REQUESTS OR OPINIONS

June 30, 2003

To: Mr. Arai Toshimitsu
Bureau Chief of the Intellectual Property Strategy Promotion Secretariat
Cabinet Secretariat

Yasuo Sakuta, President
Japan Intellectual Property Association

Re: Comments on Intellectual Property Strategy Promotional Plan*

Dear Sir,

As for "the intellectual property strategy promotional plan (draft)" published on June 20, 2003, Japan Intellectual Property Association (JIPA) would like to express our appreciation for your listening to the industries' opinion when preparing the promotional plan (draft).

JIPA is going to state our opinion again about matters that seem specifically important.

We hope you will continue to listen eagerly to the industries' opinion when you discuss embodying the promotional plan, and we would like to let our representatives participate in the expert committee established in the Headquarters. We also expect that the Intellectual Property Strategic Headquarters will take the initiative in promoting respective matters to the last stage in accordance with this promotional plan and the schedule.

Sincerely yours,

Note

(General)

- → This promotional plan deal on intellectual properties comprehensively. It is necessary to choose priorities in the future promotion and to come to grips with them drastically.
- → We recognize that we have at least lined up at the starting line to the realization of the "intellectual property nation". It is necessary for both the government and the private sector to continue taking effective measures toward realization of the "intellectual property nation" in order not to bring about "intellectual property bubble".
- → Especially training of intellectual property human resources will take a long time. The best measures should be adopted after the medium-range vision of human resources is clearly described, especially promising lawyers and patent attorneys specializing in intellectual properties.
- → In realizing this "promotional plan" toward reformation of Japan, it is difficult to build the "intellectual property nation" without having the thought that clear selection and centralization will lead to the industrial nation, and the viewpoint that international industrial competitiveness should be reinforced on the basis of the policy for realization thereof and the industrial policy.
- → As to matters extending over two or more ministries or agencies, it is not clear how they overcome previously existing tug of war in the vertical administrative system. Therefore, JIPA

* "*CHIZAI KANRI*" (Intellectual Property Management), Vol.53 No.9 2003, pp.1537-1544

believes the Intellectual Property Strategic Headquarters should take the initiative in realizing this "promotional plan" promptly.

→ As to matters that are heatedly discussed (or will be heatedly discussed in the future), the direction should be found from the viewpoint of reinforcement of (international) industrial competitiveness.

(Particular)

1. To clearly prescribe rules of returning the license fee to individual researchers
   → As to a right jointly owned by the private sector and university/public research institute (joint invention), rules should be prescribed that the organizations to which such researchers belong are responsible for returning the license fee.

2. To prepare a comprehensive system of intellectual properties, such as the intellectual property headquarters and Technology Licensing Organization (TLO)
   → Whichever the intellectual property headquarters or TLO make a contact person/section clear to concrude contracts and unify all authorities of rights regarding negotiations and contracts in order to negotiate with the industries comprehensively.

3. To support arrangement of rules about cooperation among the industries/academics/government and to secure flexibility of concluding contracts
   → In prescribing rules, it is necessary to reflect opinions from the industries, as one party of the cooperation. In order to take into consideration the time and circumstances when the contract is concruded. Rigid operation which make the contract inalterable should be aviuded. In other words, rules should have a room for flexibility.
   → In preparing and providing various policies, it is necessary to reflect opinions from the industries (especially compensation for non-working, preferred exploitation, confidentiality obligation), as one party of the cooperation, from the viewpoint of reinforcement of industrial competitiveness.

4. To abolish or revise the provisions of employee's invention in the Patent Law
   → Policy of giving an incentive should be contrived by respective companies from the viewpoint of reinforcement of companies' competitiveness. We agree to "abolish or revise Article 35 of the Patent Law." Patent Sub-committee of the Intellectual Property Policy Section of the Industrial Structure Council is currently discussing this matter and we will participate in the discussion so that a desirable conclusion can be derived from the viewpoint of reinforcement of international industrial competitiveness.

