sup>

##### **Patent Term**

The term of patent protection under the US patent law was 17 years from the issuance of the patent. The TRIPS together with the bilateral negotiation with Government of Japan changed this patent term to 20 years from the filing date. This is discussed further below.

##### **Provisional Application**

The GATT established a new type of patent application called the provisional application. Since June 1995, the USPTO has offered this option for inventors.<sup>41</sup> The provisional application was introduced to provide an advantage for inventors who wish to preserve priority in international application where the priority is determined based on the date of filing.<sup>42</sup>

##### **Japan-US Bilateral Negotiation**

The Government of Japan and the Government of the US reached agreement upon several patent measures through “the Japan-US Economic Framework Talks” in 1994.

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<sup>38</sup> Naoki Matsumoto “first-to-invent system” <http://village.infoweb.ne.jp/~fwgc5697/SENHATUM.HTM>

<sup>39</sup> Sheldon & Mak

<sup>40</sup> USPTO “GATT Uruguay Round Patent Law Changes,” <http://www.uspto.gov/web/offices/com/doc/uruguay/SUMMARY.html>

<sup>41</sup> USPTO “Provisional Application for Patent” <http://www.uspto.gov/web/offices/pac/provapp.htm>

<sup>42</sup> Software Patent Institute “Changes in U.S. Patent Laws as a result of implementation of the GATT and NAFTA agreements” <http://www.spi.org/gatt.htm>

Although Japan has already implemented all of its measures, the US has yet to implement the “introduction of an early publication system” and “improvement of the reexamination system,” despite the fact that the implementation of these measures is overdue.<sup>43</sup>

### Execution Status of Agreement in Japan-US Economic Framework Talks

Japan		The United States	
Acceptance of applications in English	•	Rectification of the term of patent	•
Conversion of a post-opposition system	•	Introduction of early publication system	•
Improvement to operation of the early examination system	•	Improvement of the reexamination system	•

• Execution completed      • Yet to be completed

(Source: Japan Patent Office)

Following this agreement, on November 29 1999, Former President Clinton signed the bill, “Intellectual Property and Communications Omnibus Reform Act of 1999” as part of the omnibus spending bill H.R. 3194. Title IV of the Omnibus Act, the “American Inventors Protection Act of 1999,” includes provisions to amend the Patent Law. Major amendments to the patent law are discussed below.<sup>44</sup>

#### Patent Term

The then JPO commissioner Wataru Asou and the then USPTO patent commissioner Lehman made a bargain under the talks. The US agreed to change its patent term from 17 years from the time the USPTO issued a patent to “20 years from filing date,” in exchange for acceptance of applications in English. Consequently, Section 154 of the patent law was amended so that “the term of protection begins on the date of grant and ends 20 years from the filing date of the application for the patent.”<sup>45</sup> Furthermore, the 20-year patent term could be extended for a maximum of five years in case of the delays in patent issuance, such as interference proceedings, successful appeals to the Board of Patent Appeals and Interferences or the federal courts.<sup>46</sup>

#### Early Publication System — Elimination of “Submarine Patent”

Most countries<sup>47</sup> have an early publication system by which the content of an application is published 18 months after the date of filing. On the other hand, in the United States, an invention was only published after it was issued. This, together with the old patent term, which protected 17 years from issuance, was the cause of the so-called “submarine patent.” The submarine patent appears when applications are kept pending and secret for

<sup>43</sup> JPO “The Japan-US Agreement and the Trend of Discussions on the US Patent Amendment Bill,” <http://www.jpo-miti.go.jp/saikine/906044.htm>

<sup>44</sup> White & Case “American Inventors Protection Act” [http://www.whitecase.com/memo\\_american\\_inventors\\_protection\\_act.html](http://www.whitecase.com/memo_american_inventors_protection_act.html)

<sup>45</sup> USPTO “GATT Uruguay Round Patent Law Changes,” <http://www.uspto.gov/web/offices/com/doc/uruguay/SUMMARY.html>

<sup>46</sup> Ibid

<sup>47</sup> Except for the US, India, Taiwan and Malaysia as of

long periods of time by patent applicants and the patent is established after the invention becomes common technology.<sup>48</sup> Businesses in that industry could be required to pay an exorbitant amount in license fees because of this submarine patent. It also causes unfair costs to consumers.<sup>49</sup>

In addition, the lack of “early publication system” made it difficult to know that a patent for an invention had already been filed, and consequently, caused duplication of R&D investment.<sup>50</sup>

The US agreed to correct this situation by introducing an early publication system during the 1994 Japan-US Trade Framework Talks.<sup>51</sup> However, the revised system has an exception: an application not filed abroad, or the content not included in the foreign application, does not have to be published until the patent is granted.<sup>52</sup>

### Reexamination system

The United States has a re-examination system under which third parties can challenge a patent that has been granted. However, third parties’ rights are limited since a challenge can only be initiated regarding the existence of prior arts. The challenger can neither be involved in the process of the reexamination nor appeal the decisions. During the talks with Japan, the US agreed to revise current procedures by 1996, allowing other lines of reasoning in the requests for re-examinations and granting third parties the opportunity to participate in the process.<sup>53</sup>

### US Legislation for Harmonization

The United States Congress passed “American Inventors Protection Act of 1999,” which made substantive revisions to the US patent laws. Former President Clinton signed into law the bill on November 29, 1999.

### Early Publication

Before the legislation, US patent applications were held in confidence by the USPTO, except for in very limited circumstances. Under the new law, all pending US patent applications will be published at 18 months from the earliest convention or the PCT filing

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<sup>48</sup> This practice was possible because inventors may postpone issuance of a patent by re-filing slightly different versions of their application.

<sup>49</sup> Japan Patent Office “Submarine patent and early publication system”

<sup>50</sup> Japan Patent Office, “Towards the International Harmonization of Industrial Property Rights Systems in the 21st Century,” <http://www.jpo-miti.go.jp/tousie/chapter2.htm>

<sup>51</sup> Japan Patent Office “Submarine patent and early publication system” [http://www.jpo-miti.go.jp/tousi/21\\_san02.htm](http://www.jpo-miti.go.jp/tousi/21_san02.htm)

<sup>52</sup> Japan Patent Office “The Japan-US Agreement and the Trend of Discussions on the US Patent Amendment Bill” <http://www.jpo-miti.go.jp/saikine/906044.htm>

<sup>53</sup> Ministry of Economy, Trade and Industry “Protection of Intellectual Property,” <http://www.meti.go.jp/english/report/downloadfiles/gCT9912e.pdf>

date. However, applicants can still request that their application not be published in case that there are no counterpart foreign applications.<sup>54</sup>

### Reexamination System

Previously, US patent system provided that a third party or a non-patentee could initiate a reexamination, but that after initiating the reexamination, such a third party had no opportunity to be continuously involved with the proceedings before the USPTO. The revised law allows more complete third-party participation in reexaminations, making appeal procedures available to a third party to the Board of Appeals.<sup>55</sup>

### Prior User Rights

The “first-to-file” system has a “prior user rights” clause which gives individuals who were using or making the invention prior to the filing date of the first applicant a limited right to continue using, making and selling it.<sup>56</sup> In other words, the prior user rights protect a manufacturer, who did not obtain a patent but is using a technology, as a defense against patent suits by the patent owner of the technology.<sup>57</sup> The “American Inventors Protection Act of 1999” established a “First Inventor Defense” only for prior users of business methods to allegations of patent infringement.<sup>58</sup> This is the same provision as prior user rights, which allows first inventors who did not apply for patent protection to continue to use its invention under the condition that the invention was made one year or more before the date of the filing of the same invention by others.

