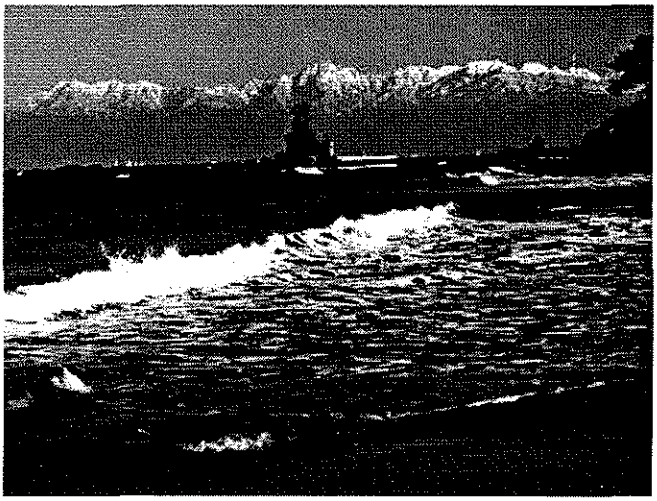
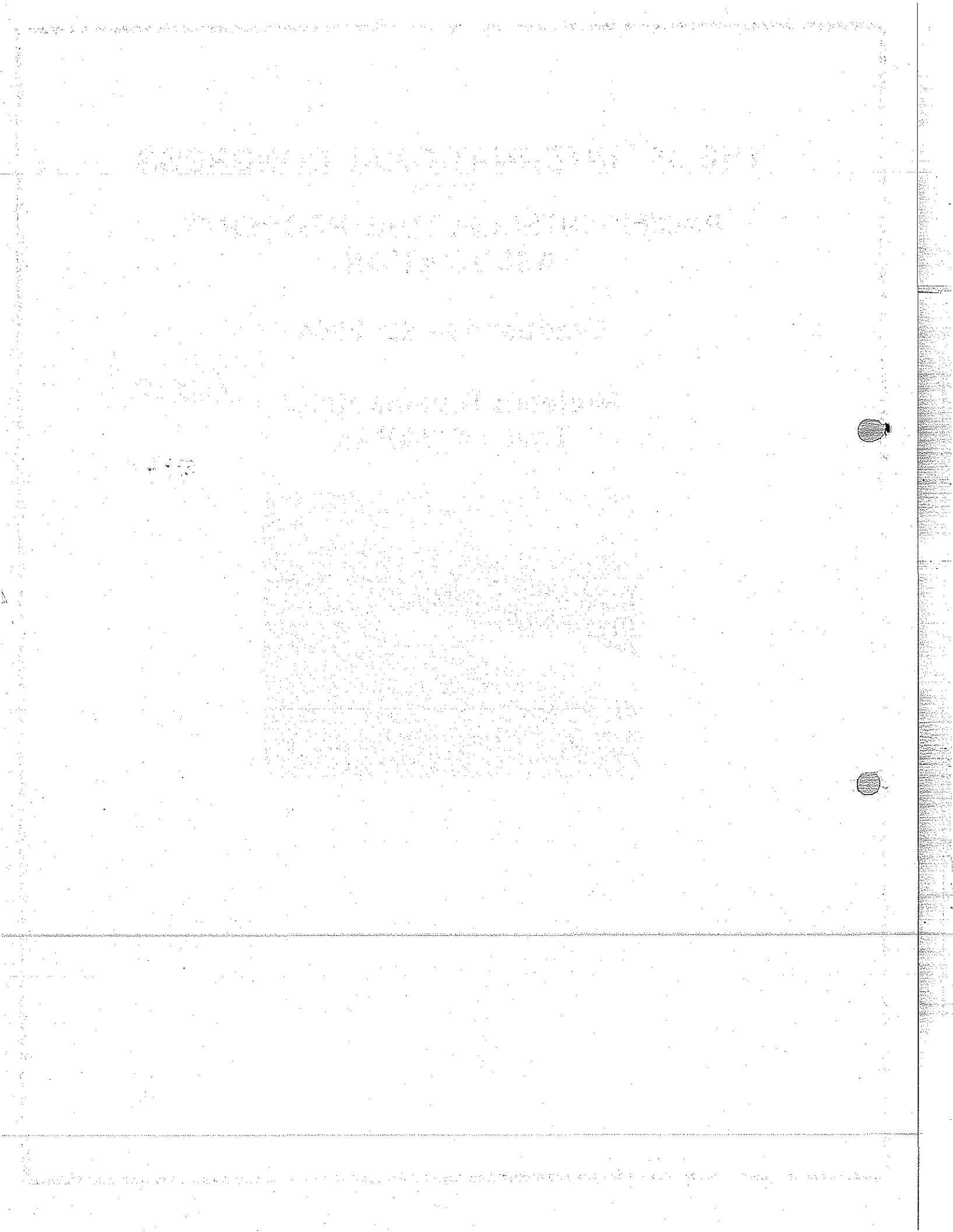
THE 35th INTERNATIONAL CONGRESS
OF THE
PACIFIC INTELLECTUAL PROPERTY ASSOCIATION

-

October 19 - 22, 2004

Meitetsu Toyama Hotel
Toyama, JAPAN





Program

TUESDAY, October 19, 2004

17:00-20:00	**REGISTRATION**
18:00-21:00	**GRAND RECEPTION**

WEDNESDAY, October 20, 2004

8:30-9:00	**REGISTRATION**
9:00-10:50	**OPENING CEREMONIES**
9:00	Call to Order
	Welcome –Manabu Inoue, President, Japanese Group
	Report of 2003 Activities –Edward Blocker, President, US Group
9:20	Keynote Address –Mr. Masaharu Sato, Honorary Chairperson
9:40-10:30	Guest Address
9:40	JPO: Mr. Shinjiro Ono, Deputy Commissioner
10:00	USPTO: Ms. Lois Boland, Director, Office of International Relations
10:20	JIPA: Mr. Yasuo Sakuta, President
10:30	Presentation of 2004 PIPA Award to Mr. Shigemitsu Nakajima
10:50-11:10	**COFFEE BREAK**
11:10-12:00	**PRESENTATION**
	US Coordinator: Soonhee Jang and Japanese Committee Chair: Katsuyori Matsubara
11:10	*"Examination cooperation under Dossier Access system in Trilateral Offices"* by Tatsuhiro Miyauchi
11:35	*"IP management"* by Jeong Hwan Lee
12:00-13:00	**LUNCH**
13:00-15:50	**PRESENTATION**
	US Coordinator: Soonhee Jang and Japanese Committee Chairs: Katsuyori Matsubara and Tatsuya Izukawa
13:00	*"The Role and Value of Trade Secrets in IP Management Strategies"* by Karl Jorda
13:25	*"Intellectual property management of foreign owned company in China"* by Tomoaki Morioka
13:50	*"General Overview of Patent System in China"* by Jon Wood
14:15	*"The investigation for mistranslation of the Chinese application and the notice on the practice of drafting a Chinese specification"* by Akio Yatsu
14:40-15:00	**COFFEE BREAK**
15:00	*"Study of Chinese Intellectual Property jointly owned by Chinese Unit and Foreign Company"* by Yui Tada
15:25	*"What a Foreign Applicant Should Know About Patent Prosecution in China"* by Thomas Tsai
15:50-17:10	**PANEL DISCUSSION**
	US Coordinator: Soonhee Jang and Japanese Committee Chair: Katsuyori Matsubara
	"Management of inventions by a foreign owned company in China" by Jon Wood, Thomas Tsai, Karl Jorda, Lawrence Welch, Hiroshi Kon, Mitsuo Takahashi, Yoshiyasu Murakami, Hiroshi Hidaka, and Jeong Hwan Lee

Wednesday evening is free for informal dinners and networking

THURSDAY, October 21, 2004

8:10-9:25	**PRESENTATION**
	US Coordinators: Jack Slobod and Jon Wood and Japanese Committee Chair: Hiroshi Watanabe
8:10	*"License strategy in consideration of the Japanese pro-patent policy"* by Hiroshi Saji
8:35	*"Patent license strategy & litigation strategy in China"* by Yoshiki Yoshida
9:00	*"Selected Issues in Licensing Patents and Know-How in China – A Comparative Analysis"* by Ronald A. Bleeker
9:25-9:40	**COFFEE BREAK**
9:40-11:00	**PANEL DISCUSSION**
	US Coordinators: Jack Slobod and Jon Wood and Japanese Committee Chair: Hiroshi Watanabe
	"Licensing of technology and patents developed in China" by William T. Ellis, Ronald A Bleeker, Edward Blocker, Kyo Kinoshita, Hirotake Kudo, Takeshi Sakata, and Hiromi Mizuno
11:30-21:00	**SOCIAL OUTING Kurobe Gorge Railway (TOROKKO Train)**

FRIDAY, October 22, 2004

8:50-10:30	**PRESENTATION**
	US Coordinators: Lawrence Welch and Nelson Blish and Japanese Committee Chair: Tatsuya Izukawa
8:50	*"Licensing Issues: (1) Open Source Software Problems, (2) Co-owner Licensing At Will and (3) Reverse Engineering Provisions"* by William T. Ellis
9:15	*"Enforcing IPR in China"* by Raj Davé
9:40	*"Enforcement Issues"* by Christopher Chalsen
10:05	*"Study of the Intellectual Property Enforceability in China, Comparing with in the U.S. and Japan"* by Masahiro Miyajima
10:30-10:50	**COFFEE BREAK**
10:50- 12:10	**PANEL DISCUSSION**
	US Coordinators: Lawrence Welch and Nelson Blish and Japanese Committee Chair: Tatsuya Izukawa
	"How to enforce utility patent rights in China" by Edward Blocker, Brenda Panichi, Christopher Chalsen, Raj Davé, Yoshiaki Kumazawa, Kazuto Kitaoka, Kengo Nakahara, and Masahiro Miyajima
12:10-14:00	**LUNCHEON AND CLOSING CEREMONY**

GUEST PROGRAM/WEDNESDAY, October 20, 2004

9:00-17:00	Bus/walking tour to pay a visit to Takaoka and Kanazawa

PIPA 35rd International Congress

SOCIAL OUTING ~Torokko Train~

October 21, 2004

<Schedule>

11:25 Meet at Lobby of Meitetsu Toyama Hotel

Get a lunch box and drink

11:30 Depart from Meitetsu Toyama Hotel

Lunch in the bus Nonstop for rest to the Destination

13:00 Arrive at Unazuki

TOROKKO TRAIN

13:11 Depart from Unazuki station

14:12 Arrive at Kanetsuri station

Free Activity (Hot-spring, walking etc.)

15:10 Meet at Kanetsuri station

15:18 Depart from Kanetsuri station

16:14 Arrive at Unazuki station

16:30 Depart from Unazuki

Nonstop for rest to the Destination

18:00 Arrive at ANA Hotel Toyama

DINNER *~"ASUKA", the 3rd floor at ANA Hotel Toyama ~*

18:15 Start

Japanese Traditional Attraction (Ritual Dance with a Lion's mask), Karaoke

20:15 Close

20:30 Depart from ANA Toyama Hotel

20:40 Arrive at Meitetsu Toyama Hotel

< Contact Numbers in case of necessity>

Staff members of PIPA	090-2333-2907	Yuichi ISHIHARA
	090-1736-6871	Takashi ISHIHARA
Hotel etc.	076-431-2211	Meitetsu Toyama Hotel
	076-495-1111	ANA Toyama Hotel
	0765-62-1011	Kurobe Gorge Railway (Torokko train)

PIPA 第35回国際総会

エクスカーション ～トロッコ電車～

2004 年 10 月 21 日

＜スケジュール＞

11:25 名鉄トヤマホテル 1F ロビー集合
バス乗車前にランチボックス、飲み物をもらう

11:30 名鉄トヤマホテル出発
車内でランチ　休憩なし

13:00 宇奈月到着

トロッコ電車

13:11 宇奈月駅出発
14:12 鐘釣駅到着
自由行動（温泉、散策など）
15:10 鐘釣駅集合
15:18 鐘釣駅出発
16:14 宇奈月駅到着

16:30 宇奈月出発
休憩なし

18:00 富山全日空ホテル到着

ディナー ～「飛鳥」 3F～

18:15 開始
獅子舞、カラオケ
20:15 終了

20:30 富山全日空ホテル出発
20:40 名鉄トヤマホテル到着

＜緊急連絡先＞

準備委員	090-2333-2907	石原雄一
	090-1736-6871	石原隆史
ホテル等	076-431-2211	名鉄トヤマホテル
	076-495-1111	富山全日空ホテル
	0765-62-1011	黒部渓谷鉄道（トロッコ列車）

ATTENDEE LIST

HONORARY CHAIRPERSON

Sato	Masaharu	YKK Corporation

HONORABLE GUESTS

Ono	Shinjiro	Japan Patent Office
Boland	Lois	USPTO
Sakuta	Yasuo	Japan Intellectual Property Association
Lee	Jeong Hwan	LG.Philips-LCD

AWARDEE 2004

Nakajima	Shigemitsu

NORTH AMERICAN GROUP

Blocker	Edward	Philips Electronics
Brown	Greg	Ford Global Technologies
Hanley	Steve	Caterpillar Inc.
Jang	Soonhee	Eli Lilly & Co.
Jorda	Karl	Awardee
Panichi	Brenda	Proctor & Gamble
Welch	Lawrence	Eli Lilly & Co.
Wood	Jon	Eastman Chemical Co.

JAPANESE GROUP

Aoki	Takashi	Awardee
Date	Kenro	MITSUBISHI ELECTRIC CORPORATION
Hidaka	Hiroshi	FUJIKURA LTD.
Horikawa	Takeshi	Fujitsu Limited
Hosaka	Tohru	ZEON CORPORATION
Ichikawa	Masakazu	Sumitomo Chemical Co., Ltd.
Inoue	Manabu	Hitachi, Ltd.
Izukawa	Tatsuya	TANABE SEIYAKU CO., LTD.
Kamisugi	Kazuo	Wako Pure Chemical Industries, Ltd.
Kitaoka	Kazuto	Hitachi, Ltd.
Kinoshita	Kyo	SANKYO CO., LTD.
Kon	Hiroshi	MITSUBISHI RAYON CO., LTD.
Koroku	Masahiko	Wako Pure Chemical Industries, Ltd.
Kudo	Hirotake	Fuji Xerox Co. Ltd.
Kudo	Junichi	Sony Corporation
Kumazawa	Yoshiaki	SUMITOMO ELECTRIC INDUSTRIES,LTD
Matsubara	Katsuyori	RICOH COMPANY,LTD.
Matsui	Shoji	Awardee
Miyajima	Masahiro	Sony Corporation
Miyauchi	Tatsuhiro	Toshiba Corporation
Mizuno	Hiromi	FUJI PHOTO FILM Co., Ltd.
Morioka	Tomoaki	TOYOTA CENTRAL R&D LABS.,INC.
Murakami	Yoshinari	Oki Electric Industry Co., Ltd
Nakahara	Kengo	Matsushita Electric Industrial Co.,Ltd.

Nakayama	Mika	JSR Corporation
Saji	Hiroshi	RICOH COMPANY,LTD.
Sato	Kensaku	NEC Corporation
Sato	Koji	Fujitsu Limited
Satoyama	Masaya	Eisai Co., Ltd.
Sojyo	Isamu	Japan Intellectual Property Association
Suzumura	Masakazu	Aisin Seiki Co.,Ltd.
Tada	Yui	OMRON Corporation
Takada	Mamoru	Awardee
Takahashi	Mitsuo	Sumitomo Electric Industries, Ltd.
Tanabe	Kiyoshi	Toshiba Corporation
Tetsuka	Toshihiro	SAPPORO HOLDINGS LIMITED
Urayama	Masayoshi	Nippon Ericsson K.K.
Watanabe	Eriko	IBM Japan
Watanabe	Hiroshi	Nippon Telegraph And Telephone Corporation
Yatsu	Akio	Hitachi, Ltd.
Yoshida	Yoshiki	Fujisawa Pharmaceutical Co., Ltd.
Yoshikawa	Chiga	MITSUBISHI ELECTRIC CORPORATION

OBSERVERS

Bleeker	Ronald	Finnegan, Henderson
Boshnick	William	Greenblum & Bernstein
Chalsen	Christopher	Milbank, Tweed, Hadley & McCoy
Dave	Raj	Morrison & Foerster
Deanl	Afzal	Nortel Networks
Ellis	William	Foley & Lardner
Kwong	Raymond	Applied Materials, Inc.
Matsumoto	Kenichi	GE Yokogawa Medical Systems
Tsai	Thomas	Tsai, Lee & Chen
Tsang	Y. Grace	Shell Oil Company
Zhu	Nongfan	GE Yokogawa Medical Systems

ACCOMPANIED GUESTS

Batey	Marilyn
Ellis	Lexie
Matsui	Yaeko
Nakajima	Setsuko
Tanabe	Akemi

INTERPRETERS

Hayashi	Yumiko
Matsuoka	Yuko
Sasae	Nobuko

ORGANIZING COMMITTEE

Ishihara	Yuichi	Hitachi ltd.
Ishihara	Takashi	Matsushita Electric Industrial Co., Ltd.
Kihara	Hiroko	Toshiba Corporation
Yokono	Akira	SAPPORO HOLDINGS LIMITED
Hamada	Satoko	Japan Intellectual Property Association

Cooperation among Trilateral Offices

-JPO's perspective-

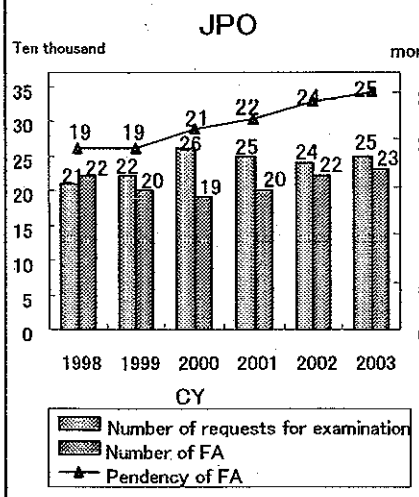
The 35th International Congress
Pacific Intellectual Property Association

October 20, 2004

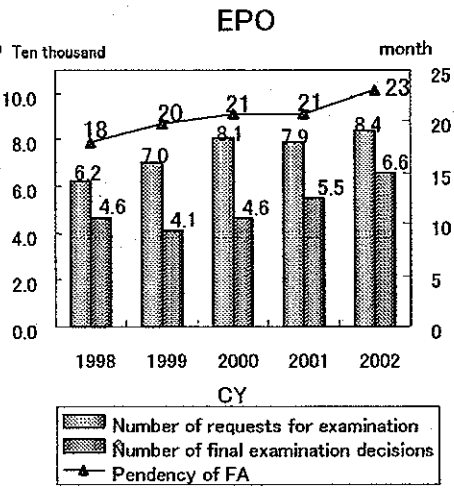
Shinjiro Ono
Deputy Commissioner
Japan Patent Office

Protracted Pendency Period in the Trilateral Offices

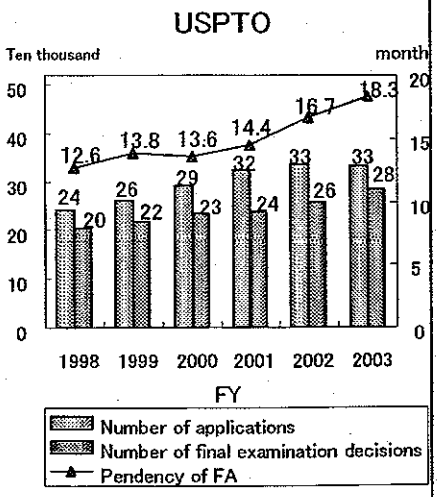
In recent years, the workload has been increasing and the pendency period for examination has been protracted in each Trilateral Offices due to rapid increase of the internationally filed applications with the contents that are becoming highly technical and complicated.



Source: JPO annual report



Source: EPO annual report
Examination period is based on Trilateral statistics



Source: USPTO annual report

(Ref) Average FA period in 2003FY: 26 months

The JPO will hold the FA period on the level of 29 months in five years(2008), and achieve 11 months in ten years(2013).

> Employment fixed term examiners(Aiming 500 fixed term examiners in five years).

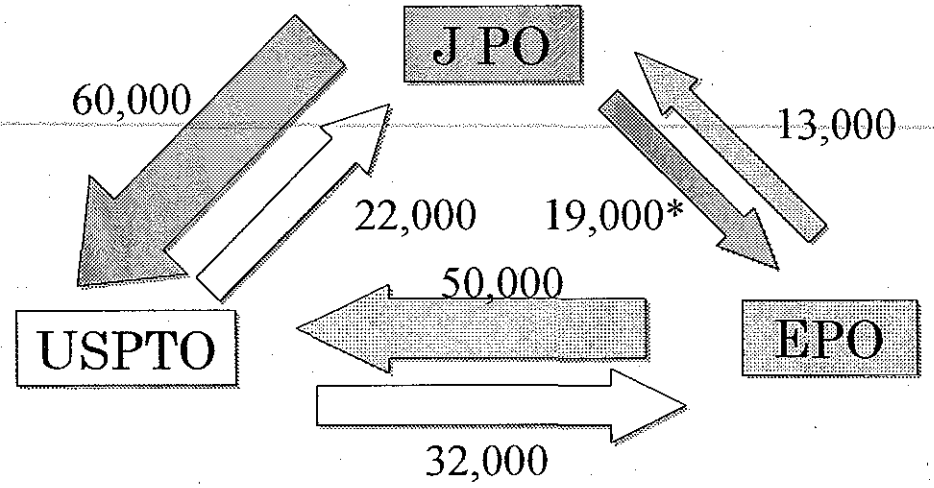
> Expansion of outsourcing for prior art searches to registered search agencies.

Duplicated examinations of Internationally filed applications

200,000 applications are filed from one trilateral region to other trilateral regions

⇒ In order to protect Intellectual Property effectively, International cooperation is inevitable.

Number of Applications among Japan, United States, Europe (2003)



Number of applications in US and Europe are based on each USPTO report(2003) and EPO annual report(2003). Number of applications from the Europe is a total of data from 27 EPC member countries in 2003. Number of applications filed to Europe is based on only the applications filed to the EPO and does not include applications filed to each EPC member IP office.

