March 25, 2009

To: Secretariat of Intellectual Property Strategy Headquarters,
Cabinet Office

Japan Intellectual Property Association
Hirohiko USUI, President

Opinions on the "Review of the Intellectual Property Strategic Program 2008"

With regard to the above issue, on which the Secretariat is inviting opinions, I would like to submit the JIPA's opinions as follows, with a view to the formulation of the "Intellectual Property Strategic Program 2009."

The JIPA has the utmost respect for the past activities of the Secretariat and the Intellectual Property Strategy Headquarters, and would like to request your continued efforts and guidance with a view to strengthening international industrial competitiveness as well as promoting innovations.

The JIPA intends to provide active support for the formulation of the "Intellectual Property Strategic Program 2009." Therefore, we would appreciate it if you would arrange opportunities for explanation and exchanges of opinion in a timely fashion.

Notes

1. General statements

In Japan, intellectual property strategy has been promoted at the initiative of the Intellectual Property Strategy Headquarters and the Secretariat, since the policy speech given by former Prime Minister Koizumi in February 2002. We congratulate the efforts made by the public and private sectors in Phase I (from FY 2003 to FY 2006) as well as Phase II (from FY 2006 to FY 2008) and appreciate that they have achieved the expected results. Now, going into Phase III, we think that it is important to promptly review the elements that need to be reviewed (correcting the course thereof) based on the results of the review on the implementation status etc. of various measures formulated in the past, including the "Intellectual Property Strategic Program 2008".

The "Intellectual Property Strategic Program 2008" summarizes the measures that are considered particularly important from among those that should be worked on, in the List of

Priority Measures. Thereby, each measure is well-defined in terms of the form. However, in formulating the “Intellectual Property Strategic Program 2009,” we think that it is necessary to concretely define each effort and also to individually evaluate, follow up and correct the courses of those measures formulated in the past that require careful efforts from a medium- and long-term standpoint (e.g. industry-academia-government cooperation).

Next, regarding the measures that should be newly incorporated in the “Intellectual Property Strategic Program 2009,” we consider that it is important to draw them up with a defined order of priority (measures that should be worked on at an early date, measures that should be worked on after steady discussions, etc.) in consideration of international balance, while reflecting the opinions of industrial circles.

Moreover, in making Japan an intellectual property-based nation, we think that it is important to determine which measures should be worked on by the public sector, which should be worked on by the private sector and which should be worked on through cooperation between the public and private sectors, and to basically give the private sector independence over those measures that must be worked on mainly by it, from the perspective of strengthening international industrial competitiveness.

Finally, in such a critical economic situation that the industry is facing, we would like to request that the Secretariat formulate and promote effective measures for coping with emergency situations so that the intellectual property strategy of Japan will not take a significant step backward.

2. Specifics

Listed below (in random order) are the matters on which JIPA would like to ask you to take the initiative, to focus on and prioritize with a view to strengthening international industrial competitiveness and promoting innovation. We appreciate your consideration.

2.1 Employees’ invention system

Disputes between inventors and companies seem to have settled down on the surface due to Article 35 of the revised Patent Act, which came into effect on April 1, 2005. However, according to the results of a questionnaire survey targeting JIPA member companies, many companies said that, despite formulation of new in-house rules based on the revised Act through reasonable consultation with employees, there are still troubles in the company (most of which seem to have switched the focus of argument from complaint about personnel treatment etc. to the issue of remuneration for employees’ inventions), and the Article is not necessarily beneficial to companies’ management and R&D activities. Moreover, the Intellectual Property High Court issued a decision the other day on the Canon patent lawsuit seeking remuneration

for invention of a printer, and ordered Canon to pay a high amount of remuneration to the inventor by defining the inventor's contribution to the invention at 6% (the first instance decided this as 3%). It is, however, questionable whether the High Court considered the supplementary resolution of the Diet, which was issued after the deliberation on the draft for the revised Act. In light of these circumstances, we think that it is now important to take the time to thoroughly discuss the nature and future of the employee invention system (including the ownership of employees' inventions by corporations and the abolition of Article 35 of Patent Act) from the standpoint of industrial policy for promoting innovation in Japan, and strengthening international industrial competitiveness.