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<sup>54</sup> “High Lights the American Inventors Protection Act of 1999”

<http://www.gbpatent.com/announce/highlights.htm>

<sup>55</sup> Ibid

<sup>56</sup> Inventors Voice [tm] “Special Summary Report The Great Debate First-to-Invent vs. First-to-File and the International Harmonization” <http://www.inventionconvention.com/inventorsvoice/report/section21.html>

<sup>57</sup> Intellectual Property Owners Association “Prior User Rights (S.507, TITLE IV)”

<http://www.ipo.org/prioruser-SENATE.htm>

<sup>58</sup> Ladas & Parry “US Patent Law Amendments 1999”

<http://www.ladas.com/USPatentLawAmend1999.html>

## ANALYTICAL PAPER

### *ECONOMIC ANALYSIS*

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With globalization and the corresponding increase in business competition, the patent system takes on greater importance. The patent system is an effective means to recoup R&D expenditure and provide incentives for technological development. This is evidenced by the fact that the total demand for patent rights worldwide rose from 2,306,840 in 1994, to 5,806,570 in 1998.

#### *Internationalization of Patent Protection*

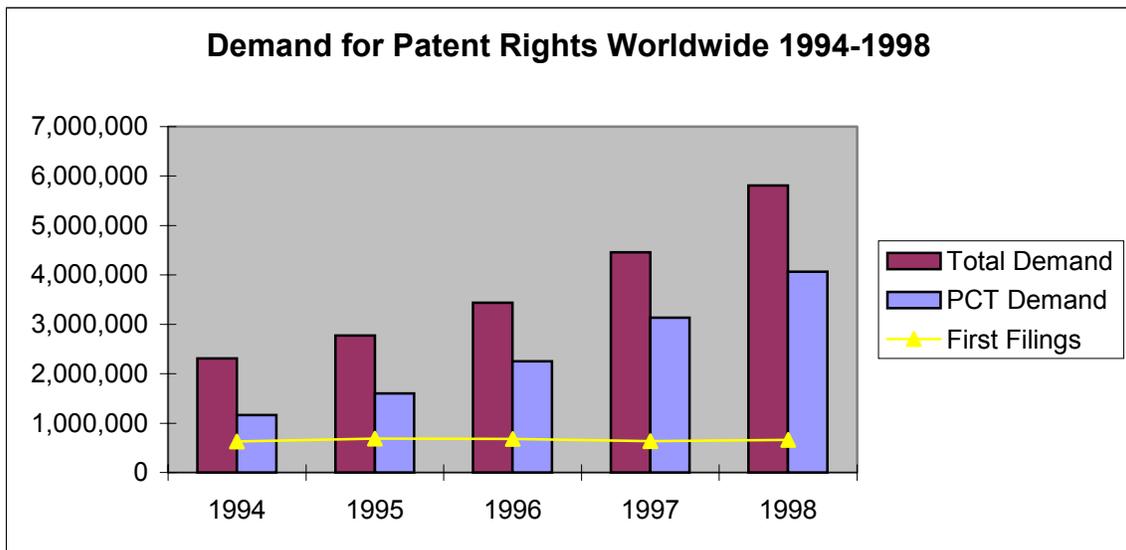
The number of first filings in 1997 was 634,230. One year later, in 1998, 5,141,337 subsequent filings were registered. Thus, on average, 8.1 subsequent filings per first filings were sought (see the simple calculation below).

$$5,141,337 / 634,230 = 8.106$$

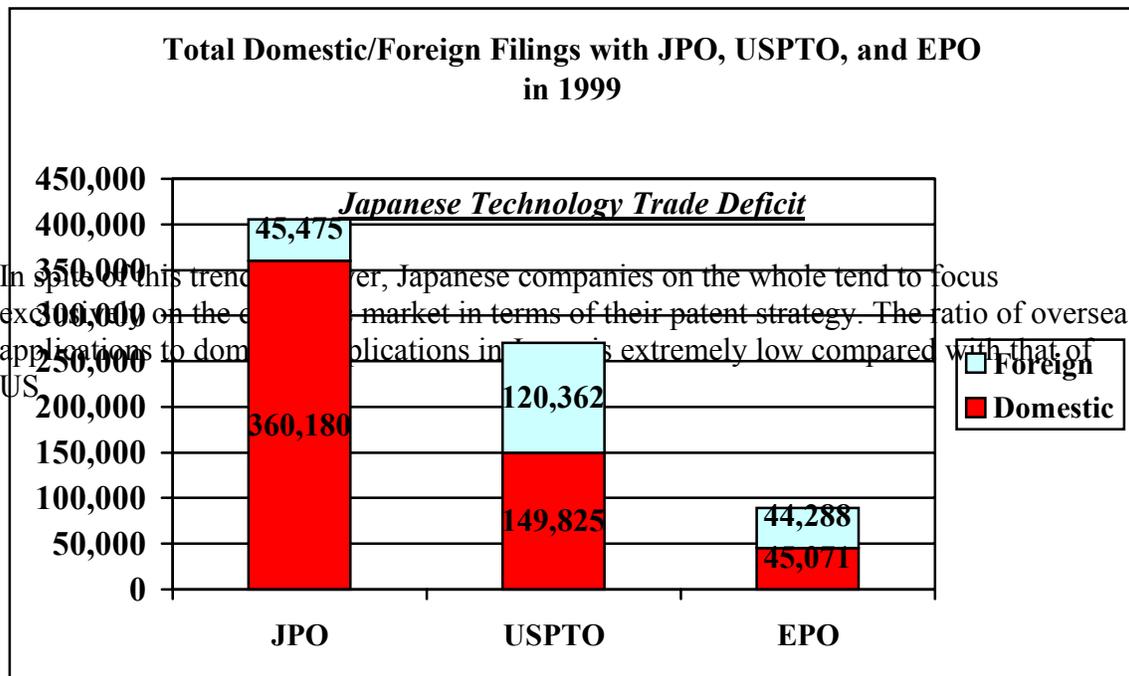
The rate of subsequent filings 3 years prior in 1995 was only 3.3. The recent increase in the proportion of subsequent filings illustrates the ongoing internationalization of patent rights.<sup>59</sup>

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<sup>59</sup> Trilateral Cooperation



(Source: Trilateral Cooperation)



Japan's trade and current account surpluses are the largest in the world. Japan's trade surplus grew slightly in 1999 to \$123 billion, up from \$122 billion in 1998 according to US Embassy calculations based on official yen-based data. Even though the current account surplus decreased \$14 billion, Japan still had a \$107 billion surplus in 1999.<sup>60</sup> Despite having the largest overall trade surplus, Japan faces a deficit in technology trade, which consists of international transactions of R&D results, such as patent rights and know-how, through the transfer of rights or licensing. Both imports and exports in the technology trade are expanding each year on a global basis. However, in terms of the balance of the technology trade, Japan is running a deficit of 32.9 billion dollars, while the US is in an overwhelmingly strong position with a surplus of 147.1 billion dollars.<sup>61</sup>

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### ***COMMERCIAL ANALYSIS***

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#### ***Cost to be paid for Interference Proceeding***

When two or more applications are filed by different inventors claiming the same patentable invention, or there is a conflict between an application and a patent already issued, an interference proceeding is instituted by USPTO to determine who is the first inventor and entitled to the patent. According to USPTO, about 1% of the applications filed become involved in an interference proceeding. Followings are the costs to be paid for interference proceedings.