3

Efforts for mutual exploitation of search/examination results

Evaluation of usability of search results and promotion of mutual exploitation

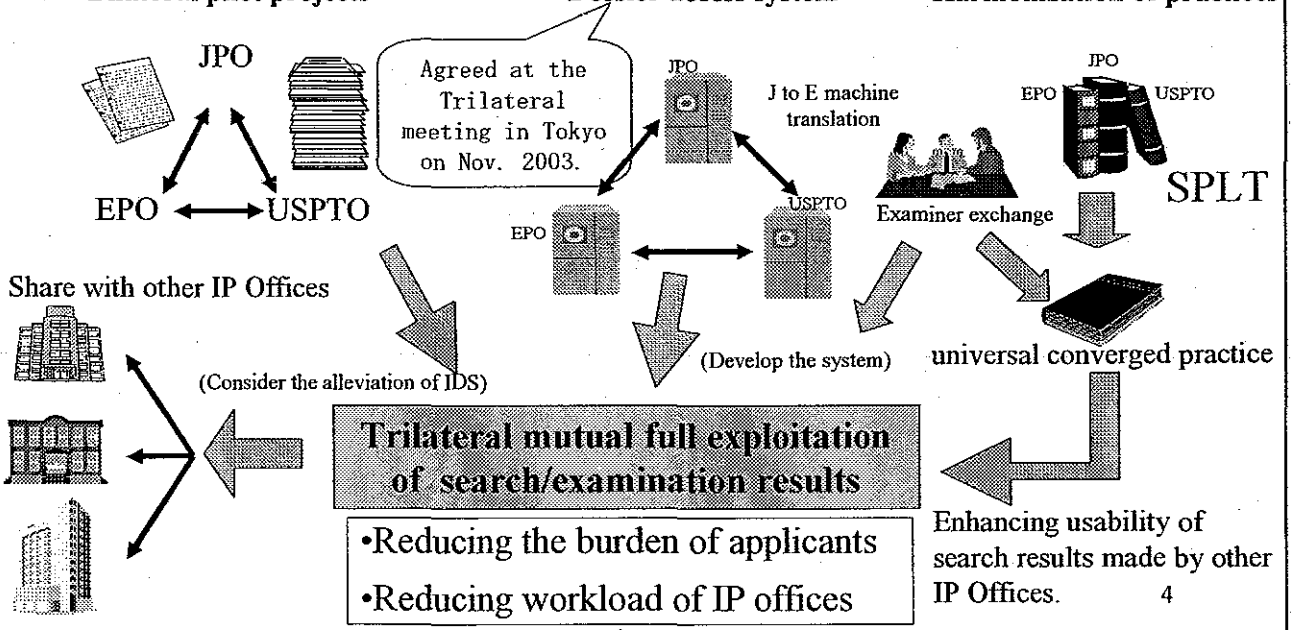
Bilateral pilot projects

Preparation of basic infrastructure to access dossier information

Dossier access system

Promotion of harmonization

Harmonization of practices



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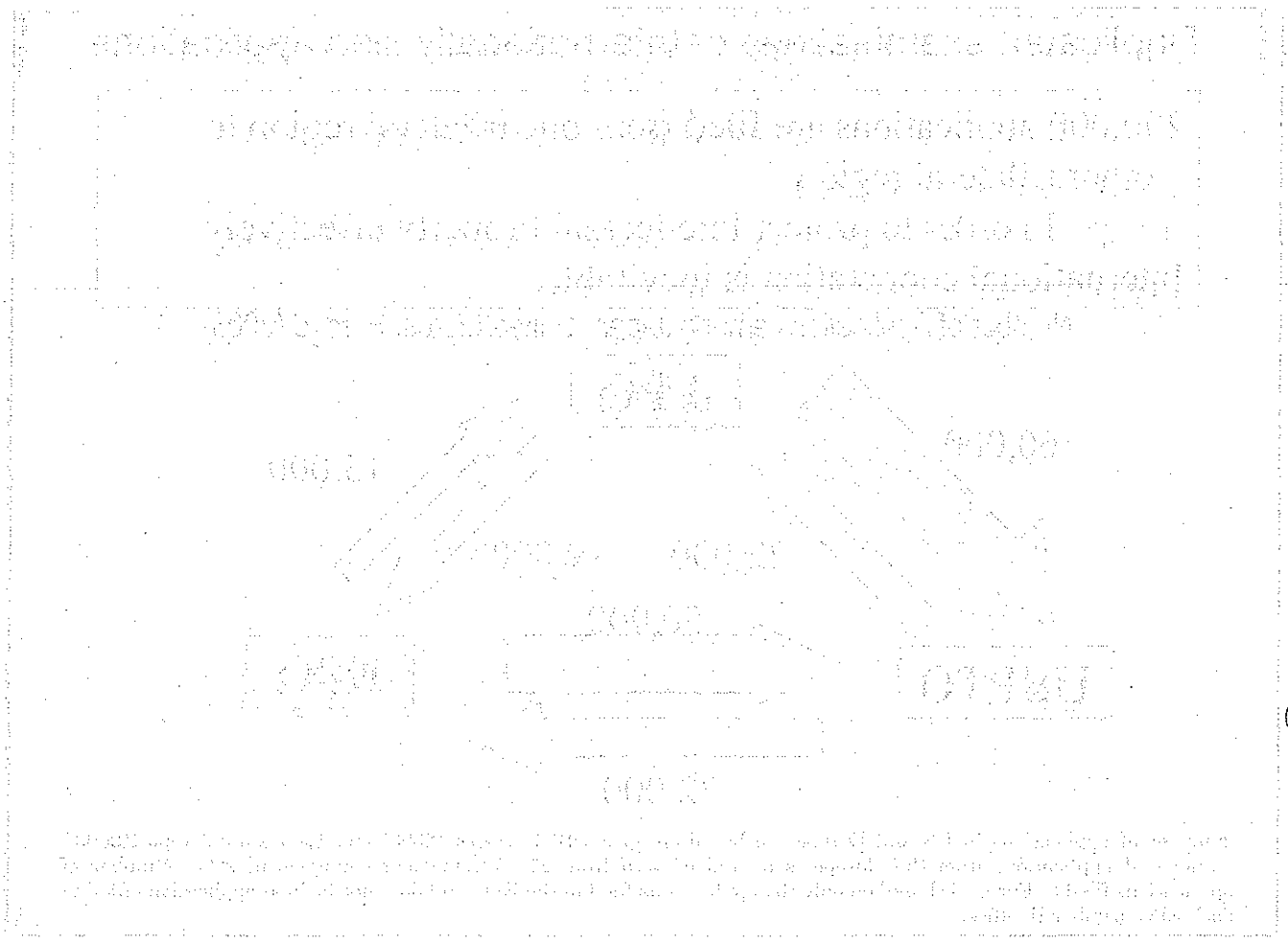
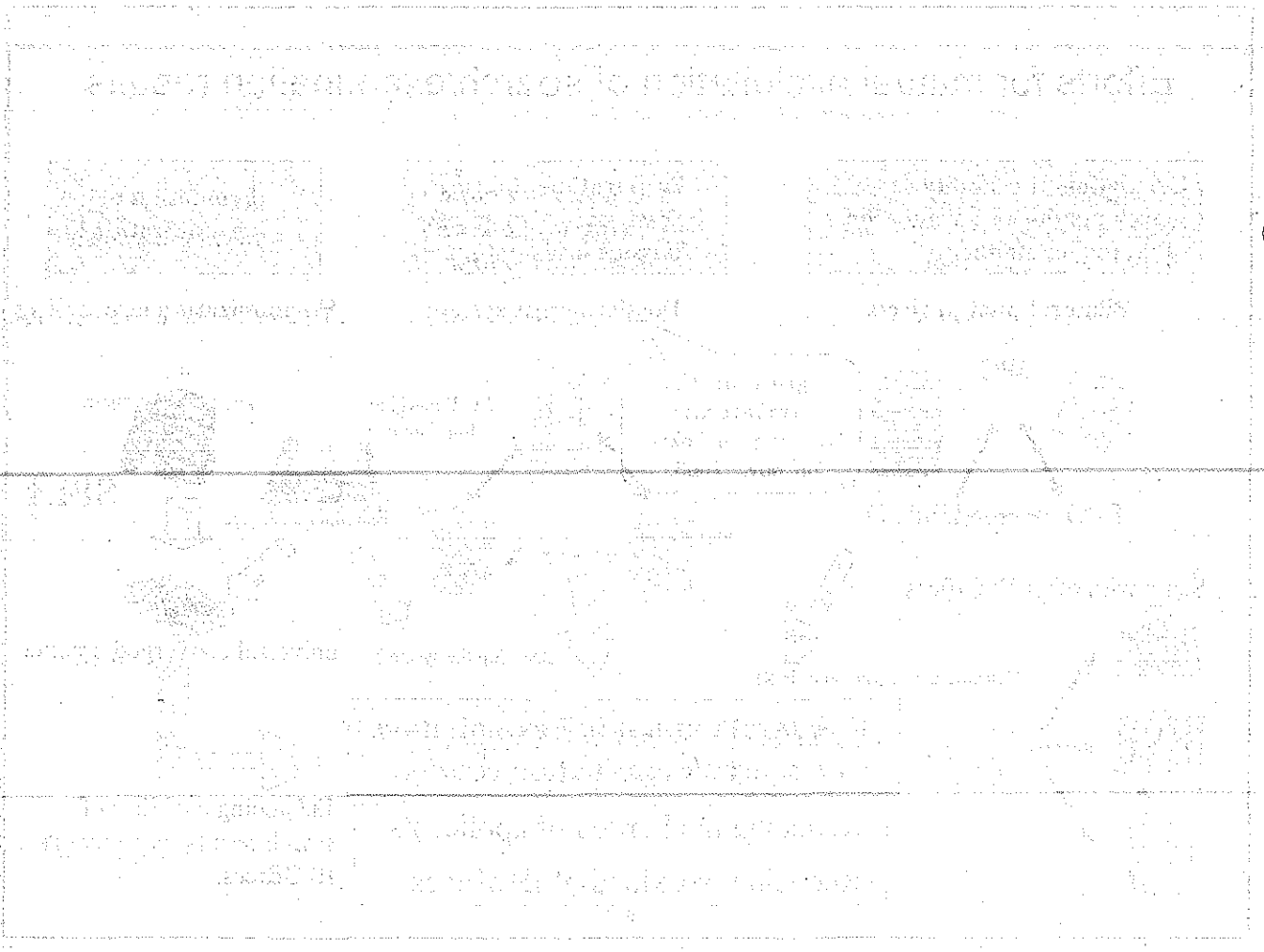




IP Strategic Program 2004

～Efforts to establish a global patent system ～

(1) Promoting global cooperation in patent examination

JPO promotes search/examination results exploitation project and examiner exchange

JPO encourages applicants further usage of the Patent Cooperation Treaty (PCT) system and accelerated examination for inventions that are also filed to overseas

(2) Aiming to achieve mutual recognition* among the Trilateral Offices

(3) Promoting the reform of the PCT

(4) Facilitating the acquisition of rights in developing countries

(5) Promoting international harmonization of patent systems

(6) Establishing international networks for exchanging information on patent examination

** JPO considers that the term "mutual recognition" here is used in rather a symbolic way, to indicate a goal in the long run. It is "mutual full exploitation", which is to make best use of each other's search/examination results, that each office is aiming at at the moment.* [5]

Summary of the mutual exploitation project

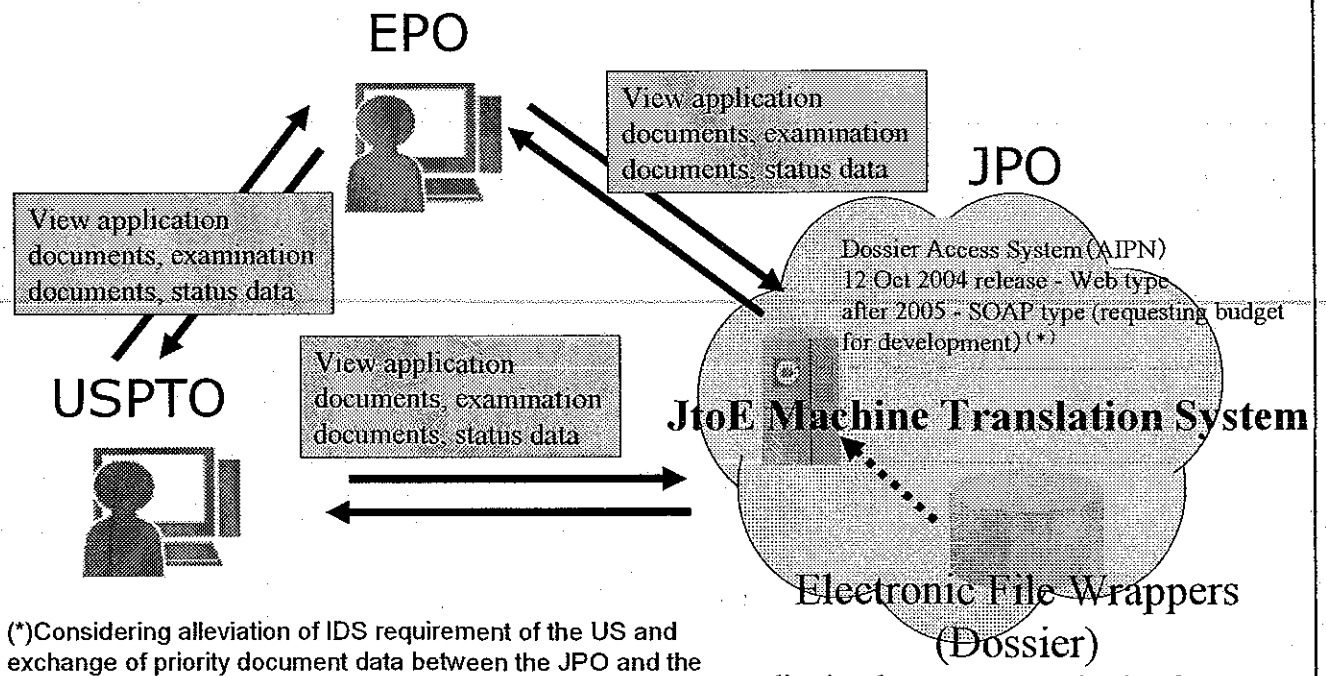
-The results of Tokyo conference- (US1JP2, EP1JP2 cases)	-The results of the feedback analysis - (JP1US2, JP1EP2 cases)
• Effect of workload reduction in search was observed in more than 65% of the total cases by exploiting the search results of other offices. • Additional search of Japanese patent document is essential.	• In only 6-7% of the total cases, the feedback information of other offices impacted JPO's patentability determination. • If the search of Japanese patent document is conducted under optimal conditions, JPO's search will cover more than 92% of the most persuasive prior arts to deny novelty or inventive step.
100 US1JP2 cases, 132 EP1JP2 cases	89 JP1US2 cases, 65 JP1EP2 cases

JPO's Conclusion

- JPO will utilize the dossier access system to use the search results of other offices actively to reduce the workload.
- JPO aims to perform high quality search and provide better search results so as to enable the applicants and other IP offices to exploit JPO's search results effectively. (Especially, the EPO and the USPTO expect to exploit JPO's search results on Japanese language patent documents that do not have patent family members.)

[6]

Outline of Dossier Access System
Exchange of search/examination results through network
~ Utilization of Japanese-English Machine Translation System ~



(*)Considering alleviation of IDS requirement of the US and exchange of priority document data between the JPO and the USPTO. (Offices exchange priority data instead of applicants.)

7

Meeting of Working Group on Strategic Issues and Work Sharing
Tokyo, Japan 8-10 September 2004

(1) Recognition of the value of the JPO search results especially on Japanese language documents that do not have patent family members and expectations for exploiting them

(2) Timing issue, which is to provide JPO's FA in a timely manner

Near-term task

Providing Japanese applicants with incentives to use accelerated examination and the PCT route and also eliminating disincentives to do so.

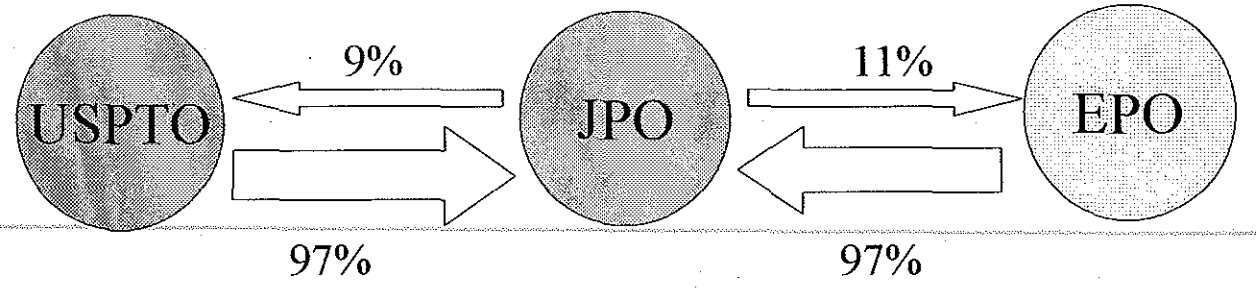
Long-term issues

Harmonization of the system and operation

includes amendment of 35U.S.C 102(e) in order to eliminate language discrimination provision and removal of the Hilmer doctrine

Timing Issue

The rate of the cases where OFF's search results were available in time for the applications that the OSF initiated examination from January to June, 2004.



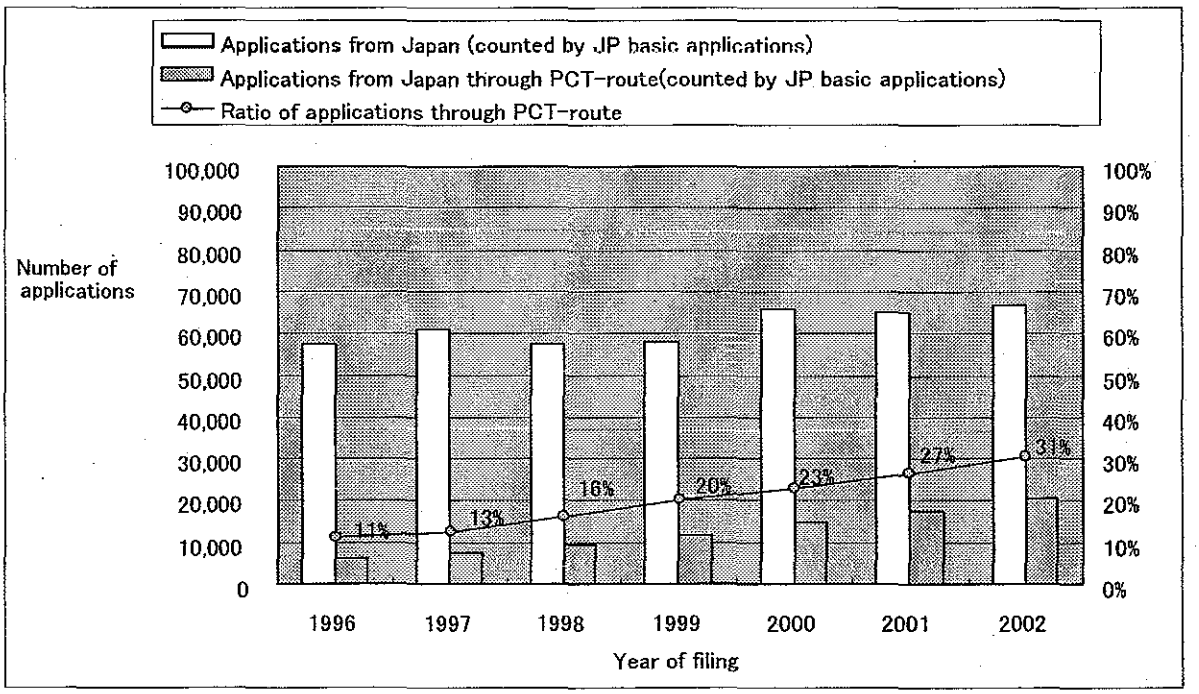
The cases where other offices can exploit JPO's search results counts approximately 10%.
The cases where the JPO can exploit other offices' search results count about 97%.

Solution

1. Use of PCT route
2. Request examination at an early time and use of accelerated examination

Increase of the PCT-route applications from Japan to overseas

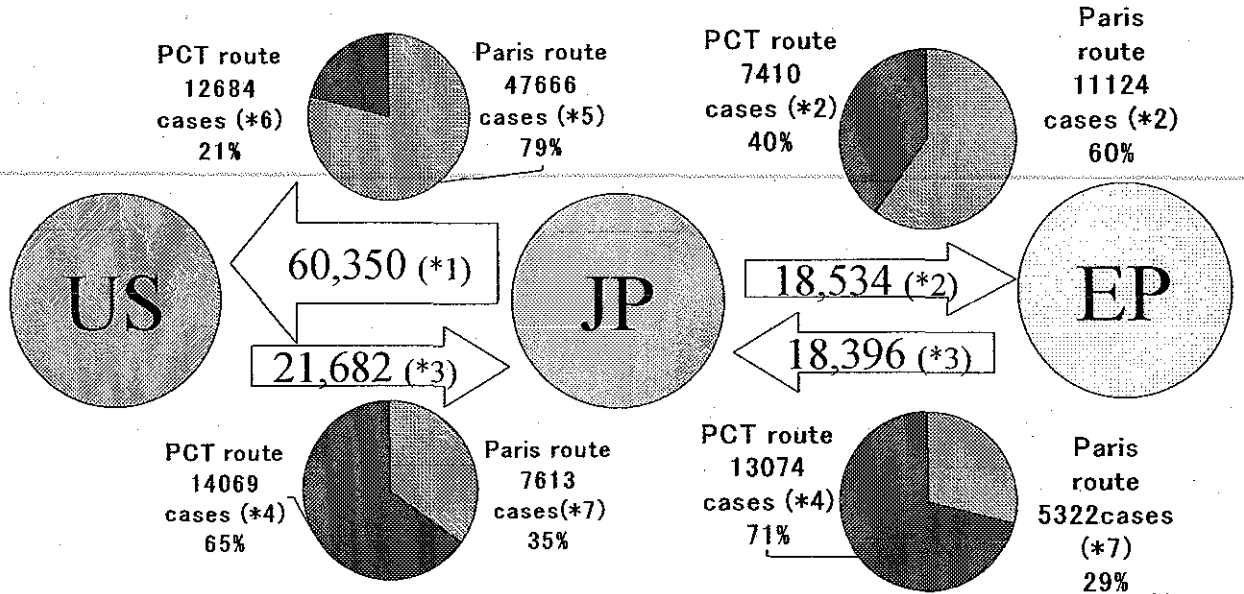
Number of the applications filed to overseas from Japan through PCT-route is on the rise. In 2002, there were over 20,000 applications filed through PCT-route which makes up 1/3 of the total applications filed to overseas from Japan.



Number of applications in Trilateral Offices

In Japan, rate of PCT-route utilization is low. (PCT-route utilization in Japan: 21~40%)

*If the rate of PCT-route utilization goes higher, EPO who performs search principally before publication will also be able to exploit JPO search results.