5. To establish the Patent Examination Acceleration Law (tentative name)
   → It is inevitably necessary to substantially increase the number of examiners in addition to improvement in the quality and ability of examination and improvement of work efficiency.
   → Examination time according to applicants' needs should be secured (not only accelerated examination but also late examination should be selectable).
   → It should be clearly distinguished between temporary measures for clearance of backlog and constant measures for achievement of appropriate examination including speedup. Employment of fixed-term examiners should be promoted for the former measures, and increase of the number of examiners, improvement of the quality and ability of examination, and improvement of work efficiency should be promoted for the latter measures.

6. To promote structural reform of application and examination request
   → "Appropriate exploitation of the utility model system" is mentioned as measures for structural reform of application and examination request, however, we object to exploitation of the utility model system under the non-substantive examination system from the viewpoint of accel-

eration of examination.

7. To review the utility model system
   → We basically consider that the utility model system's duty done (international trend and actual situation of applications). Therefore, the utility model system itself should be abolished and put into one unified patent system.
   Even if the utility model system would be reviewed expansion of protected objects and so on and survive, this revision would lead only the increasing of exclusive rights whose reasonable scope cannot be defined as long as the current non-substantive examination system continues to exist. In addition, it is against the policy, i.e., "establishing the internationally competitive and acceptable system."

8. To arrange the design system for design protection
   → In discussing design protection for the operation screen such as icons, relation with the Copyright Law and Unfair Competition Prevention Law should be carefully considered.

9. To attempt to found the Intellectual Property High Court
   → Since it is significant to declare the "intellectual property nation" in and outside Japan and in order to secure legal stability by unifying judicial precedents, the Intellectual Property High Court should be founded soon.

10. To expand the evidence collection procedure and to achieve justifiable settlement of disputes on infringement of patent rights
    → From the viewpoint of international competitiveness, Japanese judicial system (including the one-time evidence collection procedure and settlement of disputes in courts) is old-fashioned as compared with that of the United States, therefore, the conclusion should be found early (earlier than the end of 2004) and required measures should be taken.

11. To assist Japanese companies to obtain and enforce rights in foreign countries
    → "Preparation of 'foreign counterfeit white paper' (tentative name) earlier in 2004" should be essentially decided by the International Intellectual Property Protection Forum, as a private organization established by the proposal of the private sector. The description should be revised along the above: the white paper is prepared in cooperation with the government and the private sector.

12. To strengthen the enforcement of laws against infringement using the Internet
    → It should be clearly prescribed in order not to impose a virtual "obligation to cooperate in investigation" without a warrant upon managers of ISP and other auction web site as the brakes in "strengthening the enforcement". If counterfeit goods are distributed in an auction site, the site manager in good faith should not be made assume indirect responsibility for assistance of dealing of stolen property (paragraph 2 of Article 256 and Article 62 of the Penal Code).
    → "System always and automatically monitoring illegal contents on the Internet" should be significantly carefully discussed from the viewpoint of freedom of expression and censorship thereof.

13. To promptly build up a mechanism that enable us to make infringement decision swiftly based on the party's claim at the port
    → It should be discussed and achieved promptly in compliance with the promotional plan, including establishment of an infringement determination organization considering due process.

14. To promote a management strategy attaching greater importance to intellectual properties
    → We object to making of the internal management in the company's trade secret management guideline and anti-technology outflow guideline is like JIS (it should be left to respective companies' independence).

15. To promote disclosure of intellectual property-related information
    → We object to legal compulsion, such as ordering intellectual property-related information is described in financial statements pursuant to the Securities and Exchange Law.
    We entirely agree on the principle that "it should be left to the respective companies' decision whether (intellectual property-related) information is disclosed or not" (we believe that determination as to what should be disclosed and what should not be disclosed should be at least left to the respective companies). It is against the principle that disclosure of information "should be left to the respective companies" to newly prepare information disclosure provisions involving legal compulsion as the promotional plan mentioned.

16. To establish a method of intellectual properties evaluation
    → We object to certain pay rate for patent assignment because establishment of such price may become a burden to corporate activities. In the first place, a price of patent assignment depends on a business relationship with the opposite party. Establishment of such price seems meaningless without considering a business relationship with the opposite party because the price would be decided in judicial precedents when negotiations are broken off and a lawsuit is instituted.