Section 1.17, regarding patent application processing fees, says that

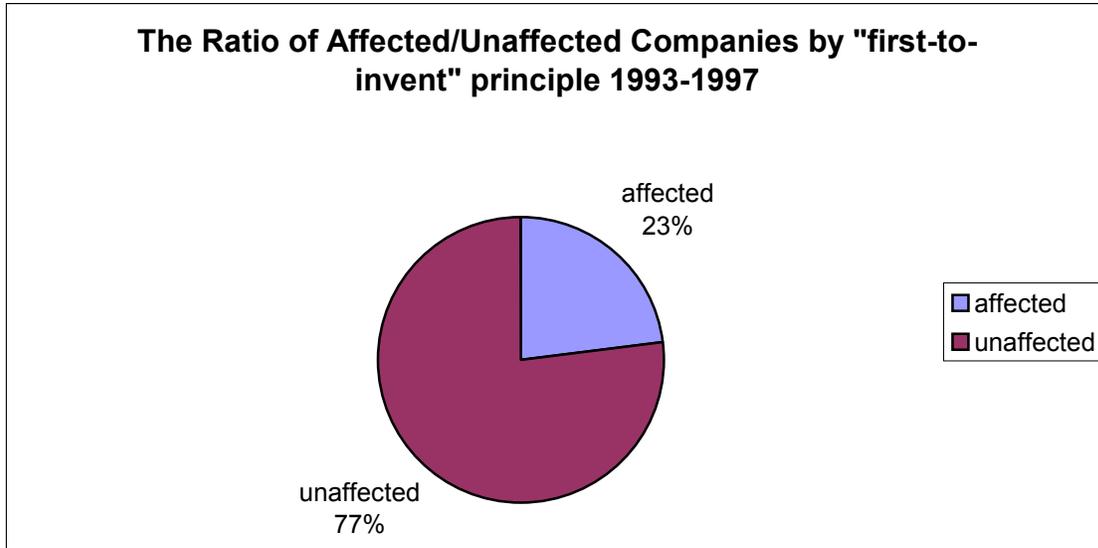
- (a) Filing a notice of appeal from the examiner to the Board of Patent Appeals and Interferences costs \$155.00 for a small entity and \$310.00 by other than a small entity.
- (b) In addition to the fee from filing a notice of appeal, a brief in support of an appeal costs \$155.00 for a small entity and \$310.00 by other than a small entity.
- (c) Filing a request for an oral hearing before the Board of Patent Appeals and Interference in an appeal under 35 USC 134 costs \$135.00 for a small entity and \$270.00 for other than a small entity.
- (d) Requesting continued examination pursuant costs \$355.00 for a small entity and \$710.00 for other than a small entity.

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<sup>60</sup> USATrade.org "Country Commercial Guide for Japan"  
<http://www.usatrade.gov/website/ccg.nsf/CCGurl/CCG-JAPAN2001-CH-2:-004EABF0>

<sup>61</sup> Japan Patent Office "Towards the International Harmonization of Industrial Property Rights System in the 21<sup>st</sup> Century" <http://www.jpo.go.jp>

Plus, payment for patent attorneys will be charged. Hourly fees run from \$150 to \$600. A typical fee is \$325/hour. Since the determination on who is the first inventor could take one minute to 60 years or more, it is difficult to quantify the typical cost generated by the interference. It is said that, overall, the interference proceeding could cost the small entity from \$500,000 to \$1,000,000 (including court appeals), according to estimates, in order to prevail.<sup>62</sup>

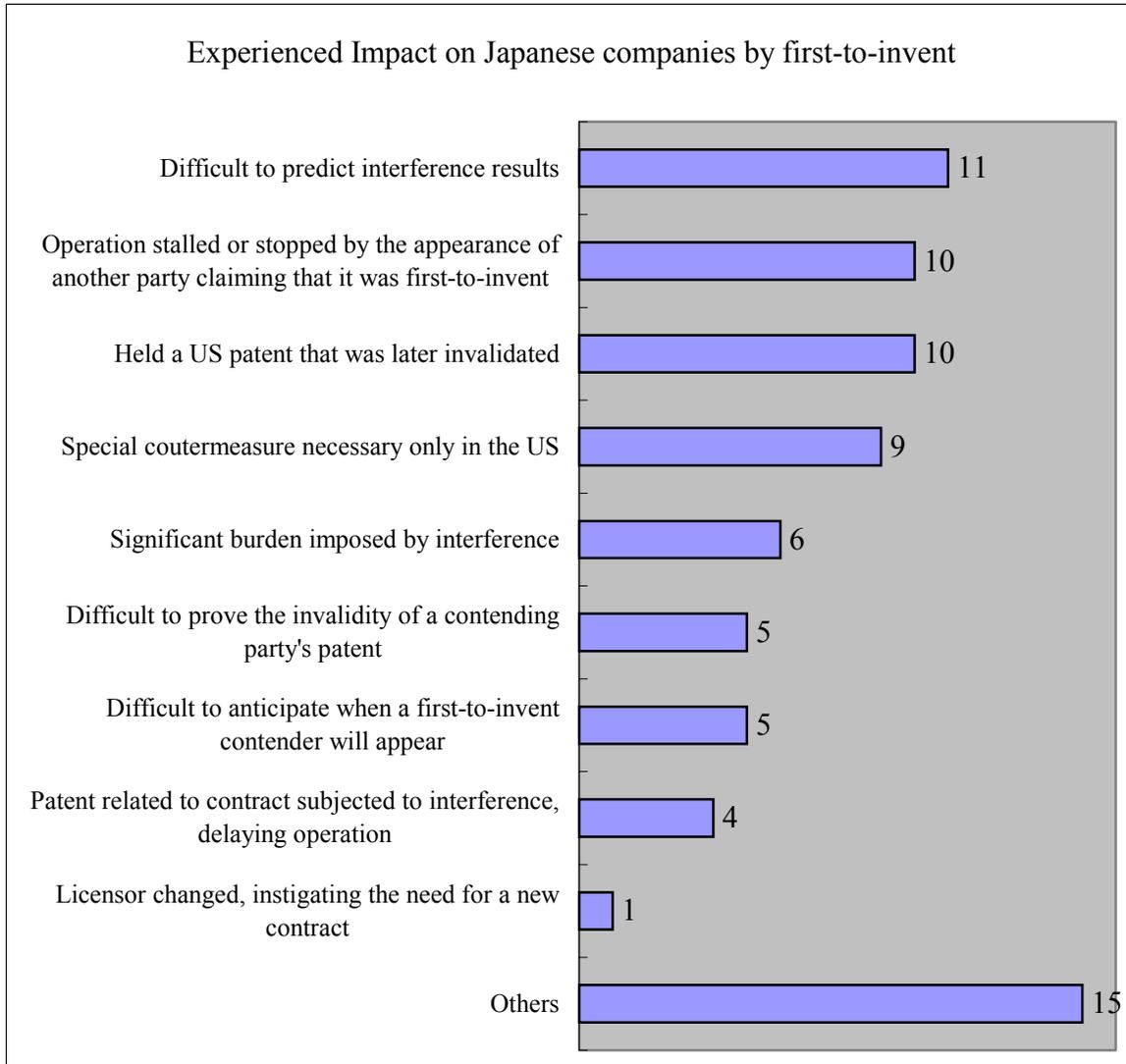


There are many possible side effects of interference proceeding. According to the survey conducted by JPO, 23% out of 152 Japanese companies that had filed 100 or more applications in the US, are affected by the "first-to-invent" principle. Their experienced affections of the first-to-invent are shown below.

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<sup>62</sup> Mossinghoff





Note: Surveyed 79 companies that answered to have been affected by the first-to-invent principle  
(Source: Japan Patent Office)

According to a speech made by the then USPTO Director Dickinson at the annual meeting of the American Intellectual Property Law Association (APILA) in October 2000, 400 interferences were declared out of 300,000 patent applications in 1999. In 100 cases out of 400 (25 percent), the junior party (the second to file) proved to be the “first-to-invent.” This means that only 0.03% (100/300,000 cases) of total patent applications merit from interference proceedings. Applicants, especially the first-to-file and first-to-invent who defended themselves through the interference process, wasted tremendous money and time.

Since 100 out of 400 interference cases ruled in favor of junior parties, money spent for the other 300 cases was in vain. Given that interference cases cost a maximum of \$500,000 to \$1,000,000, total loss generated by interference proceeding can be estimated by the following calculation.

$$(400 - 100) \times \$500,000 = \$150,000,000$$
$$(400 - 100) \times \$1,000,000 = \$300,000,000$$

Hence, at the maximum, from \$150,000,000 to \$300,000,000 was wasted for interference proceedings in 1999.

Interference proceeding is a unique system employed only by the United States. Since Japan and other countries employ a “first-to-file” system, there is no such cost generated to define who is entitled to a patent.

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## *LEGAL ANALYSIS*

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### *Title 35 Conditions for Patentability*

According to Title 35 USC 102, a person shall be entitled to a patent unless,

- a) The invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, (or)
- b) The invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.