(*1)USPTO report(2003CY), (*2)EPO annual report(2003CY), (*3)(*4)JPO annual report(2003CY), (*5)WIPO statistics(2000CY), (*6)*1-*5, (*7)*3-*4

Domestic applications and foreign applications in 2002

Total applications filed to the JPO (421, 044 applications)

Applications by residents (369,458)(88%)

By non-residents (51,586)(12%)

Genuine domestic applications (304,047) (82% of applications by residents) (72% of the total)

Applications that are basis for claiming Priority (65,411) (18% of the applications by residents) (16% of the total)

By non-residents (51,586)(12%)

PCT route approximately 30%

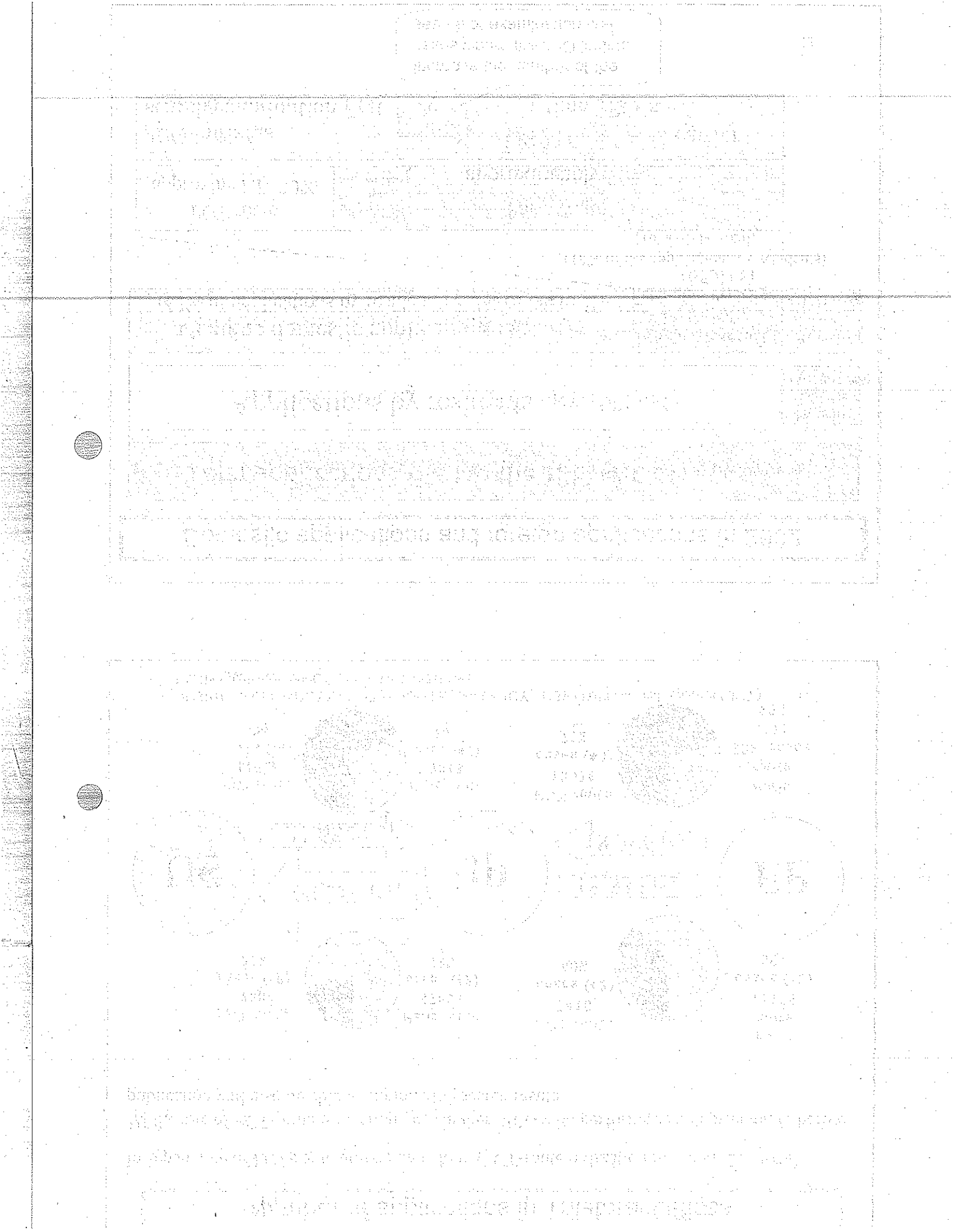
10% of Paris route applications

Paris route approximately 70%

JPO initiates search/examination first

USPTO's FA is earlier than JPO's FA

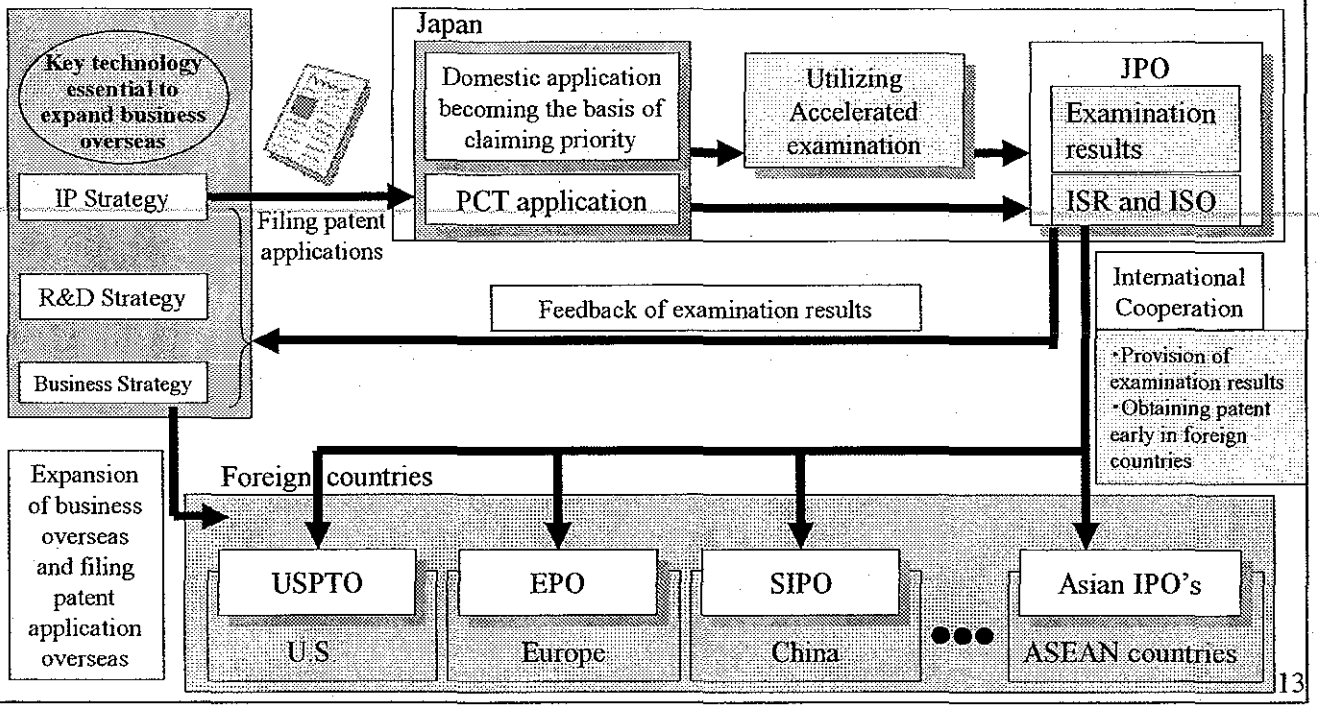
Increase the number of the cases where the JPO initiate search or examination first



Patent examination contribution to the global business strategy Campaign to the Japanese applicants

- It is very important to evaluate patentability of the key technology that are essential to expand business overseas.
- Utilization of PCT system or Accelerated examination of applications that are basis of claiming priority of overseas application.

(1)Strengthen IP strategy, R&D strategy and Business strategy through reviewing them based on the results of examination
(2)Facilitate applicant's obtaining steady patent in foreign countries through the utilization of JPO's examination results.
(3)Contribute to the international mutual cooperation of patent examination.



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Revision of Accelerated examination/appeal examination Guidelines (1)

1. Expand the scope of 'Internationally-filed applications'

Applications that are at the international stage of PCT (has not entered into national stage of designated foreign countries) are included in the cases that corresponding domestic applications are objects of accelerated examination.

2. Simplify the procedure

(1) Modify the operation for the foreign applications that have not allocated the application numbers.

Applicants who wish to apply for the accelerated examination system were required to specify the application number of a foreign patent application under the old system.

With the revision, however, this requirement has been relaxed. Specifically, where an applicant was not able to obtain the application number of the foreign application from the foreign IP Office concerned, he is allowed to submit such a document as a copy of an application filed with the foreign IP Office instead of specifying the application number of a foreign patent application.

Revision of Accelerated examination/appeal examination Guidelines (2)

(2) Clarify the operation for the international applications in Japanese with ISR/ISO

For the international application in Japanese, the JPO clarified that one can omit disclosure of prior art and comparison explanation by attaching ISR/ISO to the explanation of circumstances concerning accelerated examination.

(3) Clarify the treatment of the case where related prior arts are appropriately disclosed in the description of the application.

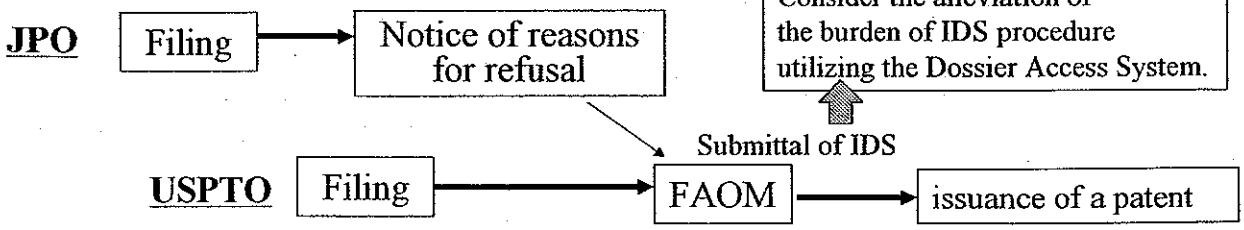
The JPO clarified that one can simplify the description of the explanation of circumstances concerning accelerated examination when disclosure of prior art and comparison explanation have sufficiently done in the description.

Alleviation of the burden of IDS procedure

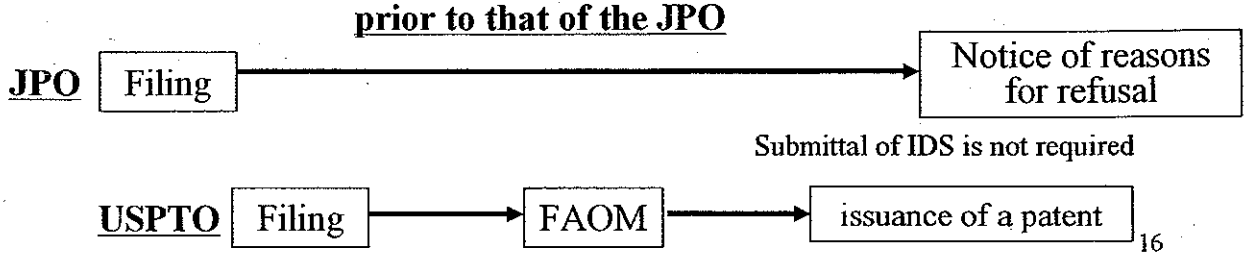
Applicants tend to laten the timing of request for examination since they have to submit IDS if they receive results of First Action of the JPO prior to the issuance of US Patent.

Consider the alleviation of the burden of IDS procedure utilizing the Dossier Access System.

Case where applicants receive a result of First Action of the JPO prior to that of the USPTO

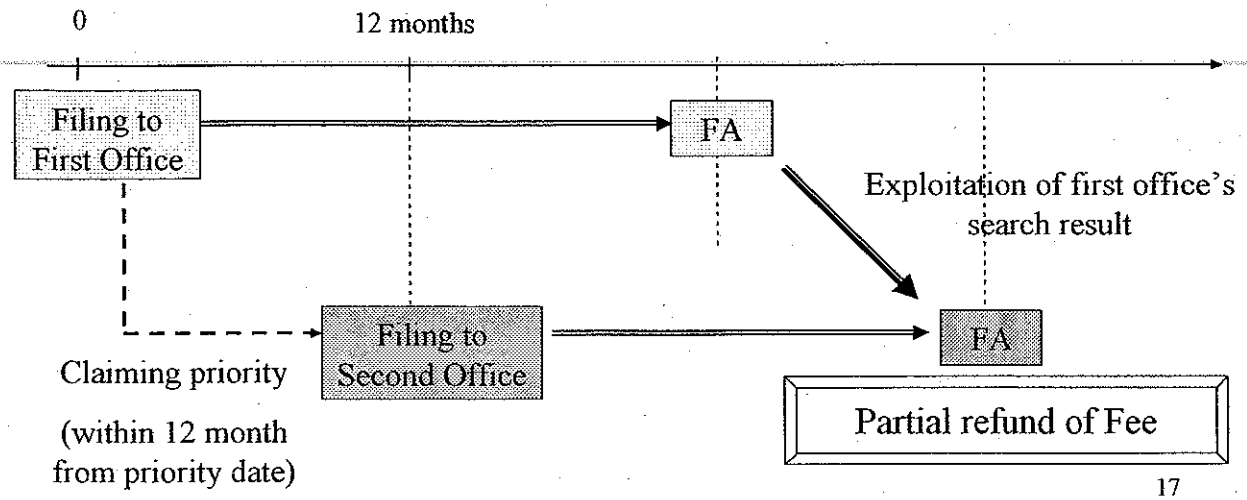


Case where applicants receive a result of First Action of the USPTO prior to that of the JPO



Partial refund of Fee

Providing applicants of non-PCT route applications, as well as applicants of PCT route applications where PCT-ISR is available, with benefit with respect to fee when an examiner can exploit other office's search results.



17

Minimum harmonization in a short period

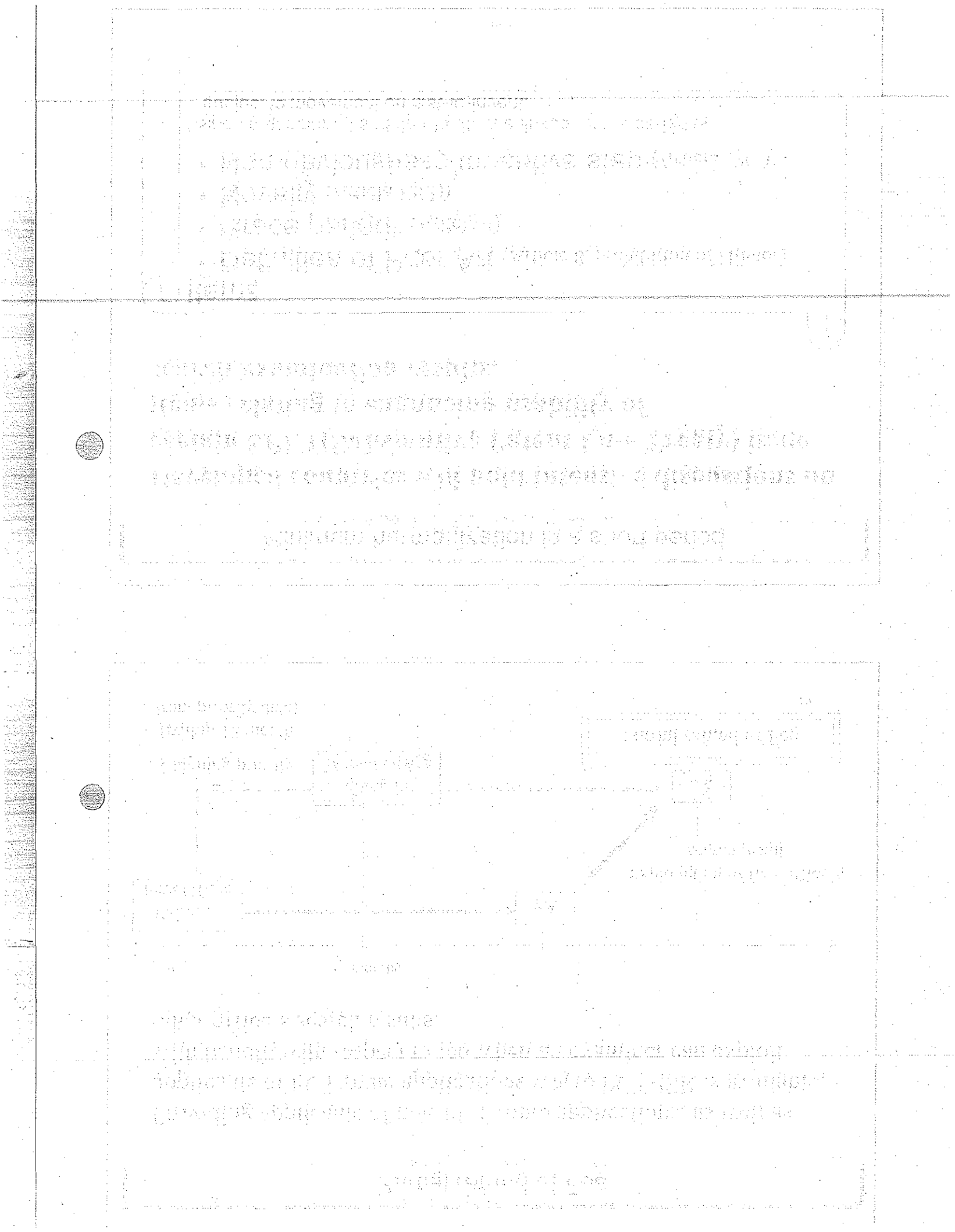
Developed countries will hold intensive discussions on certain SPLT(Substantive Patent Law Treaty) issue items relating to enhancing usability of search/examination results.

Items

- Definition of Prior Art (Article 8, prohibition of Hilmer)
- Grace period* (Article 9)
- Novelty (Article 12(2))
- Non-obviousness/Inventive step (Article 12(3))

*Since grace period and first-to-file are linked, grace period is subject to movement on first-to-invent.

18



Direction of JPO's efforts in the future
~ Support for global activity ~

> Support for acquisition of the stable rights

1. The JPO provides further high quality search/examination results prior to the world with its high search ability for Japanese language documents.
Other offices can exploit JPO's Search/examination results with a view to achieving efficient examination and granting stable rights globally.

Long-term goal: achieve FA11 in ten years.
Near-term task: promote utilization of PCT route and accelerated examination

> Alleviation of procedural, cost burden on the applicants

2. Simplifying the procedure (JPO stands in for applicants)
3. Partial refund by exploitation of search/examination results
4. International harmonization of patent system and operation

Pacific Intellectual Property Association

35th International Congress
October 19-22, 2004
Toyama, Japan

Lois E. Boland
Director
Office of International Relations
United States Patent and Trademark Office

Overview

- **Protecting Intellectual Property in China**
  - What the USPTO is Doing About Piracy and Counterfeiting in China
- **Substantive Patent Law Harmonization**
- **Trilateral Cooperation**
- **Conclusions**

Pacific Intellectual Property Association

35th International Congress
October 19-22, 2006
Toyama, Japan

Nils E. Lahr
Director
Office of International Relations
United States Patent and Trademark Office

Overview

- Protecting Intellectual Property in China
- What the USPTO is Doing About Piracy and Counterfeiting in China
- Substantive Patent Law Harmonization
- Trilateral Cooperation
- Opportunities

China - Why care?

- This is not only a problem for U.S. companies doing business in China.
  - Chinese counterfeiters and pirates export to U.S. market.
  - Counterfeiters and pirates market at trade shows.
  - Counterfeiters and pirates may sell to your customers and suppliers.

Scope of the Problem

Chinese counterfeiting and piracy affect you:

- In the United States
  - China is the largest single source of seizures of infringing products by U.S. Customs.
- In other countries
  - China is a leading source of seizures in the European Union, Japan and in many developing country markets, such as in South America, Southeast Asia, Africa, and the Middle East.

China - Why care?

- This is not only a problem for U.S. companies doing business in China.
  - Chinese manufacturers and plants export to U.S. market
  - Counterfeiters and pirates market in trade shows
  - Counterfeiters and pirates sell to your customers and suppliers.

Scope of the Problem

- Chinese counterfeiting and piracy affect you:
  - In the United States
    - China is the largest single source of imports of products violating U.S. trademarks, copyrights and patents
  - In other countries
    - China is leading source of seizures in the European Union, Japan and in many developing country markets, such as in South America, Southeast Asia, India and Middle East

Scope of the Problem

Problem is Widespread.

Counterfeiting - 20% or more revenue lost for some products

Piracy - 90% + of movies, motion pictures, software

Catalyst for Change: WTO

- China joined the WTO on December 11, 2001.
- Good News
  - China has amended its IP laws substantially.
  - The TRIPs Agreement keeps China accountable.
  - Other WTO Members can use TRIPs as leverage with China.
- Bad News
  - Cutting edge legal issues require further legislation.
  - Enforcement of IP laws is weak.

Scope of the Problem

Problem is Widespread:

Counterfeiting - 20% or more revenue loss for
many products

Piracy - 90% + of movies, media products,
software

U.S. Government Efforts

- Ongoing WTO Monitoring
- Multilateral Work at WIPO
- Regional Work in Bodies such as ASEAN, APEC
- Bilateral Work
  - JCCT
  - Continuation of USTR bilateral meetings
  - Extensive IP Training
- Domestic Efforts

Ongoing WTO Monitoring

- TRIPs Council Reviews
- Trade Policy Reviews
- Special 301 Process

U.S. Government Efforts

Ongoing WTO Monitoring

WIPO Activities

- Norm-making
  - Treaties, Recommendations, Guidelines
- Global Protection Systems
  - Patent Cooperation Treaty (PCT)
  - Madrid System (Trademarks)
  - Hague System (Designs)
- Technical/Legal Assistance
- Arbitration and Mediation Center
  - Internet Domain Name Dispute Resolution

Other Multilateral Bodies

- APEC
- ASEAN
- The Trilateral Offices
- World Customs Organization

WIPO Activities

- Norm-making
- Patent Information Services
- Global Protection Systems
- Asian Companies Study (WCT)
- Publishing System (Electronic)
- Image Coding (Scanning)
- Technical Help / Assistance
- Arbitration and Mediation Center
- Patent Drawings Requirements

Other Multilateral Bodies

- APEC
- ASEAN
- The Trilateral Offices
- World Customs Organization

Office-to-Office Activities

- USPTO has a strong relationship with:
  - The State Intellectual Property Office (SIPO) of China on Patent issues
  - The State Administration for Industry and Commerce (SAIC) and the China Trademark Office (CTO) on issues relating to trademarks, domain names, and geographical indications.
  - The National Copyright Administration (NCA) on copyright and related rights, including Internet issues.