17. To use the trust system for promotion of management and floating of intellectual properties
    → While management is increasingly consolidated, establishment of a new law should be proceeded with from the viewpoint of corporate group management strategy, with respect to centralized management and exploitation of such corporate group's intellectual properties by the parent company or the intellectual property management company within the group. (Because such management and distribution are different from that of patents or brands owned by medium and small-sized or venture businesses, patent transfer from universities to companies via TLO in objects, purposes and methods. It should be handled separately).
    → Centralized management and exploitation of such corporate group's intellectual properties by the parent company or the intellectual property management company within the group might be likely to affect not only the Trust Business Law but also four industrial property laws, Copyright Law, Lawyer Law and Patent Attorney Law. Unified laws, i.e., special laws, should be applied in order to avoid regulation of complicated laws.

18. To strengthen strategic international standardizing activities by the industries/academics/government
    → Swift actions should be also necessary, such as "proposing promotion of the Japanese industry's standard to the international standard".

19. To proceed with preparation of environment for developing human resources regarding standardization
    → It is completely unclear what human resources for standardization mean (it is not concrete at all whether it means bringing up of a chairman of the standardization committee, a negotiator or an engineer developing excellent technology). It should be considered, including "well treating human resources in companies who are experienced in standardizing activities".

20. To protect a license of intellectual properties at the time of bankruptcy and the like
    → As to strengthening of stability of license contracts at the time of bankruptcy or assignment of rights, a system striking a balance between a new licensor (assignee) and licensee should be

built. In that case a principle should be made that a written contract is enough to be a factor for setting up against (even if some kind of registration system becomes at least necessary, such system should be a simple method, not making users feel reluctant).

21. Rapid expansion of contents business
   → As stated in the Fundamental Principles of Intellectual Property Strategy and the Intellectual Property Basic Law, it is necessary not only to strengthen protection of right holders (meaning strengthening of the legal system including the Copyright Law) but also to create a well-balanced system based from the standpoint of users. Proposal or pressure made by the industry for its own benefit, i.e., proposal or pressure made by the specific industry for solely maintaining specific vested interests should be carefully treated. This might easily shift to a barrier to the new entry into the contents industry, and actually it is likely to become a brake on the intellectual creation cycle.
   → The above mentioned new system possibly conflicts with basic value of modern society such as "information control", "censorship" and "freedom of thought and expression". IT should be carefully considered that the system won't be introduced easily under the name of "copyright protection".

22. To prepare a framework of asset liquidation by means of the trust of copyright
   → This overlaps with "liquidation (fundraising) trust". A sentence "in that case an attention should be paid in order to prevent a trustee's abuse of rights from harming healthy corporate activities and investors' interests" should be inserted likewise as a brake.

23. To prepare environment for performers' activities
   → "Protection of performers' rights to their portraits" should be carefully considered lest such protection will allow easy grant of rights.

24. To protect contents in conscious of "intellectual creation cycle"
   → The Fundamental Principles of Intellectual Property Strategy states that "the intellectual property-related laws provide for systems that approve exclusive use of information, however, too much protection thereof might conflict with the basic value owned by the present society such as freedom of learning, study and expression. In preparing the intellectual property system, a well-balanced system should be aimed with attention to the above basic value". In addition, Article 10 of the Intellectual Property Basic Law provides that "in promoting a policy of protection and exploitation of intellectual properties, fair use and public interests should be secured and an attention should be paid so that fair and free competition can be promoted". Nevertheless, "strengthening protection by means of grant of rights", as mentioned in this section, does not comply with the above idea, because it is only based on strengthening of protection. Therefore, necessity thereof should be sufficiently considered from the viewpoint of exploitation, before strengthening protection as mentioned in the opinion.

25. To strengthen protection by means of grant of rights
   → Introduction of general fair use provision: Under the present situation, some exploitation of works formally constitutes infringement. It is because the provision of restriction appears limited listing although the exploitation does not seem to be disadvantageous to right holders. Introduction of a general restriction provision should be considered within a scope not unjustifiably harm right holders' interests.
   → Introduction of a provision that licensee's setting up against a third party: In order to avoid unstableness in which a previous copyright licensee cannot use works any more as a result of assigning the rights to a third party. Introduction of the system of a licensee's setting up against the assignee should be considered.