As stated above, the applicant is not eligible to acquire a patent when the claimed invention was, for instance, described in a printed publication “before the date of its invention.” Thus patents are distributed on “first-to-invent” principle. As for b), the grace period during which applicants can file is one year from the time the claimed invention was patented or described.<sup>64</sup>

#### *Application from the US to overseas*

The discrepancy between the US patent system and the otherwise universal patent system causes problems for those seeking protection under both systems, and is a particular nuisance for American applicants seeking protections overseas. USC Section 184 prohibits applicants from filing patent applications overseas for 6 months from the date of first filing in the US.<sup>65</sup>

USC Title 35, Section 184 states,

“Except when authorized by a license obtained from the Commissioner a person shall not file or cause or authorize to be filed in any foreign country prior to six months after filing in the United States an application for patent or for the registration of a utility model, industrial design, or model in respect of an invention made in this country.”<sup>66</sup>

Hence, even though the Paris Convention guarantees that applicants can claim priority over inventions one year from the filing date, US applicants have only 6 months to file international application keeping that priority date.

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<sup>64</sup> Matsumoto, Naoki

<sup>65</sup> Matsumoto

<sup>66</sup> Legal Information Institute “Title 35, USC Section 184”  
<http://www4.law.cornell.edu/uscode/35/184.html>

***Disadvantage for US patent applicants to pursue international application***

US applicants one year from first filing

0—————6 months————→1 year

<b><i>Date of Filing in the US</i></b>	<b><i>6 Months Prohibition under USC 184 &amp; 6/12 Months priority under Paris Convention</i></b>	<b><i>International Application within 6/12 Months of Paris Convention</i></b>
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Others one year from first filing

0----->1 year

<b><i>Date of Filing at home</i></b>	<b><i>International Application within 12 Months of Paris Convention</i></b>
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(In gray area US applicants cannot file a patent application abroad.)

The Paris Convention does not recognize the US type of grace period because absolute novelty is required in “first-to-file” countries. This is why the Paris Convention protects the priority right when the invention is published *after* the date of filing in the US, but not when the publication was made *before* the date of filing.<sup>67</sup> In other words, American applicants cannot acquire patents overseas when applications are filed at US patent offices after the publication. In this respect, US companies who seek patent protection overseas cannot enjoy the merit of the “first-to-invent” system under which they can delay filing in order to assure the inventions’ patentability.<sup>68</sup> Accordingly, many US multinationals pursue their patent applications based on the “first-to-file” principle. This is part of the reason why even in the US, some large US companies do not oppose shifting the US patent system to “first-to-file.”

***Interference Proceeding***

How carefully a party keeps its record of the invention can change the result of interference proceedings. Proper records should be maintained in ink, preferably in a bound notebook. The records need signatures and dates written by the inventor with the words “witnessed and understood” provided beneath the inventor’s signature. Two or more individuals who understand what is written in the notebook should also sign and date it as witnesses. Such records can serve to prove the date of “conception of the invention.” They also can serve to prove “reduction to practice.” The essential part of

<sup>67</sup> Matsumoto

<sup>68</sup> Ibid

such proof in interference is that the inventor’s evidence has to be corroborated by a third party. Again, failure to keep proper records could result in the party who first actually created the claimed invention losing the interference and being subject to the patent rights of the party awarded priority.<sup>69</sup>

**Defective Definition of Invention**

The terms “conception of the invention” and “reduction to practice” pertain to priority questions. Conception of the invention implies that the means to accomplish the intended results of the invention have been devised. “Reduction to practice” refers to the actual construction of the invention in physical form: in the case of a machine it includes the building of the machine, in the case of an article or composition it includes the making of the article or composition. Actual operation, demonstration, or testing for the intended use is usually necessary. The filing of a regular application for patent that completely discloses the invention is treated as equivalent to reduction to practice. The inventor who proves to be the first to conceive the invention and reduce it to practice is considered the prior inventor, though further complexities, addressed below, exist.

According to USC 102 (g), “In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.” This basically means that what matters is being first to reduce to practice. However, if one party conducts reasonable diligence prior to the others, the first to conceive has a priority to invention. In other words, when first to conceive keeps reasonable diligence, he or she is supposed to be the first inventor even if he or she is last to reduce to practice. What “reasonable diligence” means is unclear from this article. In practice, it is satisfied by both diligence to reduce practice and diligence to prepare for application. Some people say that any excuse for not being diligent is acceptable. Others say that “diligence” is mere jargon. As a result, reasonable diligence is accepted in many cases, that is, determination is often made based on conception.<sup>70</sup>

USC 102 (g) is an imperfect document for determining the first inventor. Consider the following case, which is in a three-cornered deadlock.<sup>71</sup>

Assume there are three applicants, A, B and C, and each of their invention processes are performed as described below. Time flows from left to right.

A	Conception				Diligence		Practice	
B		Conception	Diligence				Practice	
C				Conception	Diligence	Practice		

<sup>69</sup> Arnold B. Silverman “Interference Proceedings – Winner Take All”

<sup>70</sup> Matsumoto

<sup>71</sup> Naoki Matsumoto

Between A and B, reasonable diligence does not affect who is the inventor. Since A conceived the invention and reduced to practice earlier, it has priority.

Between B and C, B will prevail. B initiated reasonable diligence earlier than C's conception, even though B performed reduction to practice later than C.

Since A precedes B and B precedes C, there is no problem if A precedes C. However, A does not precede C.

C's reduction to practice precedes that of A, and A's reasonable diligence is performed later than C's conception. Hence, C, who performed reduction to practice, precedes A.

In this way, when three applicants are involved, it is impossible to determine who is the true inventor under the current US patent law.

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## ***POLICY ANALYSIS***

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### ***International Harmonization***

Under the auspices of the WIPO, participating countries negotiate in order to facilitate and reduce the cost of patent protection. Two major treaties, the Paris Convention and the Patent Cooperation Treaty, have succeeded in reducing the cost. However, more effort should be taken towards this end.

The total cost involved is still very high due to the different procedures in each country. Under the Paris Convention, for example, the applicant is required to follow separately the procedures that vary with each country, and to pay a substantial amount of money as a result. Simply having the application translated into different languages costs a considerable sum.<sup>72</sup>

Patentability of the same technology is examined in each country under both treaties. Theoretically, an examination result obtained in one country can be regarded as valid in other countries. However, in practice, the same invention undergoes substantive examinations in each country. This duplication in the examination process results in an increase in cost and time required before the granting of a patent.<sup>73</sup>

Each country has its own system to substantively examine patentability. Thus, different standards are applied in deciding patentability of the same invention, and judicial judgments made after the grant of a patent may differ from country to country. This leads to an insecurity of rights in terms of the legislative aspects.<sup>74</sup>

In order to further harmonize patent systems in the world, the issue of whether or not the US should shift its patent system from “first-to-invent” to “first-to-file” must be on the agenda of this discussion. The US has pursued a series of bilateral negotiations in order to protect the US inventor in some developing and less developed countries which do not provide adequate patent protection by exercising Section 301, Special 301, and other US trade laws. However, resolving the issues by having a series of bilateral negotiations with specific countries is a costly, difficult, and highly politicized process. The US could pressure these countries by actively participating in an international harmonization process.

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<sup>72</sup> JPO “Efficient Worldwide Patent Granting Procedure”

<sup>73</sup> JPO “Efficient Worldwide Patent Granting Procedure”

<sup>74</sup> Ibid

<sup>75</sup> Aharonian

### **“First-to-Invent” vs. “First-to-File”**

#### **“First-to-Invent”:**

The “first-to-invent” system is designed to protect individual inventors rather than the licensee of the inventions or the whole society in general. Under “first-to-invent,” as long as the inventor keeps an appropriate record, he or she can discuss the invention with others, since there is no fear that someone else would steal the idea and file a patent.<sup>76</sup>

The inventor also can take time before filing an application to ensure the invention has patentability. There is no disadvantage to delaying an application, provided the grace period assures that a one-year delayed application is still acceptable, even if someone else files an application for the same invention.<sup>77</sup> Hence, applicants can take advantage of the grace period to clarify in what context, and to what extent the invention would be utilized. Applicants can make claims covering the broad range of its use.<sup>78</sup>

However, the “first-to-invent” system lacks certainty and predictability. The senior applicant (the first person to file a patent application) has no idea whether or not other inventors (who file a patent application after the senior applicant’s filing or issuance of the patent) have priority until the litigation. In addition, a unique interference proceeding has negative impacts in terms of time and cost, not only on patent holders, but also on its users.