US-China Bilateral Work

- Long bilateral relationship between United States and China
- Several bilateral agreements including IP issues dating back to the early 1990s
- Regular bilateral consultations since WTO accession between US and China
- U.S.-China Joint Commission on Commerce and Trade IPR Working Group

Office-to-Office Activities

- [illegible] working relationship with:
  - The World Intellectual Property Office (WIPO) of China
  - the Patent Bureau
  - The State Administration for Industry and Commerce (SAIC) and the Trademark Office (TO) in matters relating to trademarks, domain names and cyberpiracy matters.
  - The National Copyright Administration (NCA) in copyright and related rights matters including Internet issues

US-China Bilateral Work

- Strengthened relationship between United States and China
- Several bilateral agreements including IP issues dating back to the early 1990s
- Regular bilateral consultations since 1979 concerning between U.S. and China
- U.S.-China Joint Committee on Commerce and Trade IPR Working Group

Training

- USPTO has conducted many training programs for Chinese officials.
  - In China
  - In the United States
  - In the Region
  - By Videoconference
  - On both substantive issues and enforcement.

USPTO China IP Expertise

- USPTO has a comprehensive and experienced China IPR team, including:
  - TM expert
  - Copyright expert
  - Patent expert
  - Enforcement expert
- USPTO recently appointed an IP attaché to the U.S. Embassy in Beijing, who will work with government officials to improve Chinese intellectual property laws, regulations and enforcement procedures

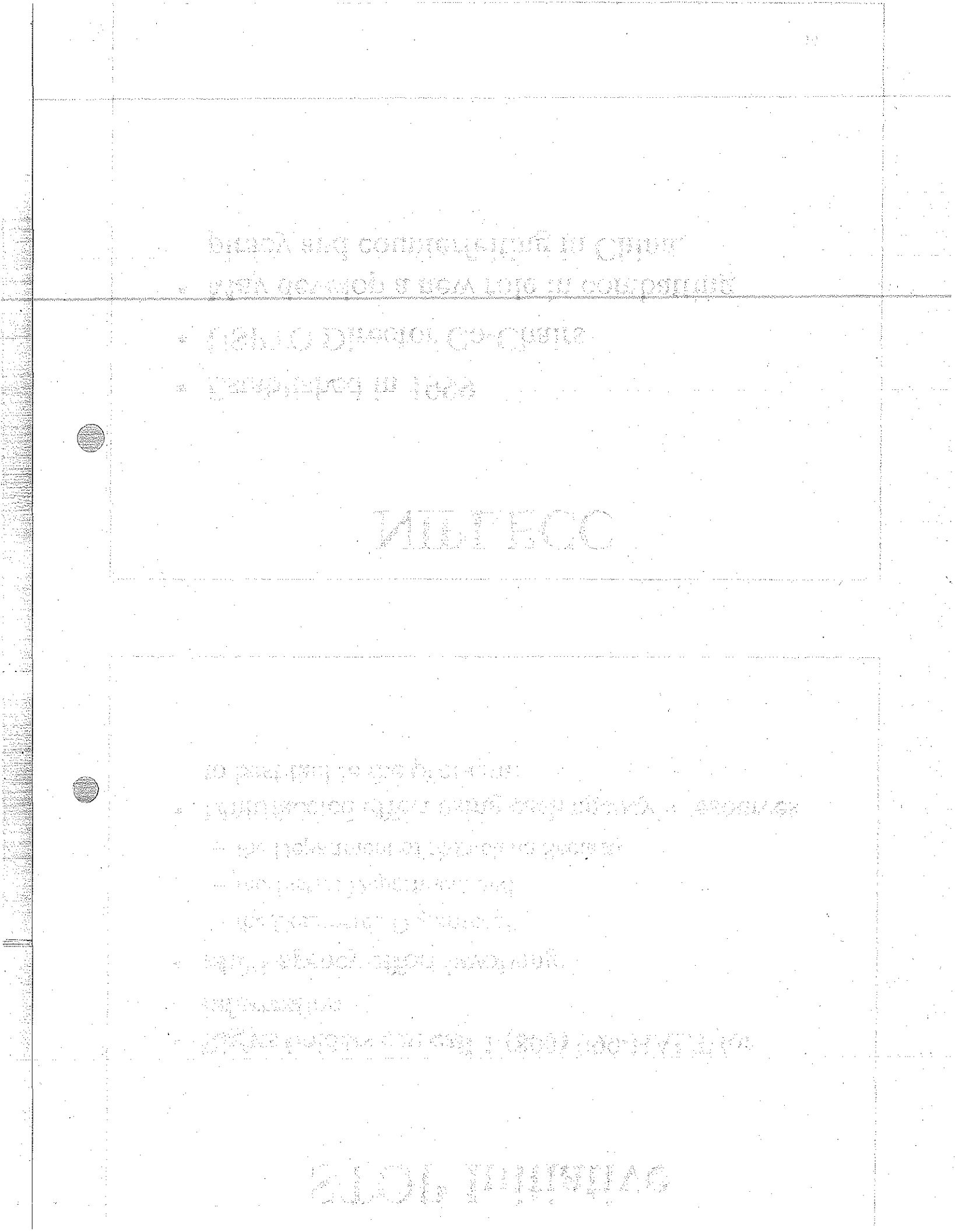
Training

STOP Initiative

- Rights holders can call 1 (800) 999-HALT for information
- Multi-agency effort involving:
  - the Commerce Department
  - the Justice Department and
  - the Department of Homeland Security
- Multifaceted effort using each agency's resources to best tackle the problem.

NIPLECC

- Established in 1999
- USPTO Director Co-Chairs
- May develop a new role in combatting piracy and counterfeiting in China.



SPLT – SCP Efforts
Background

- Optimism following success of the Patent Law Treaty
- Need to harmonize substantive aspects of patent law
- Work has been ongoing since 2000

Original Goals

- "Deep Harmonization" of both law and underlying practice
- Focus on "Best Practices" for drafting, filing and examination of patent applications

Original Goals

- Theory: the assumption of both low and moderate pressure

Intended Results

- Single application
- Consistent examination results around the world
- "Mutual Recognition"/work sharing

Early Progress

- Progress on establishment of international grace period
- Working Group on Multiple Invention Disclosures and Complex Applications

Updated Results

- Navigation

- Updated screenshots - results shown on
now

- Updated Summary on why and where

Early Progress

- Images of wireframes and interactive
prototype

- Study Group on Lighthouse Inverness
Lighthouse and Country applications

Controversial Issues

- Patent-eligible subject matter
- Exceptions to patentability
- Disclosure of origin of genetic resources and traditional knowledge
- "Social development," public health, and appropriateness of "harmonization"

Outside Efforts

- Since May 2003 SCP meeting, many groups have met outside WIPO
- Goal is to find a way forward
- Focus on "limited package" of near-term achievable results – early harvest

Controversial Issues

- Animal rights versus animal welfare
- Uncovering the unknown
- Disclosure of risks of genetic research
and intellectual knowledge
- Should developed countries apply and
impose standards of "Conservation"

Outside Efforts

- Since May 1993 SOS meeting only given
here and within WTO

- Oral is to trial a way forward

- Focus on "limited package" of issues
achievable results – early harvest

Trilateral Proposal

- Trilateral Offices introduced proposal at May 2004 SCP meeting
- Limited package of prior art-related provisions
  - Definition of prior art
  - Grace Period (linked to first to file)
  - Novelty
  - Inventive Step/non-obviousness

Trilateral Proposal

- Justifications
  - Issues most mature for near-term success
  - Would promote work sharing/mutual recognition
  - Consistent examination
  - Improved patent quality
  - Flexibility to allow countries to proceed at appropriate pace
  - Addresses traditional knowledge

Initial Proposal

- Initial proposal
- Upon receipt of prior signed proposal
- Upon receipt of prior signed proposal
- Upon receipt of prior signed proposal

Initial Proposal

- Initial proposal
- Upon receipt of prior signed proposal

Outcome of May 2004 SCP

- Trilateral Proposal not adopted
- No agreement in SCP as to future work
- No real progress from May 2003 meeting

What Next?

- U.S. and Japan co-sponsored proposal for Assembly to adopt the Trilateral proposal as SCP future work plan
- Proposal was not adopted
- Future of harmonization at WIPO uncertain
- Is a non-WIPO forum the answer?
- United States is exploring all options for "early harvest" on limited package – in/out of WIPO

Trilateral Activities - Harmonization without WIPO?

- Trilateral provides a pragmatic context for harmonization talks
  - Well-developed patent systems
  - Many common understandings
  - Fewer politically charged issues
  - History of cooperation

Harmonization: Benefits

- Trilateral Offices benefit
  - Trilateral offices handle almost all patent applications filed in the world
  - Tremendous potential for workload reduction
- Applicants benefit-fewer burdens
- Public benefits-improved patent quality

Harmonization Benefits

Harmonization: Trilateral Efforts

- November 2003 MOU set forth basic approach:
  - pragmatic approach aimed at early and realistic results
  - no rigid framework
  - pursue best practice taking into account current practices
  - address users' interests as much as possible
  - promote the discussion at the WIPO/SCP

Harmonization: Trilateral Efforts

- 2003 MOU identified priority topics:
  - Prior art
  - Grace period
  - Novelty
  - Inventive step/non-obviousness
  - Sufficiency of disclosure
  - Claim drafting
  - Restriction/unity of invention
  - Amendments/corrections

Harmonization: Tribunal Efforts

- Need for UCOM and local approach
  - engage the experts, need it early, and realistic results
  - no rigid framework
  - provide best practice taking into account cultural practices
  - address moral issues as much as possible
  - promote the discussion at the WHO/SCP

Harmonization: Tribunal Efforts

- 2007 MoU identified priority topics
  - Prior art
  - Grace period
  - Novelty
  - Inventive step/non-obviousness
  - Sufficiency of disclosure
  - Claim drafting
  - Patentable subject matter of invention
  - Amendments/corrections

Harmonization: Trilateral Efforts

- Items to be addressed at a later stage:
  - First-to-file/first-to-invent
  - Patentable subject matter/technical character
  - Utility/industrial applicability

Harmonization: Trilateral Efforts

- Working Group met in February 2004
- WIPO IB attended as observer
- Discussion limited to prior art-related priority items
- Framework was current SPLT language and the text of the 1991 proposed harmonization treaty

Harmonization: Trilateral Efforts

- Items to be addressed in a near-term
  timeframe
- Items identified as long-term
- Technical work (test methodology
  differences)
- Institutional applicability

Harmonization: Trilateral Efforts

- Updated Europe to January 2002
- Will be extended as necessary
- Documentation limited to prior harmonized
  areas only
- Reviewed and revised QA/QC language and
  definitions (Europe 1999 and Europe-Japan
  1998)

Harmonization: Trilateral Efforts

- Results of February meeting were promising
  - Considerable progress made on certain issues
  - "Enlarged novelty" is emerging as an important concept
- Limited package discussed in Working Group was basis for May SCP proposal

Harmonization: Next Steps

- Ideally have at least one Working Group meeting by end of year
- Outcome of WIPO General Assemblies meetings will affect planning/future work
- Build on success of February meeting

Trilateral Technical Cooperation

- Areas of cooperation
  - Exploitation of search results
  - 30-month priority
  - Automation
  - Harmonization of patent examination practices
  - Classification

Trilateral Technical Cooperation

- Goals:
  - Reduce workloads
  - Reduce duplication of work efforts
  - Reduce costs
  - Improve patent examination quality
  - Streamline patent system
  - Improve modes of information exchange

Exploitation of Search Results

- Issues being discussed & considered:
  - Utilization of search results
  - Fee related issues, including fee reduction to applicants in office of 2nd filing
  - Sharing priority documents
  - Evaluating similarities and differences in examination strategies

30-Month Priority

- 30-month Priority Period
  - Longer period to evaluate need for foreign filing
  - Will reduce workloads for offices
  - Will facilitate work-sharing

Exploration of Second Results

- Second exploration
- Different way of viewing results
- Use various tools to explore
  to explore in order of [illegible]
- Second group discussion
- Summarize by individual and different
  viewpoints discussed

10-Minute Break

- 10-minute break period
- Dinner served to bring refreshments
  in again
- Will reduce number of tables
  again for next activity

Automation

Calendar year 2004 goal

- Dossier/E-Document Access
  - Electronic exchange of Search Results, Priority Documents and Application Content with Trilateral Offices
  - Agreement on technology for trilateral document access to previous search and examination results
    - includes Machine translation capability from JPO
    - Will JPO adopt SOAP interface?

Harmonization of Patent Examination Practices

- Biotech Working Group Study
  - Standardizing search strategies
- Processing mega and complex applications
  - e.g. large sequence listings; applications with numerous excessively broad or speculative claims)
- Comparative studies in New technologies
  - e.g Single Nucleotide Polymorphisms and Haplotypes and Protein 3-Dimensional Structure Related Claims)
  - See www.uspto.gov/web/tws

Introduction

Classification

- IPC Reform (effective Jan. 1, 2006)
  - Alternative classification search tool
  - Significant improvements over old IPC
- Trilateral Harmony reclassification projects
  - USPC, ECLA, JPO-FI, and IPC all using the same classifications for a given technology
  - Limited to technologies where similar scope exists amongst the major classification systems or to new or emerging technologies

Classification

- Examples of projects worked on in 2004
  - Interactive Video Distribution Systems
  - Combinatorial Chemistry
  - Nanotechnology
  - Bio-informatics

Classification

Conclusions

- China – challenge is daunting, but must be addressed; approach must be comprehensive and continuing
- Substantive Harmonization
  - Prospects are dim at WIPO
  - Trilateral is appropriate forum
  - Expansion beyond Trilateral under consideration
- "Work-sharing"
  - Short term gains for offices, provides "practical" gateway to normative harmonization for eventual mutual recognition

Conclusions

- Protecting intellectual property rights internationally essential in the global, knowledge-based economy.
- *Status Quo* is unacceptable –
  - Costs, redundant work processes
  - Enforcement issues – economic impact
- Challenges – must be addressed

Conclusions

Thank you, for further information, please contact:

USPTO

Office of International Relations

(703) 305-9300

1(800) 999-HALT

www.USPTO.gov

Lois E. Boland

Director, Office of International Relations

United States Patent and Trademark Office

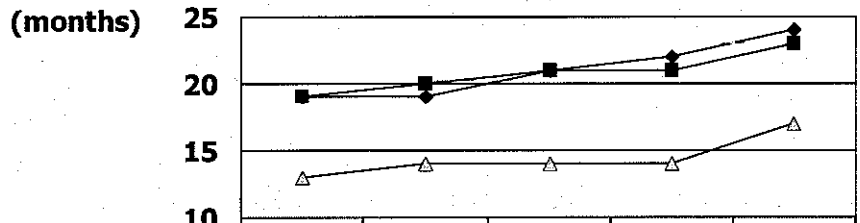
Overview of Dossier Access System

Japanese Group Committee #1

- Takashi ISHIHARA (Matsushita Electric Industrial Co., Ltd.)
- Masahiko KOROKU (Wako Pure Chemical Industries, Ltd.)
- Koji SATO (FUJITSU LIMITED)
- Masaya SATOYAMA (Eisai Co., Ltd.)
- Tohru HOSAKA (ZEON CORPORATION)
- Tatsuhiro MIYAUCHI (TOSHIBA CORPORATION)
- Eriko WATANABE (IBM Japan Ltd.)

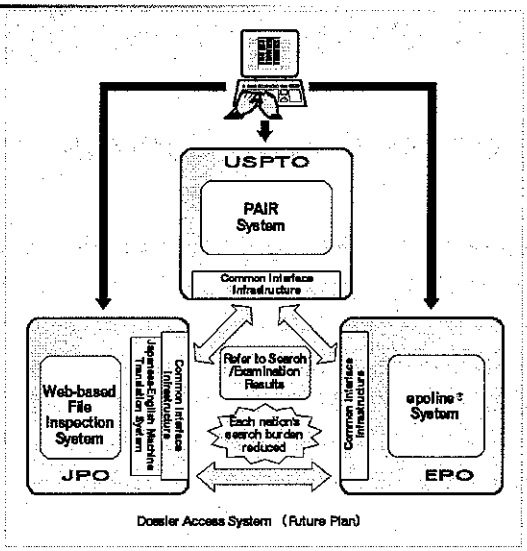
Rapid Growth of Patent Application

Period from Filing Date to First Action



	1998	1999	2000	2001	2002
JPO	19	19	21	22	24
EPO	19	20	21	21	23
USPTO	13	14	14	14	17

Dossier Access System



Dossier Access System (Future Plan)

Available Information

- **Available to General users and Examiners**
  patent specification, notice of reasons for rejection, argument, amendments, search results, patent references as prior art, priority certificate

- **Information Restricted to Examiners**
  Non-patent prior art references, search strategy, search history, examination notes produced at the time of examination and other related information.

Utilization of Dossier Access System

- Analyzing 7 forms of Utilization

	Search Result of 1st Country	Search in 2nd Country	Exam. Result of 1st Country	Exam. in 2nd Country
1	○	×	×	○
2			○	×
3	○	△ *1	×	○
4			○	△ *1
5	△ *2	○	×	○
6	○ *3	○ *3	×	○
7	○ *3	○ *3	○	△ *1

*1 Only on claims not rejected by search in the 1st country
*2 Only on claims not rejected by search in the 2nd country
*3 Search Work divided between 1st and 2nd country

Advantages and Disadvantages to Applicants

- Items focused on for Analyzing
  - Burdens imposed on Applicants
  - Expenses to be paid to the Office and Attorney
  - Reliability, validity of patents
  - Acceleration of patent prosecution
  - Identity of 2nd exam. result with 1st exam. result

- Form of Utilization <4>
  <STEP 1>
  Using search and examination results of the 1st country with respect to claims that can be rejected under the legal system
  <STEP 2>
  Additional search and examination only on claims which cannot be rejected with the search and examination results of the 1st country

- Remarks
  Form of Utilization <4> is *ideal*!

Form of Utilization <4>

- **Burden**
  - No need for substantial study in the 2nd country with respect to claims rejected in the 1st country.
  - The 1st and 2nd Countries cite partially same prior arts.
  - Duty of Disclosure as IDS will be abolished or alleviated.
- **Expenses**
  - Intermediate cost will be reduced due to partial identity of exam. results.
  - Procedural and Translation cost will be reduced due to alleviation of IDS.
- **Reliability**
  - Perfect search will be achieved.
- **Acceleration**
  - Burden of search and examination will be reduced.
- **Identity**
  - Reasons for rejection will be partially identical.

Advantages and Disadvantages to The Trilateral Patent Offices

- **Items focused on for Analyzing**
  - Burdens of Own Search on the 2nd country
  - Period of examination
  - Expense → a) search, b) use of search/ examination results
  - Reliability, validity of patents
  - Timing of Examination
- **Form of Utilization <4>**

  Burdens → reduced , Period → shortened

  Search results of 1st & 2nd country are complemented by each other

  Reliability of patent → improved

  Examinations are also complemented by each other
- **Remarks**

  Form of Utilization <4> is *ideal*!

Conclusion of Utilization

- Form of utilaization <4> is the ideal form from Applicants and Trilateral Patent Office.

→ However !
Face up to the current examination situation.

- There are many problems to be solved within the Trilateral Patent Offices, to actually implement this form of utilization.

For the Ideal Operation

- Issues to be solved

(1) Timing of search/examination

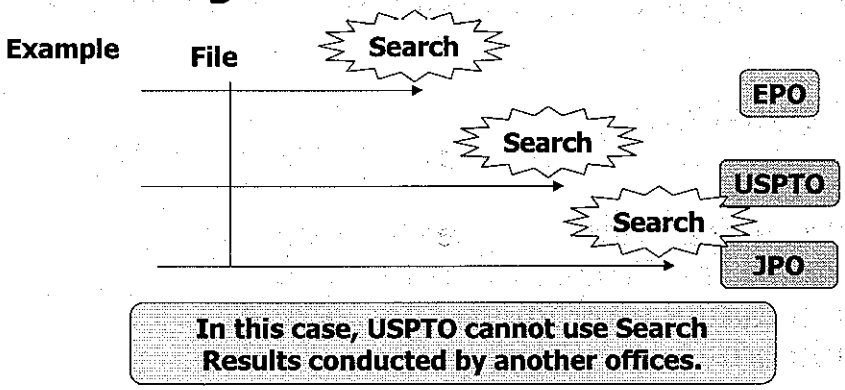
(2) Differences in Examination Guidelines and Legal System

(3) Clarification of Examination Results

(4) Accuracy of Machine Translation

For the Ideal Operation

- **Time lag of search**



For the Ideal Operation

- **Difference in Examination Guidelines and Legal System**
  - **Ex. Novelty(Hilmer Doctrine...etc.), Inventive Step, IDS...etc.**

-Solution-

1. **Training Search Staff and Examiners**
2. **Harmonization of Examination Guidelines and Legal System**

For the Ideal Operation

- Clarification of Examination Results
  - There are some office actions in which the examiner's intention cannot be understood

Difficulty for Foreign Examiner to use the result

-Solution-

Unite each office action forms and how to describe office action

Ex. Uniform format for Office Actions & Individual Items

For the Ideal Operation

- **Machine Translation**

1. **Accuracy of Translation**
   Inaccurate Translation mislead the Foreign Examiner
2. **No Translation Function in any other language (French, German etc.)**

-Solution-

-Wish Trilateral Patent Offices to Develop a New Machine Translation System (High Accuracy and other language)

For the Ideal Operation

- **SUMMARY**

1. **Timing of search/examination**
   - Construct a New System of Request for Examination
2. **Differences in Examination Guidelines and Legal System**
   - Train a Search Staff and Examiners & Harmonization
3. **Clarification of Examination Results**
   - Uniform format for Office Actions and Individual Item
4. **Accuracy of Machine Translation**
   - Enhance Quality of Translation & Other Languages

Conclusion

- **Requests to Trilateral Patent Offices from the Applicants**

USPTO:

- Request to Alleviate Obligation to file as IDS

EPO:

- Request to Add English Translation Function for Non-English References

JPO:

- Request for Free Inspection of File wrappers

Trilateral Patent Offices:

- Request to Reduce Application Fees

We hope that this presentation will be useful in your IP practice!!

Thank you!!!
謝謝!!!
感謝!!!