2.2 Trade secrets

Substantive law provides for civil and criminal relief, though not sufficient, for companies whose trade secrets are illegally infringed by others. However, assuming that the elements constituting an illegal infringement of trade secrets were to be reviewed in substantive law, based on the discussion at the METI, so as to conform to the current status, the risk would still remain that the trade secrets would lose their proprietary nature in one fell swoop, since they would be disclosed in the judicial proceedings, if no legal system that provides protection to trade secrets is to be introduced in the criminal proceedings. This means that would be no change from the current situation in which holders of trade secrets hesitate to file complaints against offenders, even when they have come to know who the offenders are. In addition to this, under the circumstances wherein the offenders have full knowledge of this situation, the deterrent effect of the criminal penalty still remains low, and the legal system in Japan is not enough in terms of protection of trade secrets compared with those in other countries.

Therefore, from the standpoint of industry, we would like to strongly request the introduction of a procedure for protecting trade secrets, which is like one that has been adopted for the civil procedure, in the criminal procedure, concurrent with the review on the substantive law, at the earliest possible date after sufficient consideration of other countries' legal systems etc., in order to effectively protect the trade secrets as well as to increase crime deterrent power from the perspective of preventing the outflow of important technologies to overseas.

Incidentally, in considering the introduction of such a procedure, we would like to request that you ensure that the right to defense of the accused will not be unduly restricted, and that the smooth implementation of the proceedings will be secured.

2.3 Protection of licenses

With regard to the vested rights of a party to a license contract in the case where the rights are transferred, etc. to a third party due to bankruptcy, etc. of the other party to the license

contract, the protection of such rights are not sufficient. Despite this, in practice not many have applied for the registration of their non-exclusive license. This is because the users of such a system know well the various problems that registration may cause. In the actual transaction of patent rights etc., it is possible to transfer the rights from an assignor to an assignee by succeeding the debts and credits related to the patent rights, and the licensee is permitted to continue the implementation of the patented invention etc. However, we think that if such a situation were protected by law, that is, if a system to protect the license contract without its registration were established, then the various problems in protecting a license would be resolved at once. Taking the system in foreign countries as an example, in Germany and the United States, parties of the license contract can claim the validity of the license against third parties from the very existence of such a license (protection by necessity).

Consequently, we would like to request early introduction of a system whereby parties to a contract are by necessity protected without having their relevant license registered with the JPO.

2.4 International harmonization of intellectual property systems

International harmonization of intellectual property systems at an early date is the issue of greatest concern for industrial circles, which consist of users who receive the direct influence thereof in terms of reduction of patent costs from a global perspective, acquisition of highly-reliable rights, and timely grant of rights that meet the business needs. Past history tells that it is not easy to harmonize systems, due to the level of industrialization and political considerations of each country or region. Therefore, we think that it is fundamentally important to work on harmonization based on the idea that it should be promoted from what can be harmonized on respective levels, such as the bilateral level, JPO-USPTO-EPO level, developed country level, JPO-USPTO-EPO-SIPO-KIPO level and WIPO level. Following this idea, we hope that the expansion of participating countries and improvement of operational convenience will be achieved in regard to the Patent Examination Highway, a procedure that the JPO is currently promoting under its initiative.

The trilateral patent offices (JPO, USPTO, and EPO) have realized the unification of the formats of patent applications based on suggestions from industrial circles, which should be highly evaluated. We also look toward the trilateral patent offices' efforts to achieve "One Search, One Examination," and are willing to make specific suggestions on the industrial circles' side. We would like to ask the JPO for active efforts to expand these systems to other countries and regions. In addition, we would also like to request the future unification of criteria for judging inventive steps, etc. among the trilateral patent offices and the realization of mutual use of examination results and mutual recognition, as well as the elimination of variations in

examinations at the trilateral patent offices (JPO, USPTO, and EPO), based on the comparative study concerning examination practice (inventive step, written description requirement) that has been started by the trilateral patent offices.

Moreover, we think that it is important to have an active call from the public and private sectors of Japan to reform the PCT so as to become more user-friendly and convenient as a global application system.

The JIPA also earnestly promotes consultation with the JPO, etc. for this purpose, and, in the ultimate sense, intends to make efforts to develop a system that is beneficial to the users of the intellectual property systems around the world.

2.5 Changes in the environment surrounding intellectual property, in particular, response to globalization

Intellectual property also has importance in open innovation, and the rights of any person should be respected. However, nowadays, the exercise of rights that inhibits innovation, such as patent trolling, enforcement of rights through outsiders in standardization, and third party patents for open sources, has become a problem while system designs that could impair companies' incentive for R&D, such as disclosure of source codes to information and telecommunication devices in China and establishment of compulsory licenses for environment-related patents and technologies in developing countries etc., are under discussion.