For example, operations would be stalled by the appearance of another party claiming that it is the “first-to-invent.” A patent held could be invalidated later. Subsequently, contracts related to the patent are delayed as well. In addition, if the junior party prevails, the licensor will be changed by interference proceedings and a new contract will be needed.

Although interference is a mechanism to determine the true inventor, inventors not familiar with interference may misperceive the legal requirements for the adequate “conception” of an invention.

#### **“First-to-File”**

Under the “first-to-file” system, there is no interference proceeding instituted by the patent office, since the first applicant automatically has priority. In addition, an accurate search for prior art is accomplished easily. Files in the patent office are searched for any pending and issued patents that disclose the same invention. Accordingly, the “first-to-file” system is simpler and faster in terms of processing procedure for patent applications, decreasing the complexity, expense, and time length associated with interference

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<sup>76</sup> Gregory Aharonian “Harmonization Related Issues”  
[http://students.cec.wustl.edu/~cs142/articl.../patent\\_office\\_reform\\_panel\\_final\\_report\\_overvie](http://students.cec.wustl.edu/~cs142/articl.../patent_office_reform_panel_final_report_overvie)

<sup>77</sup> Ibid

<sup>78</sup> Ibid

proceedings.<sup>79</sup> Hence, adopting a “first-to-file” system is advantageous in terms of predictability, efficiency, certainty, and transactional costs incurred in patent prosecution.<sup>80</sup>

In fact, much US industry already performs on a “first-to-file” basis. The “first-to-invent” system could be disadvantageous to US industry in terms of competitiveness.<sup>81</sup>

Independent inventors, small businesses, and universities oppose the “first-to-file” system. They argue that under “first-to-file,” an inventor must be careful in talking to others about his invention for fear that someone else will be the first to file a patent.<sup>82</sup> This fear would force inventors to rush patent applications before completely developing the inventions. The result would be the filing and abandonment of many patents for inventions.<sup>83</sup> Consequently, the volume of patent applications would increase and the USPTO would be consequently burdened. This situation could also cause small entities to be disadvantaged due to limited resources for preparing and filing patent applications.

The fundamental argument against adopting the “first-to-file” system is that it would disadvantage independent inventors and small businesses. These are important and productive cogs in the US economy. Universities and individual investors believe that the US “first-to-invent” system is a key factor in the US leading the world in technological development.

Though it might be true that somebody can steal an inventor’s idea for commercial use, there will always be a question whether the invention satisfies the inventiveness or non-obvious requirement. In order to acquire a patent, the invention must fulfill an inventive step requirement, which means the invention could not be deduced by an average knowledgeable person in the technical field. An invention easily stolen by someone else may not be patentable.

As for the concern over the resources to file an application, provisional applications could serve for small entities. Though provisional applications originally were designed to protect inventors seeking foreign patents, they could also protect small-entity inventors if US were to adopt the “first-to-file” system. The provisional application is much cheaper than the formal application and does not require any specifics or disclosure of background. Thus, applicants can keep trade secrets to protect from theft, and the financial burden of the filing race will be solved. The provisional application would give the small inventor a year in which to file a professionally prepared patent application.<sup>84</sup>

The “first-to-file” system assures “prior user’s rights.” Even when a patent application is filed, any person using the invention prior to the filing date may continue to use the

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<sup>79</sup> Gregory Aharonian

<sup>80</sup> Ibid

<sup>81</sup> Gregory Aharonian

<sup>82</sup> Gregory Aharonian

<sup>83</sup> Gregory Aharonian

<sup>84</sup> Ibid

invention.<sup>85</sup> Thus, non-commercially oriented inventors (universities) are not necessarily disadvantaged by a “first-to-file” system.

More importantly, the interference proceeding under “first-to-invent” is inherently inefficient. The proceeding costs a small entity from \$500,000 to \$1,000,000 (including court appeals) in order to prevail, as stated in the commercial analysis.<sup>86</sup> A small entity is likely to lose an interference proceeding either because it lacked the considerable resources necessary to prevail, or because of the very specific and complex rules governing “conception,” “reasonable diligence,” and “reduction to practice,” regardless of either actual or constructive evidence.

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<sup>85</sup> Japan Patent Law Article 79, [http://takahara.gr.jp/contents\\_law/00sub/27chiteki/07.htm](http://takahara.gr.jp/contents_law/00sub/27chiteki/07.htm)

<sup>86</sup> Mossinghoff

## ***STAKEHOLDER ANALYSIS***

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### ***Domestic Stakeholders***

#### **Keidanren**

Japanese nationals file more than 20% of the patent applications in the US and the EU.<sup>87</sup> In addition, since the 1980s, a majority of the patent recipients in the US have been Japanese companies.<sup>88</sup> As shown in the table below, five of the top ten patent recipients are Japanese companies. Keidanren feels that, together with the counterfeit products prevailing in developing countries, the unique intellectual property system, which does not comply with international norm, has put Japanese companies' intellectual property rights in an unstable condition and impedes international business activities. It believes that the "first-to-file" system should be adopted as an international standard by which countries can determine priority rights on the basis of equitable rules of the date of filing patent applications.<sup>89</sup>

Preliminary Rank in 2000	Preliminary # Patents in 2000	Organization	(Final Rank) (in 1999)	(Final Number of Patents in 1999)
1	2,886	International Business Machines Corporation	(1)	(2,756)
2	2,020	NEC Corporation	(2)	(1,842)
3	1,890	Canon Kabushiki Kaisha	(3)	(1,795)
4	1,441	Samsung Electronics Co., Ltd.	(4)	(1,545)
5	1,411	Lucent Technologies Inc.	(9)	(1,152)
6	1,385	Sony Corporation	(5)	(1,410)
7	1,304	Micron Technology, Inc.	(14)	(933)
8	1,232	Toshiba Corporation	(6)	(1,200)
9	1,196	Motorola Inc.	(7)	(1,192)
10	1,147	Fujitsu Limited	(7)	(1,192)

(Source: USPTO)

#### **Ministry of Economic, Trade and Industry (METI)/ Japan Patent Office (JPO)**

METI has an interest in enhancing Japan's technological foundations, which will enable Japanese companies, communities, individuals, and other players to maximize their economic potential.<sup>90</sup> The Japan Patent Office is under the Ministry of Economy, Trade

<sup>87</sup> Mindy L. Kotler & Gary W. Hamilton, "A Guide to Japan's Patent System," The United States Department of Commerce Technology Administration, <http://www.ta.doc.gov/Reports/JapanPatent/pages.pdf>

<sup>88</sup> Ibid

<sup>89</sup> Keidanren "Strengthening Intellectual Property Rights Protection," <http://www.keidanren.or.jp/english/policy/pol102/appendix5.html>

<sup>90</sup> Ministry of Economy, Trade and Industry of Japan "New Mission of the Ministry of Economy, Trade and Industry" <http://www.meti.go.jp/english/other/METIintroduction/c10130bj.html>

and Industry (METI), which is the successor to the Ministry of International Trade and Industry. The roles of JPO are as follows.<sup>91</sup>

1. Granting Exclusive Rights to Patents
2. Planning and Designing Industrial Right Policy
3. International Exchange and Cooperation
4. Improving the System for Industrial Property Rights as well as its Operation
5. Dissemination of Information of Industrial Property Rights

METI and JPO are interested in creating a sound environment for protecting intellectual property. They voiced concern that the US is not implementing the agreement as they expected. This is because there are some exceptions, especially for early publication, in which parties that file patent applications domestically in the US do not have to publicize their inventions.