IP Management

1. Short introduction about LPL
2. General IP Management in Korea
3. Corporate IP Policy

LG.PHILIPS LCD

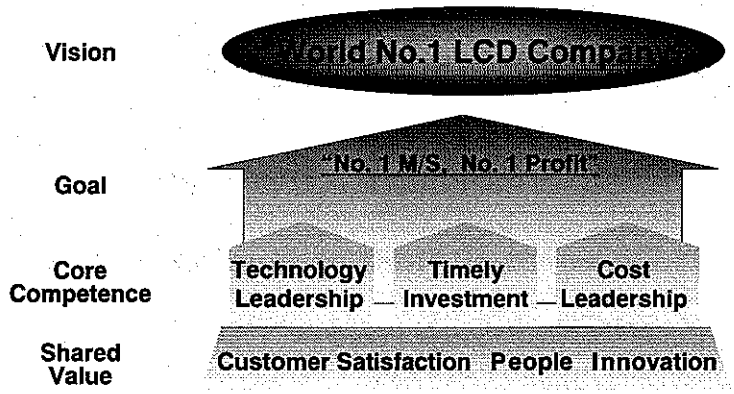
A World Leader in TFT-LCD

- TFT-LCDs are Thin Film Transistor Liquid Crystal Displays, like those found in Notebook PC's (NBPC).
- LG.Philips LCD is a joint venture between LG Electronics and Royal Philips Electronics, with headquarters in Seoul, South Korea.
- LG.Philips LCD is world # 1 in LCD monitor modules, #2 in Notebook PCs and aspires to lead in LCD TV modules.

Gateway 15.7" Notebook PC | Apple 15.2" Wide Notebook PC | Mass Dual 15.0" Monitor | Apple 22" Wide Cinema Display | LGE 29.0" Wide LCD TV | LGE 55" HD LCD TV

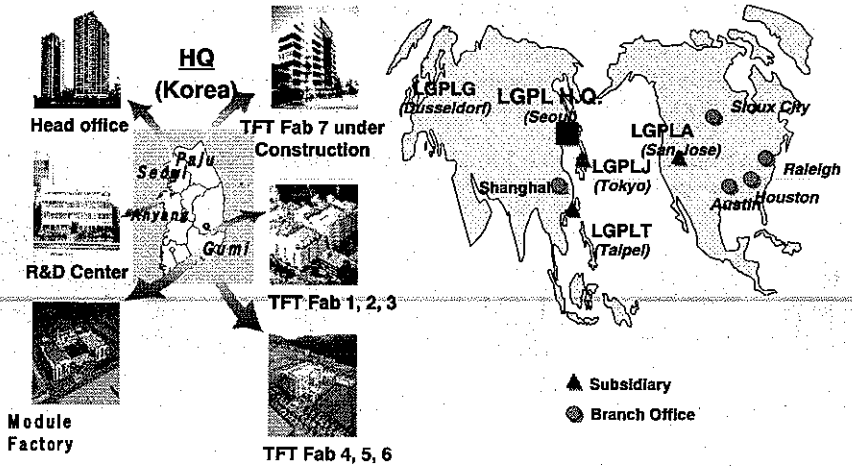
LG.PHILIPS LCD

Corporate Statements & Philosophy

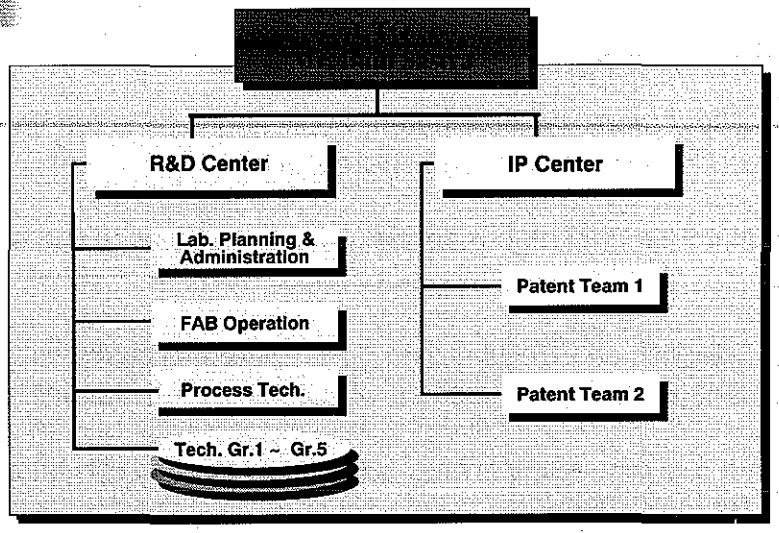


Locations and Facilities

Labs, Fabs, and offices



R&D Organization



LG.PHILIPS LCD

IP Management (Past)

Past patent policy trend

1. Filing more patent applications.
   (Volume competition was a boom in a short time period)

2. Maintain all patents for their whole lives.
   (Maintenance fee was cumulative)

3. Limited data base system(Focused on storing data).
   (Data managing only not information managing)

4. No offensive licensing activities(Licensees` view only)

LG.PHILIPS LCD

IP Management(Current &Future)

Current & Future patent policy trend

1. Filing more valuable patent applications by screening Inventions technically and strategically.

2. Maintain only high potential patents to balance the budget Effectively(Eliminate unused patents).

3. Establish an effective data base related to business Criteria(Data can be used as valuable biz information).

4. Mutual win-win licensing activities(Licensing can be a tool for biz creation).

LG.PHILIPS LCD

Corporate IP Policy

File most of our key patent applications in foreign countries where our technology market grows

Value creation basis

1. Generate more valuable patents through direct inventor meetings.

2. Strengthening invention capturing process by focusing on key projects.

3. Build-up a defensive technology wall by generating valuable inventions on core biz area.

LG.PHILIPS LCD

Corporate IP Policy

Managing high potential patents and monitoring potential Licensing candidates

Value protection basis

1. Generate valuable added patents through patent claim discussion together with patent attorneys or agents.

2. Strengthening invention screening process by technology training.

3. Periodic patents filtering process to maintain high potential patents(Abandoning old fashioned technology).

LG.PHILIPS LCD

Corporate IP Policy

Integration of biz strategy into licensing policy to establish a win-win licensing result both for licensees and licensors

Value extraction basis

1. Periodic evaluation on the registered patents to maintain strong patent Portfolio(In-depth analysis can be executed if necessary).

2. Open door policy for taking licensing opportunities to potential candidates.

3. Long-term biz relationship would be preferable for making win-win licensing result.

LG.PHILIPS LCD

Corporate IP Policy

Special concern on Chinese market due to the rapid growth Of economic situation and market in LCD area

Extra concern on China

1. Increase the number of patent applications as other developed countries such as U.S. and Japan.

2. Establish an effective patent prosecution system(Currently language barrier is serious, how to communicate).

3. Training Chinese experts who can handle Chinese cases effectively

LG.PHILIPS LCD

THE ROLE AND VALUE OF TRADE SECRETS IN IP MANAGEMENT STRATEGIES

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35TH PIPA CONGRESS
TOYAMA, JAPAN
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PIERCE LAW
FRANKLIN PIERCE LAW CENTER

ROLE AND VALUE OF TRADE SECRETS IN IP MANAGEMENT STRATEGIES

Overview

I. Introduction: Integration of IPRs
II. Importance of Trade Secrets
III. The Patent/Trade Secret Interface
IV. The Patent/Trade Secret Complementariness
V. The Best Mode Requirement
VI. Exemplary Trade Secret Cases
VII. Conclusion

PIERCE LAW
FRANKLIN PIERCE LAW CENTER

I. INTRODUCTION: INTEGRATION OF IPRS

Prof. Dratler (1991)

- **IPRs are now a "seamless web"**
- **Single field of law with much overlap**
- **Several IPRs available for same IP or different aspects of same IP**
- **Not taking advantage of overlap — malpractice**

One IP category — center of gravity
Others are supplementary but very valuable to

- **cover additional subject matter**
- **strengthen exclusivity**
- **invoke additional remedies in litigation**
- **standup if primary IPR becomes invalid**

and thus provide synergy and optimize legal protection

Most important management strategy:
exploiting the overlap between patents and trade secrets

IP INTEGRATION CONCEPTS

EXPLOIT THE OVERLAP
DEVELOP A FALL BACK POSITION
CREATE A WEB OF RIGHTS
BUILD AN IP ESTATE
BUILD A WALL
BUILD A RINGFENCE (India)
OVERPROTECT
LAY A MINEFIELD
for
SYNERGISTIC EFFECT
via
DUAL OR MULTIPLE PROTECTION

II. THE IMPORTANCE OF TRADE SECRETS

Trade secrets are the "crown jewels" of corporations — not the "cesspool of the patent system."

Mark Halligan and James Pooley proclamations.

Trade secret misappropriation cost Walt Disney $240 million and Cargill $300 million.

88% of responses in an IPO Survey indicate trade secrets to be the really important intellectual assets because patents have limits: patentability requirements, publication, invent-around feasibility.

THE IMPORTANCE OF TRADE SECRETS (cont'd)

Trade secret protection operates without delay and undue cost against the world — unlike patents which are territorial and so expensive to obtain and maintain that only very selective foreign filing is done.

Patents are tips of icebergs in an ocean of trade secrets

- **Trade secrets cover over 90% of new technology**
- **Over 80% of technology licenses cover trade secrets or are hybrid licenses**

Trade Secrets are the "workhorse of tech transfer." (Bob Sherwood).

III. PATENT/TRADE SECRET INTERFACE

As a practical matter, licenses under patents without access to associated, collateral know-how are often not enough, because patents rarely disclose the ultimate scaled-up commercial embodiments of products and processes.

"In many cases, particularly in chemical technology, the know-how is the most important part of a technology transfer agreement." (Homer Blair).

"It is common practice in industry to seek and obtain patents on that part of a technology that is amenable to patent protection, while maintaining related technological data and other information in confidence. Some regard a patent as little more than an advertisement for the sale of accompanying know-how." (Peter Rosenberg).

PATENT/TRADE SECRET INTERFACE (cont'd)

In technology licensing "(r)elated patent rights generally are mentioned late in the discussion and are perceived to have 'insignificant' value relative to the know-how." (Michael Ward, Honeywell VP Licensing).

"Trade secrets are a component of almost every technology license...(and) can increase the value of a license up to 3 to 10 times the value of the deal if no trade secrets are involved." (Melvin Jager).

Failed Brazilian tactic.

CIBA-GEIGY examples: Eastman Kodak & DuPont licenses.

IV. PATENT/TRADE SECRET COMPLEMENTARINESS

- Supreme Court (*Kewanee Oil*, 1974): perfectly viable alternatives.
- Not mutually exclusive but mutually reinforcing — dovetail, in harmony
- "Coexistence is well-established." (Don Chisum).
- Inextricably intertwined: Most R&D data and collateral know-how cannot and need not be included in patent applications — grist for trade secrets.
- Trade secrets precede, accompany and follow patents.
- Tom Arnold: it's "flat wrong" to assume that "because the patent law requires a best mode requirement, patents necessarily disclose or preempt all the trade secrets that are useful in the practice of the invention."

PATENT/TRADE SECRET COMPLEMENTARINESS (cont'd)

1. In the critical R&D state and before any patents issue, trade secret law "dovetails" with patent law.
2. Assuming that a development has been enabled and the best mode described, all collateral know-how not disclosed, whether or not inventive, can be retained as a trade secret.
3. All R&D data, including data pertaining to better modes, developed after filing, again whether or not inventive, can also be protected as trade secrets.
4. With respect to technologically complex developments consisting of many patentable inventions and volumes of associated know-how, complementary patenting and secreting is tantamount to having the best of both worlds.

   E.g. • GE's industrial diamond technology
   • Wyeth's Premarin Process
   • "PIZZA HUT Case"

The question is not whether to patent or to padlock but rather what to patent and what to keep a trade secret.

Best policy and strategy is to patent as well as to padlock.

V. THE BEST MODE REQUIREMENT

The *"best mode"* requirement applies

- **only to the knowledge of the inventor,**
- **only at the time of filing and**
- **only to the claimed invention.**

Hence best mode requirement is no impediment, because —

1. **Patent applications are filed early in the R&D stage to get the earliest possible filing or priority date.**
2. **The specification normally describes in but a few pages only rudimentary lab experiments or prototypes.**
3. **The best mode for commercial manufacture and use remains to be developed later.**
4. **Patent claims tend to be narrow for distance from the prior art.**
5. **As shown by case law, manufacturing process details are, even if available, not a part of the statutorily-required best mode disclosure of a patent.**

VI. EXEMPLARY TRADE SECRET CASES

1. GE's exclusive industrial diamond process technology

- **Holds patents (some expired) and trade secrets**
- **Refused to grant licenses**
- **Fast-track GE scientists stole trade secrets for Far Eastern interests for million dollar payments**
- **In the end got caught, tried, jailed**

2. Wyeth's exclusive Premarin manufacturing process

- **Has market exclusivity since 1942**
- **Patents expired decades ago**
- **Closely guards its trade secrets**
- **Natural Biologies stole these trade secrets**
- **Wyeth sued, got sweeping injunction**

EXEMPLARY TRADE SECRET CASES (cont'd)

3. Pizza Hut case

- **Pizza Hut supplier, C&F Packing, invented and patented a manufacturing process for pizza sausage toppings and kept improvements secret**
- **Pizza Hut misappropriated trade secrets and got sued**
- **Court decision:**
  1) **patents are invalid on on-sale bar grounds (on Summary Judgment)**
  2) **trade secrets are enforceable and Pizza Hut had to pay $10.9 million (after trial)**

VII. CONCLUSION

The foregoing discussion and cases show the importance and value of trade secrets and the merits of marrying patents and trade secrets to exploit the overlap and thereby secure invulnerable exclusivity — "one can have the cake and eat it."

GOSEICHO ARIGATO GOZAIMASHITA.

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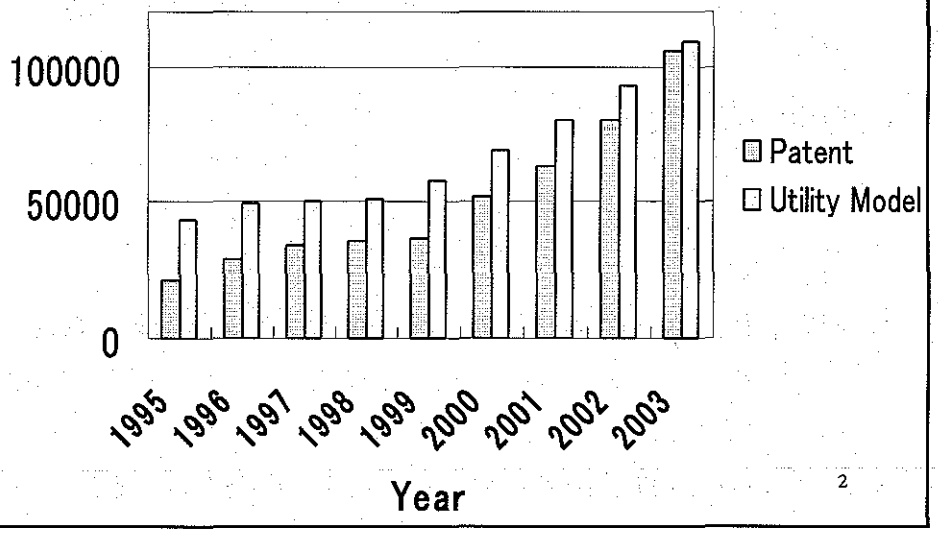
Intellectual Property Management of Foreign Owned Companies in China

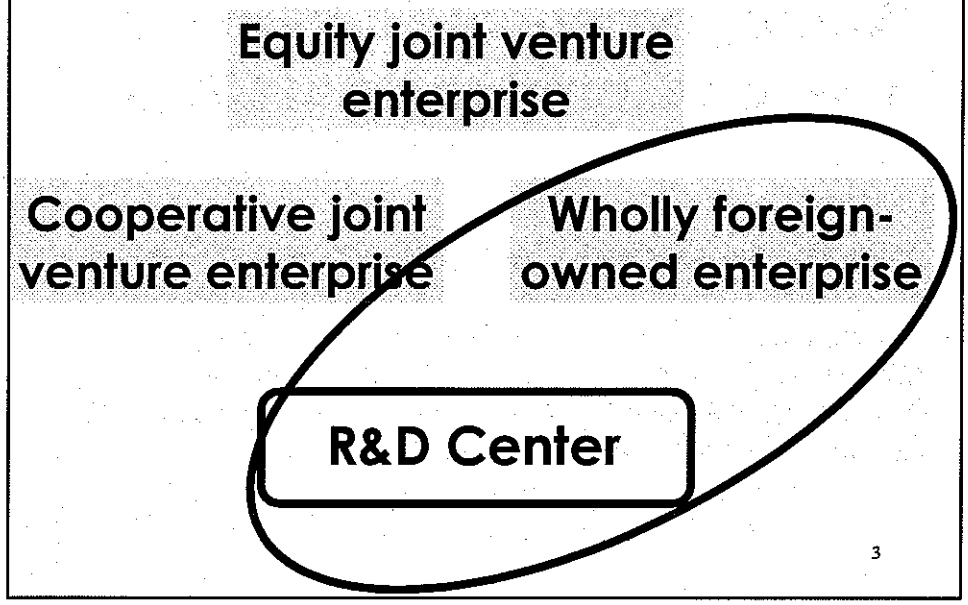
Japanese Group Committee #1,WG#1

Hiroshi KON (Mitsubishi Rayon Co., Ltd.)
Mitsuo TAKAHASHI (Sumitomo Electric Industries, Ltd.)
Akitoshi NAKAKIMURA (Toray Intellectual Property Center,Ltd.)
Yoshinari MURAKAMI (Oki Electric Industry Co., Ltd.)
Tomoaki MORIOKA (Toyota Central R&D Labs., Inc.)

Patent and Utilities Model Applications filed in China



Foreign Capital R&D Center



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Contents

1. Invention-Creation made in China

(1) Attribution of Right of R&D Outcome

There is no explanation for attribution.

(according to "Circular for R&D Center Establishment")

R&D outcomes belong directly to the head office of a foreign capital enterprise.

⇩

various profits to a foreign capital enterprise . (no restriction by technology transfer contract or technology export contract etc.)

(1-1) Method for determining attribution

1. Defining it in an application for establishment of an R&D center

⇨ **approval of the examination authority is required.**

2. Defining it with respect to each project after establishment of an R&D center

⇨ **approval of the examination authority is NOT required.**

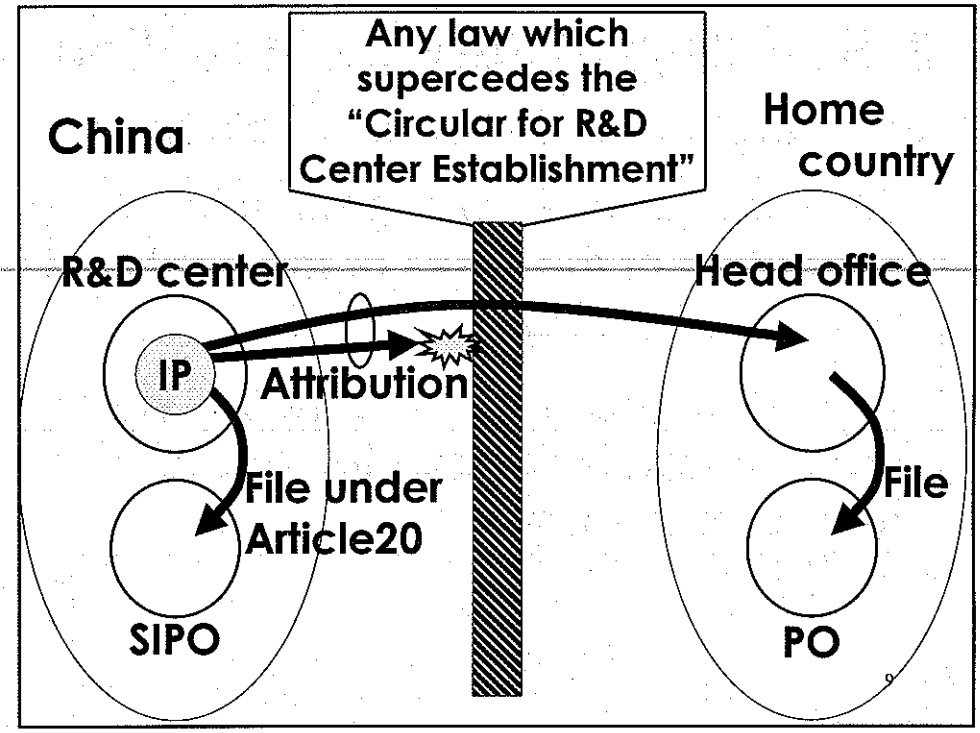
(2)First filing application in China

Article20.

1. Where any Chinese entity or individual intends to file an application in a foreign country for a patent for invention-creation made in China, it or he shall file first an application for patent with the patent administration department under the State Council, ...

However • • •

It is conceivable to first file in the home country of the foreign capital enterprise, regardless of the provision of Article 20:



Filing Application for invention made in China

- Any law which supercedes the "Circular for R&D Center Establishment" has to be followed.
- Attention to application of the "Regulations on Technology Import and Export Administration" is required.
- There are unclear points as to interpretations of the regulations.
- Attention is required to the risk that it is subject to penalty of the regulations.
- It is necessary to prepare a contract with no omissions with regard to any of various cases of attribution of rights.

2. Handling of Service Invention

1) Definition of Service Invention

-invention made by a person in execution of the tasks of the entity to which he belongs

-invention made by him mainly by using the material and technical means of the entity

Scope of Service invention in **China**	>	Scope of Service invention in **Japan**

2) Attribution of Service Invention

-Service invention ⇨ the entity
-Non-service invention ⇨ the inventor

"invention made by him mainly by using the material and technical means of the entity"

whether the requirement of "mainly" is fulfilled or not

⇨ it should be determined as set by the contract

3) Award

-Giving award to an inventor should be set up in the following cases

i. when a patent application is filed for an invention of an employee (with no duty)
ii. when an application is granted
iii. when a Chinese company obtains profit by the patent

3.Handling of Know-How/Trade Secret

Invention ⇨ Patent Application

⇩ In case where
- it is difficult to discover infringement.
(ex. detailed content of a manufacturing method)
- disclosure would surely invite imitations.

Know-How / Trade Secret

(1)Risk in case that Application is Not filed

(a) A third party files an application for the same technology.

Assert a prior user's right

(b) Another person possesses a similar know-how and he initiate a lawsuit.

Assert an independent development

(c) An employee takes a trade secret out of the enterprise improperly.

Strict secrecy control

(2) Strict secrecy control

Trade Secret which is Protected by Law Against Unfair Competition

(a) It is confidential information.

(b) It has an economic value.

(c) It has practicality.

(d) Measures to keep secret are taken.

(3) Concrete Measures to keep secret

It is necessary that it be recognized that it was confidential information objectively.