In light of these, we think that it is necessary to immediately begin the discussion about the appropriate enforcement of rights, including restrictions on the right to claim injunction in a case where certain requirements have been met and restraints on the abusive enforcement of rights, with the aim of promoting sound development of industry. In addition, a discussion on measures for more efficient identification of prior art (including non-patent documents) as well as efforts toward specifying the criteria for judging the involvement of the inventive step should be continued for the improvement of patent quality (legal stability of patent rights).

At the same time, the public and private sectors should work together immediately in order to establish a scheme for smooth implementation of patented inventions concerning standardized technologies, for the smooth, global deployment of environment-related technologies, and for introduction of Licenses of Right, a system that promotes collaboration etc. by exploiting intellectual property.

2.6 Double track issue relating to judgment of patent validity

There are concerns among companies whose patent rights were infringed that they can not file a patent infringement case, because these days in such cases the patent rights have been

invalidated at a high rate (of the cases for which a decision has been issued, in 80% the right holder lost the case, and of such lost cases, it is said that more than half of them were decided so on the grounds of invalidity of the patent), and even though patent rights are vital to business, the dispute resolution in the judicial proceedings is not worth the expense any more (in fact, the number of patent infringement cases at the regional court level tends to decrease). From the standpoint of the stability of rights, there are concerns about the increasing business risk.

Therefore, in terms of improving the legal stability of intellectual property, securing predictability, and reaching a one-time and reasonable resolution of dispute, a rational analysis on the causes that may lead to such circumstances should be conducted from various angles. In addition, whether the so-called "double track" - a situation where the patent validity can be questioned both in the invalidation proceedings before the Patent Office and in the patent infringement litigation before the court- could be approved or not, and measures against such cases need further consideration.

2.7 Developing legal systems on copyright and other rights while giving consideration to the balance between protection and exploitation

The modes for using content and other copyrighted works have become more and more diversified through progress in rapid digitalization and networking of information etc. in the recent years. In this light, we highly appreciate a series of the governments' measures, such as the publication of the "Report of the Subdivision on Copyright, Council for Cultural Affairs" (issued in January 2009), which suggest the establishment of rules concerning restrictions on rights for providing information search services, and the subsequent submission of the draft for the revised Copyright Act to the Diet etc.

In order to respond in a timely fashion to the progress of technology and change in society, a further review of, among others, rules concerning the restrictions on rights to copyright is needed. However, the reality is that the ongoing response by solely using the existing provisions concerning restrictions on rights that specifically list those restrictions puts a certain limit on what can be achieved. Therefore, in order to promptly cope with the changing environment and to enhance Japan's industrial competitiveness, we think that it is necessary to establish a scheme that permits the use of copyrighted works in more flexible operation, while considering the interests of the rights holder. We would like to ask for a specifically designed copyright system having more flexibility, including the establishment of general rules of restrictions on rights (so-called Japanese version of fair use). Furthermore, we ask you to continue discussions and work on an immediate response to the issues that are reported in the "Report of the Subdivision on Copyright, Council for Cultural Affairs" (issued in January 2009) as appropriate to restrict the rights (e.g. issues relating to the reverse-engineering of programs,

pharmaceutical issues etc.), though it was not mentioned in the above-mentioned draft for the revised Copyright Act.

In regard to the discussion on the promotion of content distribution, we would like to ask you to proceed in the discussion while considering the balance between the protection and exploitation of copyrighted works. In such a discussion, the viewpoint of the protection of rights is indispensable. However, having excessive respect for rights and paying little attention to their exploitation could rather inhibit content distribution. In this sense, when the institutional framework concerning content distribution is to be discussed (including the amendment of Provider Liability Limitation Act, etc.), certain attention should be given to the obligation of the service provider, an important bearer of distribution, so as not to impose an excessive obligation.

2.8 Further promotion of industry-academia collaboration

With regard to the joint/contract (funded) research between universities and companies, it is gratifying that more and more universities are setting a flexible response based on the results of consultation as their basic policy and putting it into practice. However, on the other hand, stalled contract negotiations are also occasionally seen in practice. To avoid any loss of opportunity for industry-academia collaboration due to such stalling, we hope that universities will aim to thoroughly ensure that persons concerned take actions from the standpoint of achieving total optimization of industry-academia collaboration, with an aim to securing further flexibility in concluding contracts.

In addition, regarding the assessment system of industry-academia collaboration, we would like to ask you to develop and promote indicators which actively evaluate, and not only from the economic perspective, whether total optimization has been achieved.

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