### **Joint Convention on Intellectual Property Rights**

A joint convention on intellectual property rights is held regularly by the LDP Subcommittee on Intellectual Property Rights Policy, and the Federation of Parliamentary Members on Intellectual Property Rights. The joint convention recognizes that changing the US “first-to-invent” system is the key to harmonizing intellectual property rights. Hence, the Chairman of the Convention, Representative Akira Amari, who used to be a parliamentary vice-minister of MITI (Ministry of International Trade and Industry), is the principle person to lobby in domestic strategy. Rep. Amari is also the Vice President of the Policy Affairs Research Council in the LDP.<sup>92</sup>

### **Stakeholders in the US**

#### **American Bar Association (ABA):**

The American Bar Association is the largest voluntary professional association, totaling 400,000 members. The ABA provides law school accreditation, continuing legal education, information about the law, programs to assist lawyers and judges in their work, and initiatives to improve the legal system for the public.<sup>93</sup> The ABA is actively engaged in public policy debate and its development before not only the Congress, but also the Executive Branch and other governmental agencies.<sup>94</sup>

The ABA opposes in principle the modification of the Title 35 Section 102 (a) and (b), which would change the US patent system to a “first-to-file” principle. The ABA opposes elimination of the grace period for applications after the public use or sale of the

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<sup>91</sup> Japan Patent Office “the role of Japanese Patent Office” <http://www.jpo-miti.go.jp/>

<sup>92</sup> Liberal Democratic Party “Report of Joint Convention of Federation of Parliamentary Members on Intellectual Property Rights” [http://www.jimin.or.jp/jimin/fl/b\\_saishin00.html](http://www.jimin.or.jp/jimin/fl/b_saishin00.html)

<sup>93</sup> American Bar Association “about ABA” <http://www.abanet.org/about/home.html>

<sup>94</sup> American Bar Association “Legislative and Governmental Advocacy” <http://www.abanet.org/poladv/home.html>

invention or the patenting or publication of the invention. The ABA opposes any change in the law which would award the patent only to the applicant who is the “first-to-file”<sup>95</sup>

Adoption of “first-to-file” leads to the elimination of interference proceedings. Since members of ABA are involved in interference proceedings in the USPTO, ABA opposes the elimination of interference proceedings, too.

### **Alliance for American Innovation**

The Alliance for American Innovation (AAI) is a privately held corporation formed to provide a Washington, D.C. presence for individuals and organizations interested in the entrepreneurial process and the laws that provide its basis. The goal of the Alliance is to strengthen the patent system and help stimulate and create jobs in America.<sup>96</sup> AAI includes members of both the National Inventors Hall of Fame and the American College of Physician Inventors, several Nobel Laureates, and thousands of other inventors who recognize that we must stand up to preserve our patent system. AAI also works with other organizations that have common interests, such as the Council on Government Relations, the American Council on Education, the Association of American Universities, the National Association of State Universities and Land Grant Colleges, the Association of University Technology Managers, Inc., the National Association for the Self-Employed, and the National Venture Capital Association.<sup>97</sup> AAI represents the interests of independent inventors and small businesses.

The AAI is opposed to “early publication” and “prior user rights,” and is expected to oppose the adoption of a “first-to-file” system. In past legislation regarding “early publication,” independent inventors and small businesses were concerned that their ideas could be circumvented more easily with an earlier publication date.

The AAI feels that amending patent law makes it more difficult for US innovators to develop their ideas and products. They believe that changes in the US patent system have seriously affected the innovative community.

The AAI has a strong stake on this issue because independent inventors and small business entities constitute 40% of all patent applications. They fear that a “first-to-file” system will punish those with few financial resources, who must compete to file applications against big multinational enterprises.

In response to this concern, the USPTO charges a 50% lower fee for small entities.<sup>98</sup> In addition, the US patent law has a provisional application system. Originally designed to protect inventors’ priority for international applications, the provisional application system is much cheaper and does not require any specific documentation. Independent

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<sup>95</sup> American Bar Association “Committee No. 101 Patent Legislation”  
<http://www.abanet.org/intelprop/annlrpt/101.html>

<sup>96</sup> <http://www.rightguide.com/Links/alliance2.htm>

<sup>97</sup> The Alliance for American Innovation, Inc. “Statement of Mission and Purpose”  
<http://www.inventorworld.com/gatt.htm>

<sup>98</sup> Mossinghoff

inventors and small businesses can protect themselves from theft and financial disability with the provisional application. More importantly, in the “first-to-invent” system, small entities are more likely to lose interference proceedings. Hence, adoption of “first-to-file” will not be as disadvantageous to them as expected.

As I mentioned, the AAI consists of universities and academics. Universities are against the “first-to-file” system because they give higher priority to publications in academic conferences than to filing applications. They fear that theft of inventions and pre-emptive applications if the US adopts “first-to-file.” However, the US could retain the “grace period,” to give inventors a one-year term of priority to file patent applications. In addition, “prior user rights” will be in effect. Though some people think prior user rights could undermine the exclusive license to licensees, the right will help non-profit, or non-commercially oriented people to use their inventions.

**The National Association of Manufacturers (NAM)**

The National Association of Manufacturers, based in Washington D.C., is the largest and oldest industry trade association in the United States. 14,000 companies of all sizes participate in the NAM. Its mission is to enhance manufacturers’ competitiveness and improve living standards for American workers through US legislation and regulation.<sup>99</sup>

The NAM was one of the organizations forming the “21<sup>st</sup> Century Patent Coalition,” which favors international patent harmonization. The members consist of such large companies as IBM and Microsoft. Hence, the NAM supports the global standard patent system. In past legislation, the NAM supported a “20 years patent term” and “early publication” because of concern over the “submarine patent” which had cost each NAM member up to \$17 million.<sup>100</sup> The NAM also viewed the lack of publication after 18 months as disadvantageous to its members. Foreign firms’ applications were shielded from the US firms indefinitely, while those from US firms in other countries were publicized to foreign competitors. The NAM favors “prior user rights,” since it solves the situation in which separate parties independently come up with essentially the same technology, with one seeking a patent but the other deciding to maintain a trade secret. If the latter party could demonstrate that it was actually practicing the technology in the US one year before the patent in question was granted, it would have a defense against a claim of infringement.<sup>101</sup>

The NAM would support the adoption of a “first-to-file” system since “first-to-file” harmonization would greatly simplify US law and would affect only a small number of second-to-file inventors who might otherwise eventually prevail, after a costly contest, as the “first-to-invent.”

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<sup>99</sup> The National Association of Manufacturers, “about the NAM”  
<http://www.nam.org/secondary.asp?TrackID=&CategoryID=640>

<sup>100</sup> The National Association of Manufacturers “patents”  
<http://www.nam.org/tertiary.asp?TrackID=&CategoryID=101&DocumentID=20174>

<sup>101</sup> Ibid

Japanese companies are able to join the NAM and shape US legislation by lobbying the Congress.

US multinationals, or members of the NAM that market abroad, already operate on a “first-to-file” basis in the United States. This is because they must ensure against publicly disclosing the invention before filing patent applications with the USPTO, in order to remain qualified for foreign patents. Adoption of “first-to-file” encourages companies to file quickly and establish their priority date under the Paris Convention. Subsequently, it encourages US companies to acquire foreign patents.<sup>102</sup>

**Department of Commerce/The United States Patent and Trademark Office (USPTO)**

The Department of Commerce is one of the agencies of the US government. The Department of Commerce works with business, universities, communities and workers in order to create US jobs, improve living standards for American people, and promote economic growth and sustainable development. The Department’s objectives are to:<sup>103</sup>

1. “Build for the future and promote US competitiveness in the global marketplace by strengthening and safeguarding the nation's economic infrastructure.”
2. “Keep America competitive with cutting-edge science and technology and an unrivaled information base.”
3. “Provide effective management and stewardship of the nation's resources and assets to ensure sustainable economic opportunities.”