- **enter into a non-disclosure agreement**
- **implementation of confidentiality management rules**
- **education of employees**
- **management of confidential documents**

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Detailed Requirement for management of confidential documents

Examples:

- Confidential documents and public documents are managed separately.
- A confidentiality manager is appointed.
- A depository of confidential documents is locked, and management of the key is controlled strictly.
- Identification with labels such as "CONFIDENTIAL" , "FOR INTERNAL USE ONLY".
- A password is set in a personal computer.
- Disposal is carried out by shredder processing, melting, and destruction.

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Summary

(a)Enter into individual specific contracts with employees.(about Attribution of right etc.)

(b)Define the amount of remuneration as concretely as possible.

(c)Take strict measures to keep secret

We hope that this presentation will serve as a guide for enterprises making a foray into China and carrying out R&D activities there.

Thank you !

OVERVIEW OF CHINESE PATENT LAW

35th PIPA INTERNATIONAL CONGRESS
Toyama, Japan
October 19-22, 2004

Soonhee Jang
Eli Lilly and Company
Jon Wood
Eastman Chemical Company
Bonan Lin
Zhongzi Law Office

Why China NOW?

- China became the world's number one foreign direct investment destination attracting more than US $52 billion and surpassing even the U.S. in 2002
- Insurgence of interest in securing IP rights is motivated by the rapid growth of the China market and increased peer pressure from competitors in the industry to enter the China market
- Increasing numbers of multinationals are relocating their production and R&D centers to China
- China IP protection and enforcement have become increasingly critical to the success of many companies' global business
- Outbreak of SARS has inspired more foreign pharmaceutical companies, heath care providers and biotech funds to invest in China

History of Development of Chinese Patent Law

1911 - Provisional Rules of the Encouragement of Arts and Crafts

1950 - Provisional Regulations on the Protection of the Invention Right and the Patent Right

1963 - Promulgated regulations and subsequent enabling rules

1966 to 1976 - Cultural Revolution completely eliminated the private sector and the concept of private ownership, even small awards and incentives

1978 to 1983 - Experimental phase of privatization

Early 1980s - "Open Door" policy

1984 - *Patent Law of the People's Republic of China* (the "Patent Law"): larger private enterprise were emerging

History of Development of Chinese Patent Law (cont'd)

1992 – Deng Xiao Ping declared the transformation of China into a "market economy-based regime"

1992 – 1st Amendment to the Patent Law; introduced laws of Copyright and Computer Software

after treats of sanctions by the US Trade Rep., China agreed to revamp its IP protection and signed a MOU on the protection of IP with the US. China's patent law was then amended and implementing regulations were adopted

2000 – 2nd Amendment to the Patent Law in anticipation of China's accession to the WTO; became effective on July 1, 2001

2002 – President Jiang Zemin at the Communist Party's 16th Congress in Beijing called for a breakthrough in China's reform to protect private ownership and treat private form and state owned enterprises (SOE) equally

Major Hurdles in Establishing IP Rights in China

- Cultural differences and traditional Chinese concept of intellectual creation and protection are major challenges
- Confucian idealism deeply emphasized the good of society over the pursuit of individual reward
- Knowledge can not be owned/controlled/used as a tool for profits
- Knowledge must be made public and duplicated
- Copying was practiced widely encouraged by Imperial rulers and it did not have the negative connotation as in the West

Major Hurdles in Establishing IP Rights in China (cont'd)

- Imperial China opposed to the private appropriation of ideas because law was enacted to control how and what kind of knowledge should be disseminated to the society
- Protection of the purity of knowledge was the primary concern, not the author's right or right for profit
- The purpose of enacting laws was to maintain social order rather than to protect creativity to instill economic interests
- Trade Secrete has been the only form of IP protection
  - keep it in the family for medicine and food business

The 1984 Patent Act

- NPC adopted China's first Patent Law on March 12, 1984; became effect on March 1, 1985
- Promulgated the Regulations on Implementing the Patent Law on January 19, 1985
- Objective of the Act (Chapter 1, Article 1):
  to encourage creation and invention and dissemination of new creation and invention; eventually, achieving science development and fulfilling the need of socialist modernization
- Exclusive rights to inventors who first file for
  - new inventions (novel, creative and practical)
  - practical new models; and
  - design patents
- Patent term: 15 yrs; UM or design: 5 yrs

The 1984 Patent Act

- Any invention that contains illegal, immoral, and anti-public interest subject matte not eligible for a patent
- Scientific discoveries; rules and methods of mental activities; methods for the diagnosis or for the treatment of diseases; food, beverages and flavorings; pharmaceutical products and substances obtained by means of a chemical process; animal and plant varieties; and substances obtained by means of nuclear transformation not patentable (Art. 25)
- No individual or state run business should suppress any invention
- Institution or the company is the patent right holder when the inventor works for an institution or company
- Compulsory licensing in extraordinary circumstances or for the benefit of the public interest
- Chinese citizens can not apply for a patent in any foreign countries without permission from the State Council
- Foreign firms/individuals must file patent application through a designated patent agent

Important Reforms of 1992 Amendments

- First Amendment, 9/4/1992; Effective date, 1/1/1993
- Expanded the technological fields of patent protection to include pharmaceutical products, food, beverages, flavoring and substances obtained via a chemical process
- Patent term for inventions from 15 to 20 years
- Patent term for UM and designs from 5 to 10 years
- Narrowed the grounds under which a compulsory license may be granted
- Replaced the pre-grant opposition procedure with a post-grant revocation procedure (shortened the patent approval process)

Second Amendment to the Patent Law, 2000

- Approved on August 25, 2000 by NPC
- Effective date : July 1, 2001
- Purposes of Revision:
  - Accommodation of the socialist market economy
  - Strengthening the protection of patent rights
  - Simplification and acceleration of patent approval
  - Harmonizing China's patent law with international standards and treaties

Second Amendment to the Patent Law, 2000

Major Changes were made in the area of:

- **Administrative and New Judicial Protection**
- **Application Procedure**
- **Enforcement Procedure (streamlined)**

Second Amendment to the Patent Law, 2000

- **Offer for sale constitutes infringement of patent (Article 11)**
- **Foreign applicant should submit a prior art search report upon request for exam only when required by the SIPO (Article 36)**
- **Stricter standard for compulsory license (Articles 50, 52 and 55)**
  - **Must involve an important technical advance of *considerable economic significance***
  - **Granted by SIPO upon request by the later patentee**
  - **Patentee will be notified of the decision; CL will specify the geographic area/time**
  - **Patentee can appeal to the court within 3 months from the receipt of notification**
- **Standard for determining infringement damages (Article 60)**
  - **Patentee's loss/infringer's profit or reasonable royalty**
- **Pre-suit and post-suit preliminary injunction and property preservation orders (Article 61)**

Second Amendment to the Patent Law, 2000

- No fault system: use/sale of an infringement product without prior knowledge constitutes infringement (Article 63)
- Clarified the definition of Employment Invention/ownership right
  - Employer invention if made by using employer material and *technology*
  - The right to apply for patent belongs to the employer
  - If employment agreement states otherwise, such agreement controls
- Abolished Patent revocation procedure and consolidated with invalidation procedure (Articles 45 & 46)
- Patent/UM: Judicial review of invalidation decision by the Patent Re-examination Board (the Board) available
- Burden of Proof (Article 57) (similar to 35 U.S.C.A. 295)
  - Alleged infringer has burden of proving that the process used in the manufacture of its product is different from the patented process

Patents

- File Patents with SIPO
  - ✓ If foreign priority is not relied upon, patent applications may be filed in a regional office
- Types of Patents
  - ✓ Inventions
    - 20 Years from filing
    - Substantive Examination
  - ✓ Utility Models
  - ✓ Design
    - 10 Years from filing for both Utility Models and
    - Design Patents
    - Registration

Patent Filing Statistics

- ***252,631*** **Patent Applications filed in 2002 (24.1% increase)**
  - **80,232 Invention (26.9% increase)**
  - **93,139 Utility Model (16.85 increase)**
  - **79,722 Design (30.7% increase)**
- ***308,487*** **Patent Applications filed in 2003**
  - **105,318 Invention**

Patent Filing Statistics

- **In 2002, 85.95% of Invention Applications were filed by foreign applicants**
- **In 2002, 80.65% of Utility Model and Design Patent Applications filed were filed by domestic applicants**

Patent Examination

- **Patentability**
  - **Novelty**
  - **Inventive Step**
  - **Practical Applicability**
- **First to File**
- **Invalidation**
  - **Post Grant Examination**
  - **Patent Re-examination Board**
  - **Appealable to the People's Court**

Practical Tips

- **Strict Working Example and Data Requirements**
  - **Especially in Chemical and Pharmaceutical Arts**
- **New Examiners**
  - **Examiner may be flexible - Be persistent!**
  - **Don't give up too easily**
- **Examiners are discouraged from issuing final rejections**
  - **Examiners are reluctant to give a final rejection**

Practical Tips

- **Consider a filing both a utility model and an invention patent application**
  - **Both a utility model and an invention patent may not coexist**
  - **Utility model not substantively examined**
  - **Must elect invention application or it will be withdrawn**

Highlights of Achievements in Patent System

- **China entered WTO in November 2001**
- **China is in the transitional period to meet all the obligations mandated by the TRIPS Agreement by 2005 (Articles 65 & 66)**
- **China has the shortest history of providing IP protection among developing countries, but achieved most significant improvement**
- **Chinese patent system is now considered as one of most advanced system among the "developing" countries**
- **China is continually working to improve the overall protection of IP through judicial reform, strengthening enforcement of IPR and improving Patent system**

Acceded to Major Int'l Treaties

-*WIPO Convention* (1980)

-*Paris Convention for the Protection of Industrial Property* (1985)

-*Madrid Agreement on International Trademark Registration* (1989)

-*Washington Treaty on IP in Respect of Integrated Circuits* (1989)

-*Bern Convention for the Protection of Literary/Artistic Works* (1992)

-*Universal Copyright Convention* (1992)

-*Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms* (1993)

-*Patent Cooperation Treaty (PCT)* (1994)

-*Nice Agreement Concerning the Int'l Classification of Goods and Services* (1994)

-*Budapest Treaty on the Deposit of Micro-organisms* (1995)

-*Locarno Agreement Establishing an Int'l Classification for Industrial Designs* (1996)

-*Strasbourg Agreement on Int'l Patent Classification* (1997)

-*Int'l Union for the Protection of New Varieties of Plants* (1998)

Major IP Laws in China

-*Patent Law* (1984; amended in 1992 and 2000)

-*Copyright Law* (1991, revised in 2001)

-*Trademark Law* (1982; amended in 1993, 2001)

-*Anti-unfair Competition Law* (1993)

-*Measures for the Registration of Computer Software* (1992, revised in 2002)

-*Unified Contract Law* (1999)

-*Regulations on Import and Export Technology Administration* (1985, 1988 and 1996: all repealed, new regulations implemented in 2002)

Major IP Laws in China (Cont'd)

-***Regulations on the Protection of Layout Designs of Integrated Circuits*** **(2001)**

-***Regulations on the Protection of New Varieties of Plants*** **(1997)**

-***Provisions regarding Admissibility of Evidence in Civil Cases*** **(issued by Supreme People's Court on April 1, 2002)**

-***Revised Product Quality Law*** **(2000)**

-***Regulations Governing Customs Protection of Intellectual Property Rights*** **(1995)**

-***General Principles of Civil Law 1987*****: Articles 94-97 and 117-134**

-***Criminal Law 1997*****: Articles 213-220**

Questions?

Thank You!

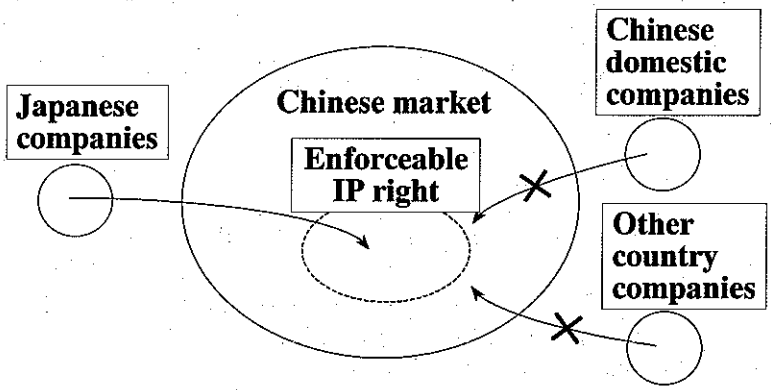
Investigation for mistranslation of the Chinese application

Japanese Group Committee #1

Akinori ISHINO (Sharp Corporation.)
Masakazu ICHIKAWA (Sumitomo Chemical Co,Ltd.)
Kenrou DATE (Mitsubishi Electric Corp.)
Akio YATSU (Hitachi, Ltd.)

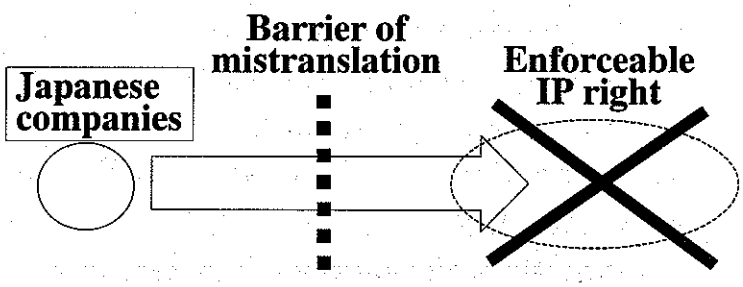
Contents

INTRODUCTION



- Obtaining enforceable IP right = IMPORTANT

INTRODUCTION



- How to reduce mistranslation ?
  ~ Suggestion of effective measure based on analysis of survey ~

COMPREHENSION

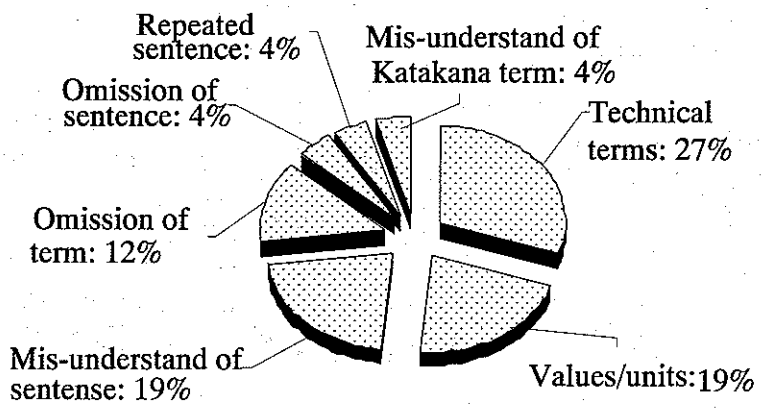
- **Survey on Japanese PIPA companies and Chinese Attorneys**

Items :

- **Base Specification to be Translated**
- **Who to entrust with the Task of Translation**
- **How the translated Materials are Checked**
- **Breakdown of the Natures of Mistranslation**
- **Causes of Mistranslations**
- **Measures to Reduce the Occurrence of Mistranslations**
- **Requests from Chinese Attorneys**

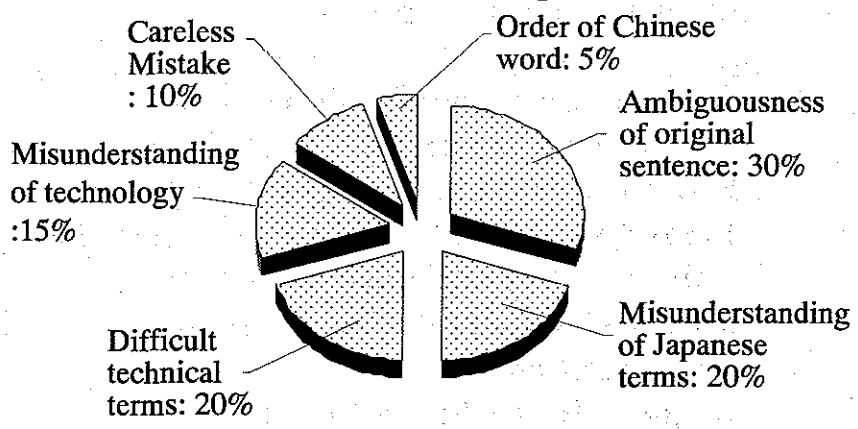
COMPREHENSION

Causes of Mistranslation:
~ Answers from Member Companies ~



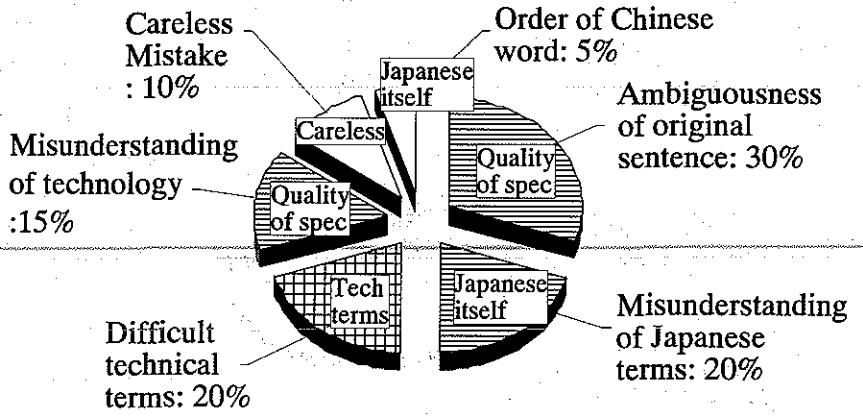
COMPREHENSION

Causes of Mistranslation:
~ Answers from Member Companies ~



ANALYSIS:

Causes of Mistranslation:
~ Answers from Member Companies ~



ANALYSIS

- Causes of mistranslation are summarized following three key causes
  - (1) Quality of the base specification
  - (2) Unique trait of Japanese language
  - (3) Mistranslation of technical term

ANALYSIS

- Requests from Chinese Attorneys that match to three key causes
  - (1) Make clear a relationship between subjects, predicates and objects
  - (2-1) Make sentences as short as possible
  - (2-2) Don't omit subject
  - (3-1) Attach English translation to technical terms
  - (3-2) Use same language both in claims and specification (avoid confusing)

ANALYSIS

Amendment to Correct Mistranslation

- **Regulations for substantial amendment in law**

Very basic principle: <u>No new matter permitted</u>

(i) Reply to requirement in the Office Action

Otherwise , , , ,

Unclear

- **(ii) Comply with the provision of Article 33**
- **(iii) For a purpose of eliminating a defect in application documents**
- **(iv) Guaranteed patentability**
- **(v) Consensus with Examiner**

ANALYSIS

- **Comments on a range of substantial amendment from Chinese Attorneys**

- **Unification of terms . . . . OK**
- **Correction based on drawings . . . . OK**
- **Obvious mistranslation . . . . OK (bit risky)**
- **Correction based on fact resulted/estimated from description in the specification . . . ? (Only one Attorney commented OK)**

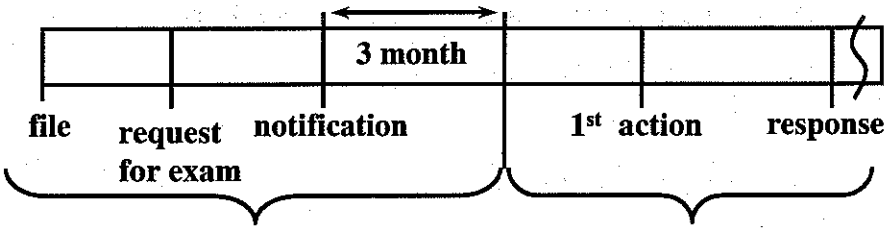
ANALYSIS

- According to the comment of Chinese Attorney, following amendments are probable even after mistranslation outbreaks within a scope of domestic law

  - Obvious errors
  - Clarification of ambiguous descriptions

ANALYSIS

PCT special benefit



You can amend specification based on first prior specification

You can amend specification within Chinese patent law

CONCLUSION

Reduce mistranslation by , , , , ,

- **Clear & Definite Description in Original Specification**
- **Attach Technical Term list**
- **Utilization of PCT Applications**
- **Feedback your findings & knowledge to corespondent Attorneys in China**

CONCLUSION

In case of mistranslation taking place, you can amend specification within following scopes in many cases;

- **Obvious errors**
- **Clarification of ambiguous descriptions**

Acknowledgements

We hope that this presentation will serve as a guide for corporations to help in their discussions on the issues of Chinese patent applications and mistranslations.