26. Compensation system for private recording
→ Under the current laws, using technical protection measures can impose comprehensive prohibition of private reproduction. Collecting compensation without imposing such prohibition lacks rationality. Therefore, Japan should not the scope of this system, i.e., not seeking compensation regarding general-purpose equipment and media, but should promote construction of the system of collecting accurate consideration. This system should not apply to private recording, if reproduction is not conducted or if consideration can be collected according to use. Technology development by the private sector to adopt protected technology by patent holders as self-helo efforts should be promoted more importantly.

27. Right to import records
→ While the resale price maintenance system regarding such works as music CDs has been relaxed, Japan exceptionally continues to accept the above system and problems about consumers' benefits have been pointed out. In addition, prohibiting import of genuine reproduction and approving maintenance of a domestic sales price will protect only the record field from price competition in and outside Japan. It is likely to fall far short of a desirable result, i.e., development of companies with true competitiveness and have an intence effect on consumers' benefits. Apart from illegal reproduction, it does not directly relate to right or wrong of importing rights. From this point of view, an introductory part stating "also effective against pirated editions" should be reconsidered. Furthermore, in view of the fact that works are internationally distributed after such works are changed to a lot of equipment and devices, distribution of such equipment and device crossing the border may be affected. Establishment of importing rights needs much consideration the above issues and is subject os much debate gathering opinion from public as well as those involved.

28. Protection period of copyright
→ To extend the protection period of works to put off the time to shift to the public domain makes owners' benefits at that time be temporarily maintained, but at the same time it is necessary to pay attention to the probability that the above may become a burden to creation of new works or establishment of new business using works in the public domain. In considering extension of the protection period, careful attention should be paid to such aspects associated with extension of the protection period. Since all the works would be covered by this matter, all persons concerned in every industry, who think of using works, should take part in the discussion.

29. Ideal distribution of secondhand goods like game software
→ When the right of assignment was created in the revised Copyright Law in 1999, that such right should be exhausted at the time of first assignment. Because the enforcement of the right each time for assignment may cause confusion over the distribution of works and thus impair safe transactions. Therefore, it was concluded.
Even if exhaustion of the right of assignment is reconsidered, it is necessary not only to consider various industries' benefits being involved in the distribution of works but also to adjust such industries' benefits to benefits of consumers who own reproduced works of game software.

30. "Type page right" of publication
→ In discussing this right, influence on the current literature reproduction scheme should be carefully considered by persons concerned. In this sense, "persons concerned" should include not only publishing companies or related industries but also all those who use publication.

31. To expand the scope of legal control regarding avoidance of technical protection measures
→ It is possible to designate specific technical protection measures and to control devices that do

not react such measures. However, such measures should be carefully considered because they may make technology stalemate and have a harmful influence on development of technology due to fixed technology or they may compel burden of costs for exploiting statutory technology, including license fee for the intellectual property with the interested technology.

32. To develop intellectual property-related human resources and education, research and study of intellectual properties. The policy that "trying to substantially increase the number of lawyers and patent attorneys and to improve their qualification" should be stoutly maintained, and activation by competition policy is desirable.
The ideal experts is a person who has 1 a technical grounding, 2 legal grounding and 3 wide variety of knowledge. It is necessary to design and reform the system of law schools for the cultivation of such experts.
→ Establishment of night-law schools should be strongly promoted. It is necessary to enrich adulteducation of working members of society.
→ Law schools specializing in intellectual properties might be likely to train experts with specific legal knowledge and limited outlook.
→ In order to train lawyers acquainted with technology, law schools should be easy for people specializing in technology to enter and the National Bar Examination should be easy for them to pass.
→ In addition, we propose revision of the systems of lawyers and patent attorneys.
1) Patent attorneys specializing in various fields should be increased. Especially, patent attorneys having technical background should be substantially increased.
2) Lawyer Law should be revised and the system of intellectual property lawyers should be introduced, follow the United States patent attorney system which required to pass both the patent attorney examination and bar examination.(note)

(Note) Measures of securing ability for giving a right to represent in a court to present patent attorneys are considered, however, it might be likely to become half-finished training of human resources. As attorneys-in-fact, intellectual property lawyers with highly professional qualification of law are required.