The USPTO (United States Patent and Trademark Office) administers the laws related to patents. It is a non-commercial federal agency, one of 14 bureaus in the Department of Commerce. Its major function is the examination and issuance of patents and the examination and registration of trademarks.<sup>104</sup> On October 20, **NEED YEAR** in the speech at the annual meeting of the American Intellectual Property Law Association (AIPLA), the then USPTO Director, and Under Secretary of Commerce for Intellectual Property in Clinton Administration **NEED FIRST NAME** Dickinson, said that “we must begin the dialogue for “interference,” and that is, the potential question of transforming from a “first-to-invent” to a “first-to-file” system.”<sup>105</sup> The USPTO might be interested in adopting the “first-to-file” system, since doing so would eliminate the cumbersome interference proceedings, and would simplify the method of determining priority over an invention.

Under the “first-to-file” system, the USPTO can search for prior art easily and accurately. The USPTO is only required to compare dates of filing between rival applicants.

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<sup>102</sup> Don Banner & Skip Kaltenheuser “The Quiet Riot Over the Blueprint for Our Future” Intellectual Property Creators <http://www.heckel.org/congress/104cong/articles104/quetriot.htm>

<sup>103</sup> United States Department of Commerce “Mission Statement” <http://www2.osec.doc.gov/public.nsf/docs/mission-statement>

<sup>104</sup> USPTO <http://www.uspto.gov/>

<sup>105</sup> Tech Law Journal “PTO Director Addresses Fee Diversion, Business Method Patents, Reexams & Databases,” <http://techlawjournal.com/intelpro/20001023b.asp>

### **Other Stakeholders**

#### **European Union/EPO**

At the 1998 October bilateral trade meeting, the Transatlantic Economic Partnership (TEP) was announced by Presidents Clinton and Santer.<sup>106</sup> This partnership was formed despite the fact that at the US-EU summit in May 1998, the US had rejected the EU's proposal to change the US patent system from "first-to-invent" to "first-to-file." The EU opposed the US system because it too easily led to claims that inventions were developed by parties other than those who had first filed for patent.

#### **EJBDRT (EU-Japan Business Dialogue Round Table)**

The EU-Japan Centre for Industrial Cooperation was established jointly by the European Commission of the EU (Directorate General for Enterprise) and METI. The EU-Japan Business Dialogue Round Table is an industrial initiative backed by the EU Commission and the Japanese government. It is co-chaired by the former vice-President of the EU Commission Viscount Etienne Davignon and the Chairman Emeritus of NEC Corporation Tadahiro Sekimoto. EJBDRT has an annual meeting, participated by chief executives from 44 EU and Japanese enterprises, to review the factors affecting trade and industry and to make policy recommendations to the EU and the Japanese government. In this annual forum, members develop recommendations to public authorities on industrial policy issues of common interest between the EU and Japanese organizations. EJBDRT recognizes the desire to harmonize intellectual property rights, in particular the "first-to-file" and "first-to-invent" discordance.<sup>107</sup> Although the EJBDRT favors the "first-to-file" principle, no action is taken.

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<sup>106</sup> Institute for International Economics "Transatlantic Economic Partnership" International Economics Policy Briefs September, 1998 <http://www.iie.com/NEWSLETR/news98-6.htm>

<sup>107</sup> EU-Japan Business Dialogue Round Table <http://www.eujapan.com/europe/roundtable.html>

## STRATEGY PAPER

### Preferred Outcome

The protection of patent rights through new legislation that changes the United States Patent system from “first-to-invent” to “first-to-file.”

### Objective

Introduce an amendment to the US Code Title 35 Section 102 (a) which says that a person shall be entitled to a patent unless “*the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention*”.

### Recommendations

In order to achieve the preferred outcome, the following actions must be taken:

1. Build consensus between Business and Policymakers in Japan
2. Build alliances with EJDRT, NAM, and 21<sup>st</sup> Century Patent Coalition
3. Lobby Congress

### Domestic Strategy

Though opposition to conducting this policy is unlikely in Japan, it is important to build a strong consensus to make the issue a top priority for Japanese trade policy. In order to do so, the following steps should be taken.

#### **Consensus Building in Keidanren**

#### **Coalition Building with METI/JPO**

#### **Coalition Building with LDP**

#### **1. Consensus Building in Keidanren**

Though internal consensus on the issue is firm in Keidanren, there is a need to emphasize the importance of affirmative action. This is because Keidanren itself has many committees on different issues, and to speak in one voice, this issue must be a priority. Hence, Chair and Co-chair of Industrial Technology Committee, Mr. Tsutomu Kanai (Hitachi Corp.) and Mr. Rakutaro Kitashiro (IBM Japan) should formulate the opinions of the business community and meet with other committees' chairs. Then they should

consult with President of Keidanren Takashi Imai (Nippon Steel Corp.), who is also in charge of the Committee on Comprehensive Strategy, to confirm that this issue will be at the top of the agenda.

Targeted persons at this stage are:

- President of Keidanren and Chairman of the Committee on Comprehensive Strategy: Mr. Takashi Imai
- Chairman of the Committee on Industrial Technology: Mr. Tsutomu Kawai
- Co-Chairman of the Committee on Industrial Technology: Mr. Rakutaro Kitashiro

### **2. Coalition Building with METI, JPO**

It is essential to get Japanese government agencies involved for this strategy to succeed. METI and one of its bureaus, JPO, will need to be involved. Though both METI and JPO are both enthusiastic to harmonize the patent system, a better mutual understanding of interests on this issue is important to formulate one voice.

In order for Keidanren to start working with METI, It should set up meetings with the following persons.

- Minister of Economy, Trade and Industry: Mr. Takeo Hiranuma
- Senior Vice Minister of Economy, Trade and Industry: Mr. Nariaki Nakayama
- Senior Vice Minister of Economy, Trade and Industry: Mr Iwao Matsuda
- Parliamentary Secretary for Economy, Trade and Industry:
- Vice Minister for Economy, Trade and Industry
- Vice Minister for International Affairs
- Japan Patent Office Commissioner: Mr. Kozo Oikawa
- JPO International Affairs Division Director: Mr. Yuzo Koike

### **3. Coalition Building with LDP**

Since LDP did not win the majority of seats in the Japanese diet, there is currently a coalition cabinet in place in Japan. However, LDP is a powerful player in Japanese politics. In order for Keidanren to conduct its strategy on this issue, the key person to contact is Representative Akira Amari.

The LDP Sub-committee on Intellectual Property Rights Policy and the Federation of Parliamentary Members on Intellectual Property Rights regularly holds a joint convention. The convention recognizes the importance of harmonizing a patent system with a “first-to-invent” principle. Hence, the Chairman of the Convention, Representative Akira Amari, who used to be a parliamentary vice-minister of MITI (Ministry of International Trade and Industry), would be the primary person to lobby for domestic strategy. Rep. Amari is also the Vice President of the Policy Affairs Research Council in the LDP.

#### **4. Hold the meeting with United States Embassy in Japan**

The United States Embassy is coordinated and supervised by the State Department to support its relations with other countries. However, most missions have personnel assigned from other executive branch agencies too. In Japan, other executive branch agencies represented include the Department of Commerce, Agriculture, Defense, and Justice. In addition, given the fact that the Ambassador is the political appointee, the Embassy would be a good US government affiliate to initiate in discussion on the issue.

The Economic section of the US Embassy to Japan coordinates with other sections in the Embassy on all aspects of US-Japan economic relations. The Economic section is responsible for the extensive report and analysis of Japan's economic and trade policy. The section is interested in advancing American economic interests in Japan, especially identifying and eliminating market access problems facing American companies in Japan.

#### **International Alliance Building Strategy**

Coalition building is critical for sending strong messages from the business community to policy makers. A strong tie with the American trade organization is a key stage towards achieving the preferred outcome. This is mainly because Keidanren, or Japanese nationals, are prohibited from political activities like the Political Action Committee (PAC) establishment in the United States.