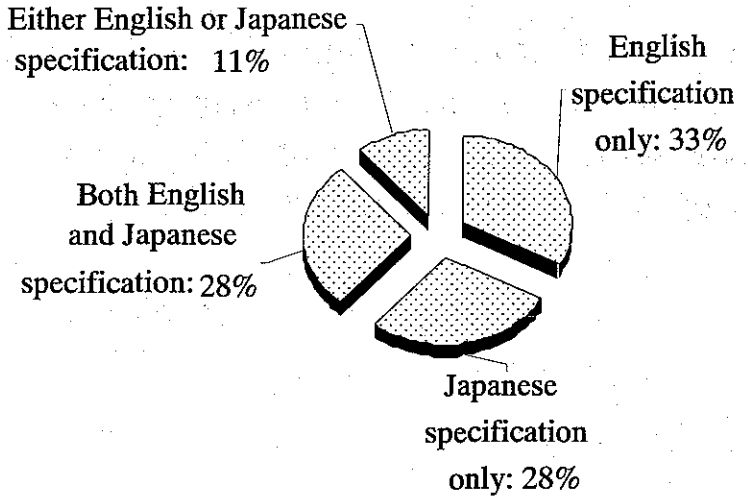
Thank you

Appendix

Result of the survey
- Base Specification to be Translated
- Consistency between English and Japanese specification
- Who to entrust with the Task of Translation
- How the Translated Materials are Checked

Base Specification to be Translated

Answers of Member Companies



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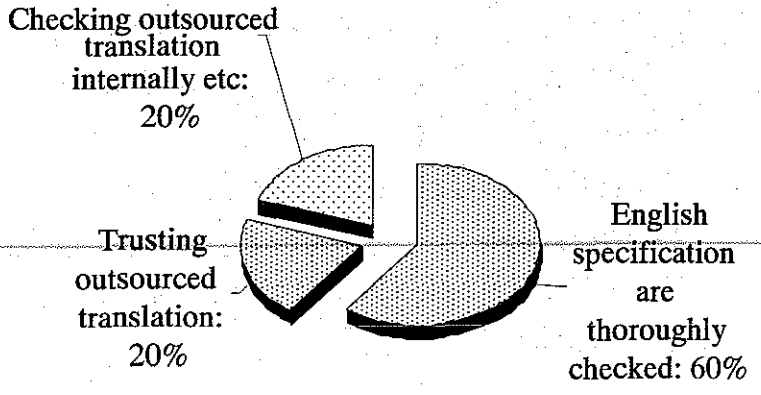
Base Specification to be Translated

Consistency between English and Japanese specification



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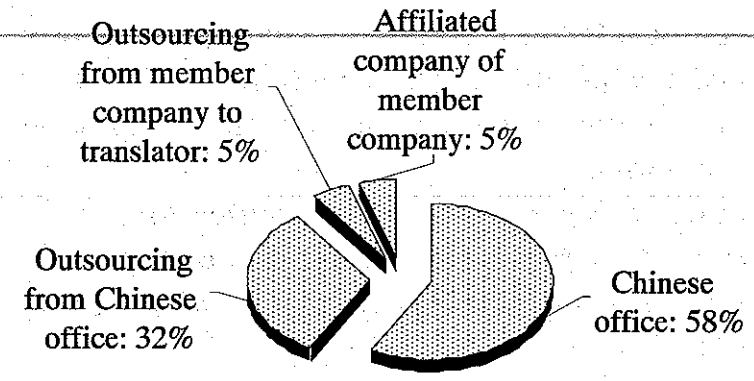
Who to entrust with the Task of Translation

Answers of Member Companies



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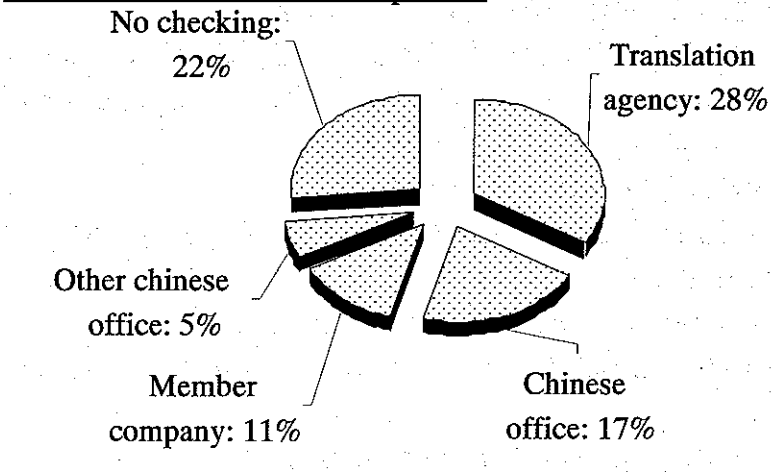
How the Translated Materials are Checked

Answers of Member Companies



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Causes of Mistranslation

Answers of Member Companies

-Technical terms ("Katakana character, "Kanji" character having different meaning in China)
-Many sentences having no subjects in Japanese specification
-Long sentences in Japanese specification
-Misc. (Poor Japanese-Chinese dictionary for technical term, Insufficient number of Japanese staffs)

Measures to Reduce Mistranslations

Answers of Member Companies

-Attach English specification to Japanese one
-Write Japanese specification with short sentence (with more consciousness of syntactic dependencies and subjects)
-Utilize PCT application
-Provide Chinese translation based on English specification
-Put translator name on documents
-Attach English term corresponding to "Katakana" term
-Provide Japanese-English technical term list

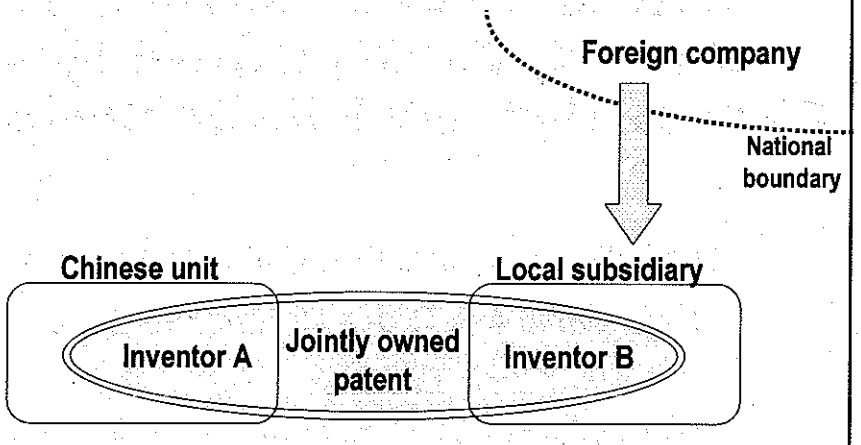
Study of Chinese Intellectual Property Jointly Owned by a Chinese Unit and Foreign Company

The 35th International Congress in Toyama
PIPA Japanese Group Committee No. 4
Yui TADA,
Hiroshi HIDAKA, Shoji IKEYA, Takakimi OTANI,
Takeshi HORIKAWA, Katsunori EBATA,
Tatsuya IZUKAWA, Mika NAKAYAMA

Topics Covered

- Jointly Owned Patent Rights
- Important Points in Licensing
- Important Points in Assignment
- Inventor Compensation

Jointly Owned Patent Rights



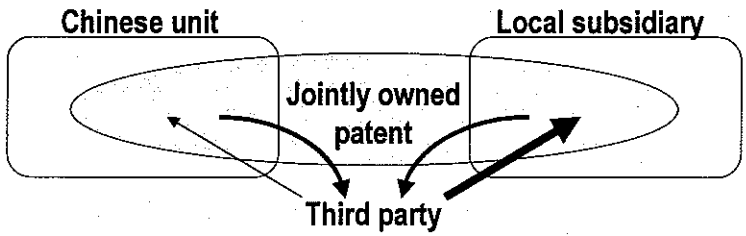
Licensing

Important Points: Licensing

- Licensing shall be onerous.
- A patent license shall be submitted, within three months from the date of entry into force of the contract, to the Patent Administration Department of the State Council.

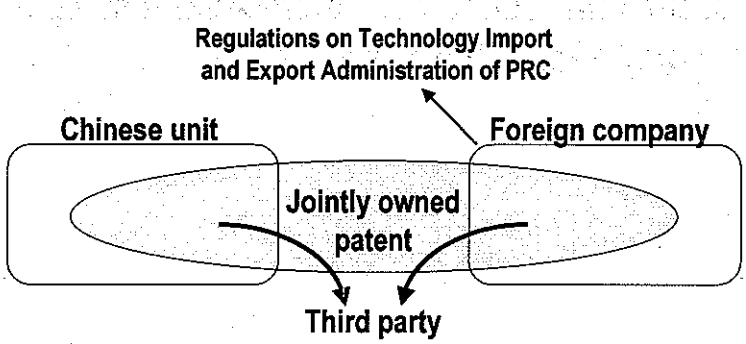
Important Points: Licensing (cont'd)

- On licensing, whole owners shall be the licensors.
- The license fees for the patent and the ratio of distribution of the fees shall be determined according to the each participant's contribution and shall be reasonably agreed upon by the participants.



Important Points: Licensing (cont'd)

- Due consideration shall be given to the Regulations on Technology Import and Export Administration of People's Republic of China, whether or not the licensee is a Chinese unit.

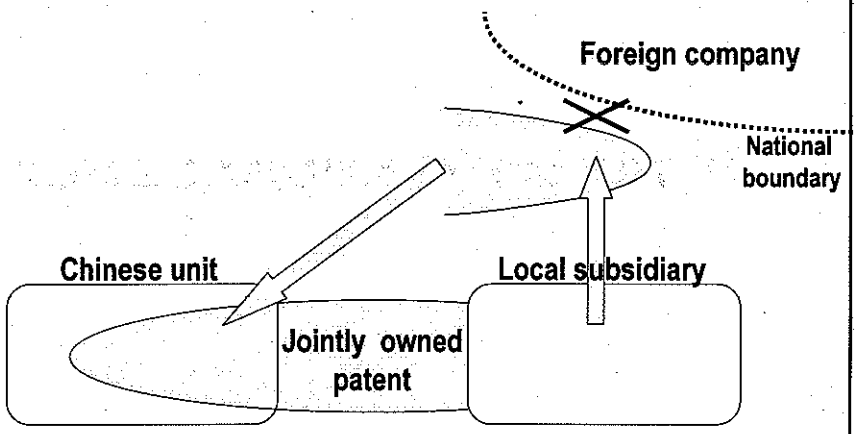


Assignment

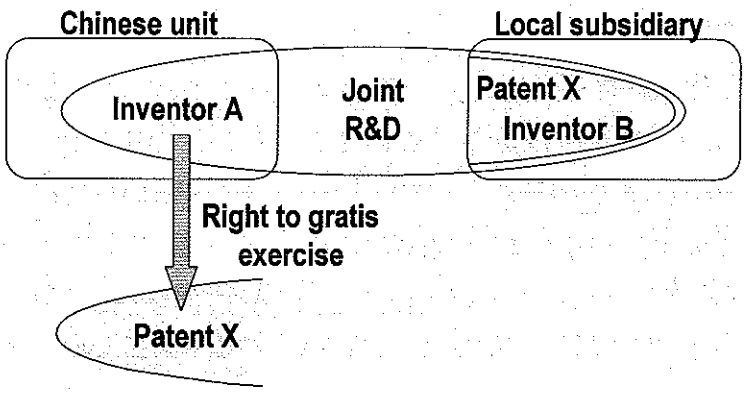
Important Points: Assignment

- Every patentee must agree to the assignment of patent rights.
- Where a Chinese unit assigns a patent right to a foreign unit, the parties shall not only enter a written contract and register it with the Patent Administration Department of the State Council but also obtain approval from the relevant departments of the State Council.

Joint Owner's Preferential Right in Assignment



Special Gratis License for Use



Inventor Compensation

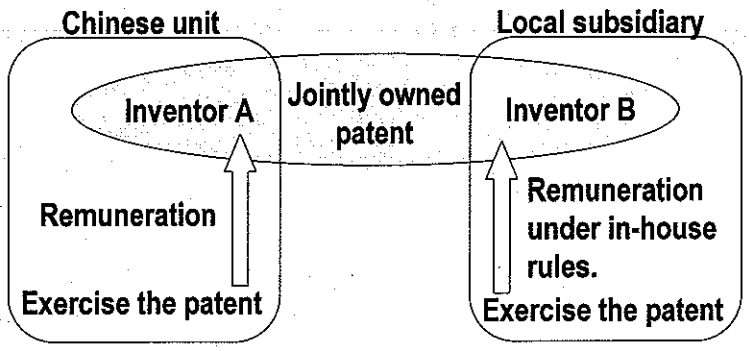
Regulations for Other Units

- The regulations for State-owned units regarding the compensation of inventors serve as guidelines for other units when rewarding their inventors.

Notes : Regulations for a State-owned Unit

- Upon the grant of a patent right: The amount of rewards shall not be less than 2,000 yuan.
- Upon the exercise of the patented invention by the patentee : Each year, the unit must pay the inventor not less than 2% from the resulting income.
- Upon licensing of the patent: The unit shall pay to the inventor as remuneration not less than 10%.

Inventor Compensation for a Jointly Owned Patent



Conclusion

- Handling a jointly owned patent is same as in other countries.
- A jointly owned patent contract has priority over other regulations.
- It is important to be conscious of small details in laws, regulations, guidelines, etc.

Thank you!

We hope that this presentation will serve as a guide for handling your jointly owned patents.

TSAI, LEE & CHEN
Patent Attorneys & Attorneys at Law

What a Foreign Applicant Should Know about Patent Procurement in China

TSAI, LEE & CHEN

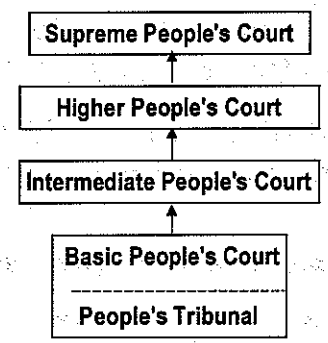
by

Thomas Q. T. Tsai

TSAI, LEE & CHEN
Patent Attorneys & Attorneys at Law

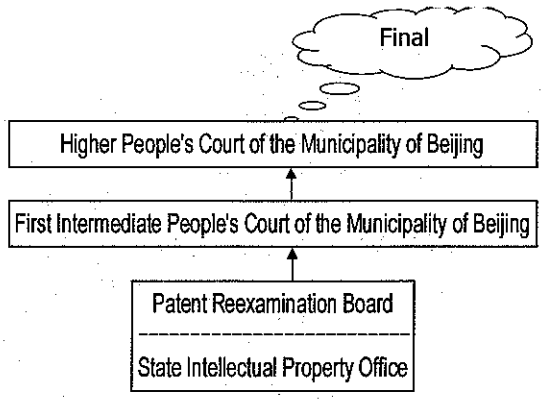
China Legal System

Judicial System in China



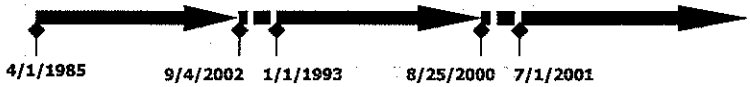
China Legal System con't

Patent Prosecution System in China



History of China Patent Law

- Adopted on March 12, 1984
  - Entered into force on April 1, 1985
- First amended on September 4, 1992
  - Entered into force on January 1, 1993
- Second amended on August 25, 2000
  - Entered into force on July 1, 2001



Categories of Patent Rights

	Invention	Utility Model	Design
Subject Matter	Any new technical solution relating to a product, a process, or improvement thereof	Any new technical solution relating the shape, the structure or combination, of a product	New design of the shape, the pattern or their combination, or the combination of the color with shape or pattern, of a product
Patent Term (from date of filing)	20 years	10 years	10 years
Examination	Substance	Formality	Formality

Patent Attorney Qualification and Selection

- Chinese citizens;
- over the age of 18;
- graduates of college departments of sciences (or with equivalent education) in command of one foreign language;
- Well-versed in the Patent Law and related legal knowledge; and
- Scientists or lawyers with 2 or more years of working experiences.

Foreign-related Patent Agency

- MUST go through procedures as stipulated in the China Patent Law
- Appointed by the SIPO
- Three licenses are needed to represent foreigners

  (1) Patent Agent (Attorney) Qualification License;

  (2) Patent Agent Practicing License; and

  (3) Foreign-related Patent Agency License.

Ownership of Invention-Creation
Service invention

- The entity has the right to apply for patent.
  - Made in the course of performing his own duty;
  - Made in execution of any task, other than his own duty, which was entrusted to him by the entity to which he belongs;
  - Made within one year from his resignation, retirement or change of work, where the invention-creation relates to his own duty or the other task entrusted to him by the entity to which he previously belonged.

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Ownership of Invention-Creation
Non-service invention

- Non-service Invention-creation
  - No entity or individual shall prevent the inventor or creator from filing an application for a patent for a non-service invention-creation
  - The inventor has the right to apply for patent, unless he/she assign the right, or the law otherwise provides.
- There are ***NO*** need of Employer's Shop rights

Article 6. An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the material and technical means of the entity is a service invention-creation.

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Ownership of Invention
Joint invention

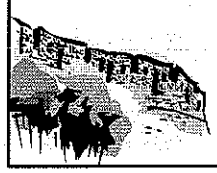
- Invention-creation jointly made by
  - two or more entities or individuals, or
  - an entity or individual in execution of a commission given to it or him by another entity or individual
- The right to apply for a patent belongs to
  - the entity or individual that made, or
  - the entities or individuals that jointly made, the invention-creation
- Exercise-Publication No. 28 released by the SIPO
  - Any procedure involving joint ownership of a patent application right shall be exercised by all of the co-owners

Ownership Disputes

- To prevent malicious intent to abandon the patent or patent application by the employee-inventor
- Any party in the dispute of the right to apply for a patent or the patent right, which is pending before the SIPO or the court, may
  - Request the SIPO to *suspend* the relevant procedures.
  - By submitting a written request to the SIPO
  - If no decision on the dispute is made within *one year* from the date when the request for suspension is filed, *extension* may be requested, or the SIPO shall resume the procedure on its own initiative.

Foreign Filing and Assignment of the Invention-Creation

- Background
  - There are over 600 multinational corporation's R&D centers in China as of July, 2004.
  - Inventions created by Chinese are subject to the regulations in China
  - Imposing extra liabilities for inventions to be used or transferred to foreign entities



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Foreign Filing and Assignment of the Invention-Creation

- First Filing Requirement for Invention made in China
  - Where any Chinese entity or individual intends to file an application in a foreign country for a patent for invention-creation made in China
    - File first patent application in China
    - No waiver for the first foreign filing requirement
    - A subsidiary of a foreign company is considered a Chinese entity
    - Violation of the provisions and resulting in disclosure of national secrets shall be subject to disciplinary sanction by the entity to which he belongs or by the competent authority concerned at the higher level. Where a crime is established, the person concerned shall be prosecuted for his criminal liability according to the law.

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Applicant Selection to Comply with Foreign Filing Requirement

- Filed by Chinese Subsidiary
  - Subject to the First Filing Requirement
- Filed by Foreign Parent Company
  - First Filing Requirement not Applicable
  - BUT, the assignment is subject to review to the Technology Import and Export Administration Regulations
  - Assignment can be accompanied by a general employment agreement when the Chinese subsidiary is established
  - Applicable to Cross-border IP licensing to or from China

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Technology Import and Export Administration Regulations

- Prohibited Technology: No assignment
  - Items marked by , No exportation: such as Anti-irradiation Technology

- Restrictive Technology: Permission obtained from the Ministry of Commerce and the Ministry of Science and Technology
  - Items marked by ◇, Exportation allowed for hardware and products: such as Continuous Microwave Sintering Technology
  - Items marked by △, Exportation allowed for products: such as Manufacturing for Fireworks

- Non-restrictive Technology: Free for transferring with recordation

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Procedures for Recording Technology Exportation Contract of Non-restrictive Technology

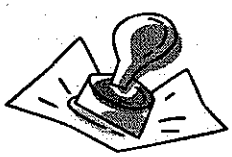
Recording Exportation Contract with Ministry of Commerce
Contract becomes effective as of the date of execution

↓

Submitting the following documents to Ministry of Commerce:
1. Recordation Application of Technology Exportation Contract;
2. Copy of Technology Exportation Contract
3. Certifications showing Legal Status of both parties of Execution

↓

Issuance of Technology Exportation Contract Recordation Certificate (within 3 days)



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Procedures for Requesting Technology Exportation Permit of Restrictive Technology

Filing a Request with the Ministry of Commerce

↓

Examination of Request jointly with the Ministry of Science and Technology

↓

Decision made with 30 days

↓

Rejected if Technology Shall be Refrained from Exportation Under relevant provisions

Issuance of Letter of Intention for Technology Exportation

↓

Execution of Technology Exportation Contract

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Procedures for Requesting Technology Exportation Permit of Restrictive Technology (Cont'd)

Execution of Technology Exportation Contract

↓

Submitting the following documents to the Ministry of Commerce:
1. Letter of Intention for Technology Exportation
2. Copy of Technology Exportation Contract
3. List of Information relevant to Exported Technology
4. Certifications showing Legal Status of both parties of Execution

↓

Decision made with 15 days upon examining authenticity of Contract

Rejection

Issuance of Technology Exportation Permit

↓

Contract becomes effective as of the date of Issuance

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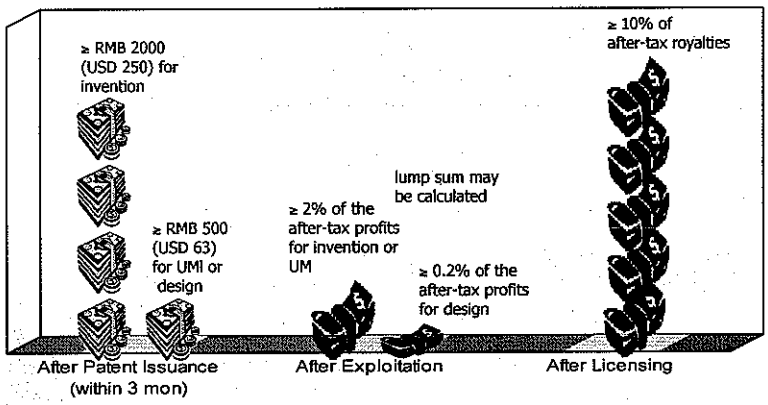
Employee Invention-creation's Remuneration (Domestic Entity Only)

Chapter VI (Rules 74-77) of Implementing Regulations



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Remuneration for Non-patented Invention-creation

Law to Promote the Transfer of Technology Results
*Governing non-patented inventions
*To persons providing material contribution

Transfer of Invention:
≥ 20% of the net profits

Manufacture: ≥ 5%, for 3 to 5 consecutive years, of the profits increased by the invention

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Reward of High-tech Related Technology Transfer

- Rules for Promoting Transfer of Technology Results
  - Governing science research institutes, advanced schools, and R&D staff in such
  - Rewards
    - Same as Law to Promote the Transfer of Technology Results
  - Allowing the ceiling value of an intangible asset, such as an R&D result to be 35% of the firm's registered capital.

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Patentability-Novelty

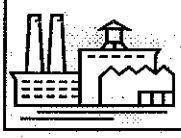
- First-to-File
- The date of filing to determine novelty of an invention
  - "Absolute novelty" standard through publication
  - "Relative novelty" standard through public use or make known
  - Excluding public disclosure on the date of filing
  - Priority date takes precedence
- Exceptions with 6-month grace period
  - First exhibited at an international exhibition sponsored or recognized by the Chinese government;
  - First made public at a prescribed academic or technological meeting;
  - Disclosed by any person without the consent of the applicant.

Patentability-Inventiveness

- When compared with the technology that exists before the date of filing
  - an invention to have
    - "prominent" substantive features & "notable" progress
  - a utility model to have
    - substantive features and progress
  - Thus, an invention has higher standard of inventiveness than that of a utility model
- Invention-creation that can be easily accomplished by a person have ordinarily in the art based on prior art before the application for patent is filed lacks inventiveness

Patentability-Practical Applicability

- Any invention or utility model that can be made or used and produce effective result
  - Excludes ideas and those
    - cannot be implemented
    - against the natural laws
    - can only be implement under unique natural conditions
    - cannot produce effective results, it does not possess practical applicability
  - Examined individually but not be compared with an existing invention-creation
  - First to be examined in the examination procedure



Unpatentable Subject Matter (1)

- Scientific discoveries
  - Any invention created or invented by using the scientific discoveries are still patentable. Machines, equipments, or substances used to implement such methods or treatment are still patentable.

- Rules and methods for mental activities
  - Those involving mental activities such as logistic thinking, analyzing, and reasoning when reproducing or using an invention.

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  - Methods for diagnosis or for the treatment of diseases
    - Machines, equipments, or substances used to implement such methods or treatment are still patentable.

Unpatentable Subject Matter (2)

- Animal and plant varieties

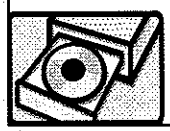
  - Invention that concerns a microorganism may be patented.
  - New plant varieties may be protected under the Regulations on the Protection of New Plant Varieties enforced on October 1, 1997
  - Unbiological methods of reproducing animals, plants, or microorganic methods are still patentable.