#### **Lobbyist Recruitment**

#### **Consensus Building in EU-Japan Business Dialogue Round Table (June)**

#### **Coalition Building with EU/EPO**

#### **Japan-US Business Summit (July)**

#### **Alliance Building with National Association of Manufacturers**

#### **Alliance Building with 21<sup>st</sup> Century Patent Coalition**

#### **Lobbying Strategy**

#### **Meet with Alliance for American Innovation**

#### **1. Consensus Building in EJDRT**

EJDRT has an annual meeting participated by chief executives from 44 EU and Japanese enterprises. The purpose of this forum is to review the issues affecting common interests of trade and industry, and to make policy recommendations to the EU and Japanese governments. Though EJDRT countries agree on the importance of the US adopting the "first-to-file" system, the issue should again be emphasized to involve the

EU in this strategy. To bring the patent issue on the top of the agenda, Keidanren should contact with the following Chairmen of the EJDRT:

- Former vice-President of the EU Commission Viscount Etienne Davignon
- The Chairman Emeritus of NEC Corporation Tadahiro Sekimoto

### **2. Japan-US Business Summit**

Every year, business leaders from the US and Japan meet at a three-day conference. This year the 38<sup>th</sup> Summit is expected to be held in the United States in July. In the previous Summit, 90 company presidents and chief executive officers from major enterprises in both countries participated in the Tokyo meeting. Though the biggest current issue between businesses is the interconnection rates charged by NTT (Nippon Telegraph and Telephone), patent issues are also ripe for discussion. Keidanren should raise the issue of patent harmonization in the next Summit meeting in the United States.

### **3. Alliance Building with NAM**

The Technology Policy Committee is chaired by Donald K. Peterson, President and CEO of Lucent Technology. The Committee develops NAM policy, and establishes and advocates the NAM positions on legislative and regulatory issues related to technology. Under this committee is a Working Group on intellectual property. Chairman Roger May, President of Ford Global Technologies, Inc., is the key contact to build an alliance with NAM for the successful strategy on this issue.<sup>108</sup>

In addition, some Japanese manufacturers are members of the NAM. Senior Vice President of Toyota Motor North America, and Senior Vice President and General Manager of Honda of America Manufacturing, Inc. are members of 2001 NAM Executive Committee. Those members as well as Chairman of the Board, Vice Chairman of the Board, and President of NAM should be targeted for alliance building.

- Chairman of the Board W.R. Timken, Jr.
- Vice Chairman of the Board Arthur D. Wainwright
- President of NAM Jerry J. Jasinowski
- Members of 2001 NAM Executive Committee:
  - Senior Vice President of Toyota North Motor Dennis C. Cuneo
  - Senior Vice President and General Manager of Honda of America Kathy H. Jones
- Chairman of Technology Policy Committee Donald K. Peterson
- Chairman of Working Group on Intellectual Property Roger May

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<sup>108</sup> National Association of Manufacturers “NAM Policy Committees”  
<http://www.nam.org/secondary.asp?TrackID=&CategoryID=422&TrackID=>

#### **4. Alliance Building with 21<sup>st</sup> Century Patent Coalition**

NAM hosts the 21<sup>st</sup> Century Patent Coalition. In this coalition, member associations work to ensure effective functioning of USPTO.<sup>109</sup> Keidanren could forward its strategy by asking NAM to encourage other interest groups from the 21<sup>st</sup> Century Intellectual Property Coalition to impact US legislation.

Matsushita Electric Corp. of America (Panasonic) and Sony Electronics are members of this coalition. Since both companies are members of Keidanren, Keidanren should utilize these two companies' membership to build an alliance with this coalition. Key persons at this stage are:

- Paul Schomburg (Matsushita Electronics Corp. of America)
- Jason Farrow (Sony Electronics)

#### **5. Meet with Alliance for American Innovation**

Once lobbying efforts become successful and new legislation is introduced, the opposition's lobbying efforts must be weakened. In this respect, supporters of "first-to-file" should set up a meeting with the Alliance for American Innovation. The message that new legislation will be beneficial to small entities should be pushed, since AAI represents independent inventors and small businesses with concerns that the "first-to-file" system disadvantages them.

### **Media Strategy**

Media strategy should target US lawmakers, and educate them about the discrepancy between the patent systems of the United States and the rest of the world. Media should be sent the message that the US needs to shift its patent system to the "first-to-file" principle. Op-Ed articles are a tool for this strategy. A published opinion may turn out to be a good position paper for distribution to lawmakers.

**Media outlet** – Washington Post Op-Ed

**Scope of Outreach** – Congressmen in Washington D.C.

**Target of Coverage** – How "first-to-file" patent system is beneficial to the US industry.

#### **Action Plan**

1. Call the Washington Post and ask for the editor of the op-ed page, who decides which opinion columns appear in the paper and describe the gist of the piece of the issue.
2. Schedule meetings with the editor of the op-ed page to secure editorials in support of "first-to-file" patent system.
3. Submit op-ed article to the editor.
4. Make a follow up call.
5. Initiate and coordinate campaigning letters to legislators with the Washington Post publication.

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<sup>109</sup> National Association of Manufacturers "NAM Coalition Activity"  
<http://www.nam.org/tertiary.asp?TrackID=,%20&CategoryID=422&DocumentID=1898>

### **Lobbying Strategy**

Under the Federal Campaign Finance Law, foreign nationals are prohibited from making contributions or expenditures with regards to any US election, either directly or through another person.<sup>110</sup> As a foreign association to the United States, Keidanren is regarded in this category. Japanese subsidiaries in the US and Japanese corporations in the US are also prohibited from establishing a political committee or PAC to make federal contributions. This is why consensus building in both NAM and 21<sup>st</sup> Century Patent Coalition is critical.

Keidanren can, however, hire a lobbyist to work for them. Lobbyists should be familiar with the patent system. Identifying lobbyists is critical for promoting “first-to-file.” Former President George H. Bush is one option given the fact that many executives working for him are now in the current administration. The George H. Bush administration held an Advisory Commission on Patent Law, and the Commission recommended adoption of “first-to-file.”

Legislative jurisdiction regarding patents is dealt with by judiciary committees in both the Senate and the House. Congressmen to whom we should lobby are:

- Senate Committee on Judiciary Chairman Orrin Hatch (UT)
- Senate Committee on Judiciary Ranking Member Patrick Leahy (VT)
- House Committee on Judiciary Howard Coble (NC)

Senator Orrin Hatch and Senator Patrick Leahy introduced the “American Inventors Protection Act of 1999,” which was enacted on November 29, 1999. Rep. Howard Coble introduced H.R. 1907, the House version of the act. The act was designed to amend Title 35, United States Code, providing “prior users rights” and “early publication” among other entities. These three Congressmen are likely to favor the adoption of the “first-to-file” system, and should be lobbied to introduce legislation to rectify the US patent system. Once a bill regarding this issue is introduced, lobbying efforts shift to other members of both the Senate and House Committees on the Judiciary.

#### **Action Plan**

1. Send letters to Sen. Hatch, Sen. Leahy, and Rep. Coble.
2. Meet with each of three Congressmen.
3. Send letters to other members of Senate Judiciary Committee and House Committee on Judiciary to know their position (Op-Ed should be published by this time).
4. Lobby to the Congressmen who are undecided on the issue.

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<sup>110</sup> The Federal Election Commission “The FEC and Federal Campaign Finance Law”  
<http://www.fec.gov/pages/fecfec.htm>

**Key points for letter to legislators**

- Make sure the legislator knows this communication provides benefits to their constituencies.
- Explain how the proposed legislation affects US business and why their constituencies support it.
- Ask the legislator what his/her position on this issue is.
- Ask for the legislator's support.

**BATNA (Best Alternative To Negotiated Agreements)**

In case of difficulty with the proposed strategy, we present another approach to achieve our preferred outcome: a harmonized “international grace period.” Such a grace period would protect independent inventors and small businesses. Restrictions of BANTA are outlined below:

1. The grace period is 12 months from the date of publication of the invention, after which the invention will be in public domain
2. A previously announced invention should not be a “prior art” in the application for patent protection of that invention during the grace period
3. Any means of announcement by application should be object of a grace period.

This international grace period will provide relief for university researchers, who have higher priority to publication in academic conference announcements than to filing patent applications. It will also resolve concerns from small businesses, which give priority to new product announcements over the race to file patents.

Since this issue is not just a bilateral but rather a multilateral issue, it should be negotiated under the auspices of international organizations such as the WIPO and WTO.