- Substances obtained by means of nuclear transformation
  - Machines, equipments, and devices used to obtain such substances are still patentable.

  - Inventions "contrary to the laws of the State or social morality or that is detrimental to the public interest"

Software-related Invention-creations

- Computer software is protected under Copyright Law
- Patent protection is available for software-related inventions that
  - Are not merely computer programs designed to carry out or automate processes that were previously done mentally or manually
  - So long as the purpose of a software-related invention patent application is to solve "technical problems" by using "technical means" that reaches "technical results," then the application may be protected by the patent law



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Business Methods

- In view of public policies and economy impacts
- Generally not allowable

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Filing Documents – Due at filing

- Specification
  - in Simplified Chinese on the filing date
    - Reinstatement within 2 months available for PCT national filing with surcharge
- Particulars
  - Inventors' names, address and citizenship
- Foreign Filing Information
  - Country and filing date of the foreign corresponding application, if any
- Priority Information
  - Country and filing date of the foreign corresponding application, if priority is claimed
- Filing fee

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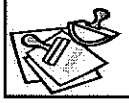
Filing Documents – Due to complete filing

- Certified Copy of Priority Document, if priority is claimed
- Assignment
  - For applications originating from US, assignment by inventor(s) MUST be dated prior to the date of filing
- Power of Attorney
  - If not submitted at the time of filing, the date of execution MUST be earlier than the date of filing

Specification

- Title, Abstract
- Descriptions of Invention
  - Technical Field
  - Prior Art
  - Functions the invention intends to fulfill
  - Solution of invention
  - Advantages with respect to prior art
  - Description of drawings (if any)
  - Description of Best Mode
- Claims
  - Generally Jepson's Type
  - clearly and concisely describe the matter for which protection is sought in terms of the technical features



Prior Art Disclosure Requirement

- At the time of requesting substantive examination
  - to furnish pre-filing date reference materials concerning the invention
- For an application for a patent for invention that has been already filed in a foreign country
  - the SIPO may ask the applicant to furnish documents concerning
    - any search made for the purpose of examining that application, or
    - concerning the results of any examination made, in that country
  - If the documents are not furnished within the specified time limit without any justified reason, the application shall be deemed to have been withdrawn.

Utility Model

- Formality Examination Only
- Filing an invention as well as a UM patent application directed to a common inventive concept on the same day is acceptable
  - Maintaining Validity of UM prior to grant of invention patent
  - Submitting a statement renouncing the UM patent in response to the notification by the SIPO during substantive examination of invention upon uncovering the UM patent
  - Letting the UM patent lapse by non-payment of annuity upon grant of the invention patent if the SIPO did not uncover the UM patent or abandoning the UM patent by a written declaration

Design

- Partial designs not acceptable
  - Drawings cannot contained dotted lines
- Shadow lines not acceptable
- Multiple embodiments not acceptable
- Six-directional views are generally required
  - Except for the bottom elevational view of the design not consisting of any creative features of the design
  - A statement stating so be provided in the specification

Claim Amendments

- Invention
  - When requesting for substantive examination
  - Within the time limit of 3 months after the receipt of the notification of the SIPO, the application has entered into substantive examination
  - As required by the notification of opinions of the substantive examination
- Utility Model and Design
  - 2 months from the date of filing
  - As required by the notification of opinions of the examination

Availability of Examiner Interviews

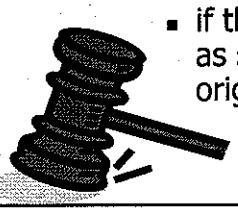
- Request be made
  - After the examiner has issued a first Office notification
  - After or on the day that the applicant submits a response to the first Office notification
- Granted at the discretion of the examiner

Patent Reexamination

- Patent Reexamination Board (PRB)
- Within 3 months from the date of receiving the rejection
- Examination vs. Reexamination Proceeding
  - fist instance proceeding vs. second instance proceeding
  - single examiner vs. collegial panel
  - overall examination vs. content of the rejection and the petitioner's assertion

Reexamination Decisions by the PRB

- Withdrawal of the final rejection
  - if the petition has merit and is based on sufficient evidence;
- Provisional withdrawal of the final rejection
  - if the amendments as submitted have overcome the defects of the original patent application; and
- Sustaining the final rejecting
  - if the petition is without merit or the amendments as submitted cannot overcome the defects of the original patent application



Invalidation Proceeding

- Patent Reexamination Board (PRB)
- Conditions for Accepting Invalidation Proceeding
  - Against a valid patent right.
  - For second invalidation, based on different facts and evidence
  - Against a part of a valid patent right
  - Fee

Examination of Invalidation Proceeding

- On-request examination
- *Ex officio* investigation
- *Res judicada*
- Adversary proceeding
- Consolidated principle
- Confidentiality

Invalidation Decisions by the PRB

- Declaring the patent right to be invalid as a whole;
- Declaring of a part of the patent right to be invalid; and
- Sustaining the patent right if the evidence is without merit.

Effects of an Invalidation Decision

- Any patent right that has been declared invalid shall be deemed to be non-existent *ab initio*.
  - No retroactive effect
- However, if, pursuant to the above provision, making no repayment to the licensee or the assignee the fee for the exploitation of the patent or the price for the assignment of the invalidated patent right, is obviously contrary to the principle of equity,
  - the patentee or the assignor of the patent right shall repay the whole or part of the fee

Obviously Contrary to Principle of Equity

- Based on the objective facts, but not reasons attributed to the patentee
- For example
  - A patent right is invalidated shortly following the fee payment for the exploitation of the patent or the price for the assignment of the invalidated patent right, and
  - The licensee or the assignee gains no benefits or only an insignificant amount of benefits over the patent right that is obviously incomparable to the fee payment.

Flowcharts Prosecution Procedures

- Invention patent applications
- UM and Design patent applications
- Reexamination
- Invalidation

Conclusion

- "Although about 3 millions computers get sold every year in China, people don't pay for the software. Someday they will. And as long as they're going to steal it, we want them to steal ours. They'll get sort of addicted, and then we'll somehow figure out how to collect sometime in the next decade."
  -- Bill Gates, Chairman, Microsoft Corp., 1998.
- IP protection in China is continuing to take its shape, slowly but surely.

Impact of Pro-Patent Policy on Company's Licensing Activities

—Focusing on the Consideration of Balance between Patent Pool and Independent License—

PIPA Japan Group #2 WG1

October 21, 2004

Hiroshi WATANABE,	NTT Corporation
Hiroshi SAJI,	Ricoh Company, Ltd.
Kensaku SATO,	NEC Corporation
Yoshikazu SUZUMURA,	Aisin Seiki Co., Ltd.
Chiga YOSHIKAWA,	Mitsubishi Electric Corporation

Impact of Pro-Patent Policy on Company's Licensing Activities

- Pro-patent policy
- Judicial System Reform
- Refurbishment of patent right exploitation strategy
  - Categorization of the patents
  - Exploitation of patent pool
  - Individual licensing program

Standard and Patent Pool

Unsolved issues

- Nonparticipation of essential patents holders
- Enforcement of nonparticipating essential patents holders against patent pool licensees
- Complaints of nonparticipating essential patents holders against patent pool license program

3

Applicability of Compulsory License

- Arbitration decision on grant of non-exclusive license in public interest (Sec.93)
- Compulsory license VS limitation of private rights
  - -Patent searches by standards bodies will be needed
  - -The license conditions in patent pools are determined by some of the patentees
  - -Difficulty of identifying "excessive enforcement of the right."
  - -Difficulty of evaluating the values of patents

4

Conditions for the Application of the Compulsory License (1)

Before applying the compulsory license, some improvements are needed in the following process;

1)the stage of formulating technical standard

and

2)the implementation of the arbitration system

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Conditions for the Application of the Compulsory License (2)

In the stage of formulating technical standard, the following proposals could be made;

- Standards bodies should conduct patent search and determine the essentiality of patents.
- Add "confirmation of intention to participate in the patent pool" to the patent policy.
- Make clear "reasonable conditions" in the patent policy.

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Conditions for the Application of the Compulsory License (3)

In the implementation of the arbitration system, the following proposal could be made;

Defining "excessive enforcement of the right." clearly in view of the following classification of the patentee.

i) Right holder who engaged in the formulation of technical standard

ii) Right holder who received a request for licensing under its essential patent

iii) Right holder who came to know that it has essential patent(s) after the establishment of a patent pool

China Case (1)

•Relation between technical standards and patented technology has been ambiguous.

•Technical standards in China are divided into "compulsory standards" and "recommended standards".

•It is unclear whether patented technologies can be adopted in technical standards.

•However, international standards have already covered patents issued in China.

China Case (2)

- As patented technologies are adopted in technical standards, standardization process and patentee's licensing statements should be publicly announced.
- Patented technologies adopted in standards should be licensed under the RAND basis.
- Patented technologies adopted in standards should not be monopolistic.
- Adoption of patented technologies in compulsory standards, may consequently mean compulsory license. However, solution objects are different.

Our Impressions

- It was very valuable opportunity for each of us, as a corporate legal staff, to discuss the best way to exploit the essential patents.
- We realized again that there are many to consider or to be done for the license of essential patents.

Thank you for your kind attention !!

Technology Licensing Strategy in China

PIPA Japanese Group, The Second Committee, WG-II

Kyo KINOSHITA	Sankyo Co., Ltd.
Hirotake KUDO	Fuji Xerox Co., Ltd.
Takeshi SAKATA	Fujitsu Limited
Minoru TANAKA	Sony Corporation
Hiromi MIZUNO	Fuji Photo Film Co., Ltd.
Yoshiki YOSHIDA	Fujisawa Pharmaceutical Co., Ltd.

Table of Contents

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iii. Points to Note in Concluding a Licensing Agreement

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iv. Points to Note After Concluding a Licensing Agreement

Strategy for Licensing Negotiations

- Measures to deal with patent infringement

1. Evidence collection
2. Warning
   - Decision to send a written warning
   - Target recipient of the written warning
   - Content of the written warning
3. Negotiation
   - Chinese people's sense of negotiation
   - Personality-centered business judgments
   - Shift to a contract society
   - Temperamental difference based on places of origin

Legal Actions Available When the Negotiation Does Not Make Favorable Progress

- Legal Actions for granting a license

1. Overview of the legal actions available in China
   - Judicial Route
   - Administrative Route
   - Customs Route
2. Suspension of import of products at the customs of the export destination
3. Selection of actions in individual cases
   - Selection of actions outside China
   - Selection of actions within China

- Points to note in taking legal actions

1. Selection of the local attorney
2. Selection of the place for taking the legal actions (the issue of jurisdiction/venue)
   - Judicial Route
   - Administrative Route
   - Customs Route
3. Measures against the suspected infringer's countermeasures
   - Judicial Route
   - Administrative Route
   - Customs Route
4. Other points to consider
   - Measures against the mass media
   - Measures for consumers and client companies

Points to Note in Concluding a Licensing Agreement

- Grant of a patent license and the points to note

1. Basics of a patent licensing agreement
2. Types of licensing agreements
3. Parties to the agreement
4. Scope, period, and covered area of a license
5. Royalty
6. Technology guarantee
7. Infringement of a third party's right
8. Improvements
9. Duty of confidentiality
10. Language
11. Cancellation
12. Applicable law

- Grant of a patent license and the points to note

13. Dispute settlement means

- Points to note concerning stipulation on legal proceedings
- Points to note concerning stipulation on arbitration
- Current situation in China

Arbitration

- Know-how licensing agreement and the points to note

1. Basics of a know-how licensing agreement
   - Contract law
2. Points to note in concluding a know-how licensing agreement

Points to Note After Concluding a Licensing Agreement

- Points to note in recovering debts

1. Recovering debts by using guarantee
2. Recovering debts based on bankruptcy filed by the creditor
3. Recovering debts by using legal means
   - Recovering debts by compulsory execution
4. Recovering debts by using a debt recovery company or the personal relationships of the debtor

- Points to note in preventing alteration of the figures based on which the royalties will be calculated

Consideration

Since there are hardly any reliable case examples at present and the accessible information is limited, this report does not cover all the information that is necessary for formulating strategies. The lacking information needs to be acquired from experienced local attorneys at law or from other reliable sources, and the actual strategy should be formulated through discussions with such attorneys at law.
It is hoped that this report will be of help to intellectual property (IP) staff of companies that are planning to engage in technology licensing operations in China, when holding discussions with local attorneys at law.

Selected Issues in Licensing Patents and Know-How in China: A Comparative Analysis

PHILIPS

Jihui Ni - Philips Intellectual Property & Standards, Beijing, China
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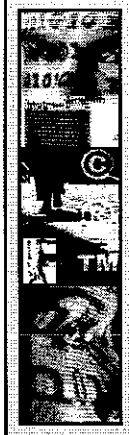
Licensing Patents and Know-How in China: Selected Issues for Comparison

- **Basic Definitions of "Patents" and "Know-How"**
- **Obligation of Licensor to Indemnify If Licensee is Liable for Infringement of Third Party Patents**
- **Ability of Know-How Licensor to Enforce Confidentiality Clause Against a Former Employee of the Licensee**

Definition of Patents and Know-How: The Chinese View



- China – a civil law country; regulations are key source of law
- Patents well established; more recent recognition & protection of know-how
- Trade secrets/know-how
  - Anti-Unfair Competition Law
    - Know-how vs. confidential business information
    - Key characteristic – confidentiality
- Patents
  - Patent Law
  - Key characteristics – exclusivity, publication
- Other regulations relating to licensing:
  - Contract Law
  - Foreign Trade Law
  - Administration of Technology Imports/Exports

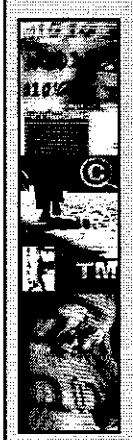
Definition of Patents and Know-How: The U.S. View

- Patents
  - U.S. Constitution – Art. I, § 8
  - Key characteristics – right to exclude; publication; statutory term
- Trade secrets/know-how
  - Common law of contracts, mainly state law
  - Key characteristics – confidentiality; can be lost by reverse engineering or independent development; no "prior user rights"
  - Harder to define than a patent – contract definitions are critical

Indemnification for Infringement of Third Party Patents
The Chinese View

- **Relevant laws**
  - **Contract Law, Article 353 – requires licensor to indemnify "unless the parties have agreed otherwise."**
  - **Technology Imports/Exports Regulations, Article 24 – responsibility of licensor**
- **Clear obligation in know-how licenses; controversial in patent licenses**
- **Ways to limit or narrow licensor's obligation**
  - **Exemption clause under contract law**
  - **Warranty of title**
  - **Defining activity or obligations of licensee**

Indemnification for Infringement of Third Party Patents
The U.S. View



- **No obligation of licensor to indemnify unless negotiated**
- **Patent vs. know-how licenses**
  - Patent licenses – hard to predict licensee's use and actions; unlikely to include clause
  - Know-how licenses – licensor provides detailed design; clause is more likely to be included
- **Parts of a typical U.S. indemnification clause:**
  - No obligation if licensee alters technology or makes unrelated use
  - "Trigger"
  - Defense of the lawsuit:
    - Prompt written notice
    - Licensor controls litigation
    - Licensee provides assistance
    - Settlements
  - Scope of the obligation:
    - Out-of-pocket expenses
    - No consequential damages
    - Royalty off-sets
    - Cap or limit on exposure

Right of Licensor to Enforce the Confidentiality Clause Against A Former Employee of the Licensee
The Chinese View

- **Labor Law, Article 22 – Employer may require employee to hold its information in confidence**
- **Former employee**
  - Ministry of Labor – employer may require employee not to engage in competitive business for up to 3 years
  - Licensee may have an action, but not the licensor
- **Require licensee to have employees sign confidentiality, non-compete; liquidated damages**

Right of Licensor to Enforce the Confidentiality Clause Against A Former Employee of the Licensee
The U.S. View

- **Employee agreements requiring confidentiality are standard**
- **Former employees**
  - **Non-compete agreements vs. confidentiality agreements**
    - **Non-compete agreements: limited to "reasonable" terms**
    - **Confidentiality agreements: strictly enforced**
  - **Common defenses of former employees (very fact-dependent):**
    - **Information is not a trade secret**
    - **Independent development by new employer**

FINNEGAN HENDERSON FARABOW GARRETT & DUNNER LLP

PHILIPS

Thank you!

(1) Title: Licensing issues: (1) Open source software Problems; (2) Co-owner Licensing at will; (3) Reverse Engineering Provisions

(2) Date: October 19-22, 2004 35th International Congress
(3) Source: 1) PIPA
2) Combined U.S. and Japan
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(5) Stat. Prov: Contract Laws of U.S., Japan, China
(6) Keywords: Open source software; licensing at will; reverse engineering
(7) Abstract: The paper summarizes the issues relating to licensing of software relative to open source license issues, co-owner licensing, and reverse engineering provisions in the license.

1

LICENSING ISSUES: (1) OPEN SOURCE SOFTWARE PROBLEMS; (2) CO-OWNER LICENSING AT WILL; (3) ENFORCEMENT OF REVERSE ENGINEERING PROVISIONS

by

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2

Licensing Issues

I. Open Source Software (OSS) issues:

A. Did any of the developers in companies include open source (OSS) code in their contribution to the wireless software in the product. Such code may be identified when certificates of originality are received for code contributions from the different companies:

Open Source Issues

1) Such code is readily available on the Internet
2) If OSS code is incorporated into the product, then companies cannot charge a fee for the product; also modifications of the OSS code cannot be made proprietary;
3) Licensees may redistribute for free;
4) The source code must be made available to the licensee;
5) If the product with OSS code is distributed, a royalty-free license under any patents must be granted.

Open Source Issues--U.S.

B. U.S. Enforcement of Open Source code License:

1) Probably enforceable as a shrinkwrap license if
   i. Written notice of OSS license
   ii. Right to return if no assent
   iii. Fair opportunity to review license
   iv. Manifestation of assent to license

Open Source Issues—U.S.

2) Issue of standing to sue – since multiple unknown authors;
3) Damages? – since OSS code is free
4) Injunction possibility?
5) Governing law? Any gap-filling terms in that law for issues on which license is silent?
6) Did originator of OSS code have the right to designate it as OSS code?

Open Source Issues--JAPAN

C. Japan Enforcement of Open Source Code License:

Governing law; depends on a claim

1) Breach of Contract: Place of offer
2) Copyright Infringement: Place of infringement (but an injunction should be based on Japanese laws)

If Japanese laws govern;

1) Probably enforceable as a contract (license) that is accepted when OSS is copied, modified, or redistributed

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Open Source Issues--JAPAN

2) Possible arguments against the enforceability
   1) Misuse?
   2) Unfair competition?
3) Moral rights
   1) Can be waived only expressly
   2) Estoppel
4) Other common issues

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Open Source Issues--CHINA

1) Computer software protected under Copyright Law Article 23
2) No requirement for Gov. approval of software license
3) However, technology subject to Import & Export Regulations may require Gov. Approval
4) Regulations classify technology into 3 categories:
   - prohibited technology
   - restricted technology
   - permitted technology
5) For Restricted Technology—prior Gov. Approval required and contracts are not valid until approval is received
6) For Permitted Technology—no Gov. approval required, but it must be registered online with Ministry of Commerce
7) Ministry of Commerce has catalog defining different categories of technology subject to approval

Open Source Issues--CHINA

China Enforcement of Open Source Code License:

Shrinkwrap and Clickwrap licenses are authorized, but subject to the strictures of Articles 39--41 of the Contract Law and the Consumer Rights Protection Law

Open Source Issues--CHINA

China Enforcement of Open Source License:

Article 39---Must not violate the principles of fairness.

Article 40---License terms that exclude licensee rights are unenforcible: examples: excluding damages, shifting risk of loss to consumer, preventing termination, unreasonable liquidated damages

Article 41---Ambiguous terms interpreted against the drafter

No court cases in China on this issue

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II. Licensing at Will Issue

Jointly Owned Patents and Jointly Owned Software Code – Can a Co-owner license at Will without obtaining the permission of the Other Co-owners?

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Licensing at Will Issue—U.S.

A. U.S. Patent Licensing
   1) Each co-owner of a U.S. patent can license the patent at will, without permission of the other co-owners and without accounting of licensing revenues to other co-owners.

B. U.S. Software Copyright Licensing
   1) Each co-owner of a U.S. copyright in the software can license the software code at will, but must account its profits to the other owners.

Nimmer: The Law of Copyright Matthew Bender & Co.; Thomson & Larson, 147 F.3d 195 (2nd Cir. 1998)

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Licensing at Will Issue--JAPAN

C. Japan Patents – Licensing at Will?
   1) "Each of the joint owners may grant neither an exclusive license nor a non-exclusive license without the consent of all the other joint owners" [Article 73 Japan Patent Law]

D. Japan Software Copyright – Licensing at Will?
   1) "Each co-owner of copyright in a joint work or of copyright in co-ownership (hereinafter in this Article referred to as "joint copyright") shall not be entitled to transfer or pledge his share without the consent of the other co-owners." [Article 65 Japan Copyright Law]

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Licensing at Will Issue--CHINA

E. China Patents – Licensing at Will?
   1) Article 8 of the Patent Law states that any license or assignment requires the approval of all of the joint owners.
   2) See also Patent Bureau #28 Bulletin on joint ownership
   3) See also Article 15 of the Patent Exploitation and License Agreement Registration Measures
   4) Article 50 of the Implementation for Technology Contracts Law states that joint patent owners shall agree among themselves how to distribute the profits.

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Licensing at Will Issue--CHINA

1) Computer Software Protection Law Article 10---Written contracts typically determine vesting of ownership rights

2) If the joint owners of copyright cannot reach unanimous agreement, then each joint owner may separately license the software. But the proceeds must be fairly distributed among all of the joint owners.

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III. Reverse Engineering Contract Prohibitions—U.S.

U.S. Enforceability of Reverse Engineering Prohibitions of Software Code in the Product License to Customers--State-by-state contract enforcement issue

i. Federal Circuit (using 1st Cir. Law) upholds Rev. Eng. Prohibition: Bowers v. Baystate Tech. (2002)

ii. 9th Circuit unclear—in absence of contract prohibition, rev. eng. permitted: Sony v. Connectrix Corp. (2000)

iii. 7th Circuit upholds shrinkwrap enforcement in general: ProCD v. Zeidenberg (1996)

iv. 5th Circuit finds shrinkwrap rev. eng. prohibition preempted: Vault v. Quaid (1988)

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Reverse Engineering Contract Prohibitions--JAPAN

Japan Enforcement of Reverse Engineering Prohibition in License Determined by Japanese Contract

1) Japanese Contract Law (Civil law) allows a provision prohibiting Reverse Engineering in a License contract because of the principle of contract freedom.

2) However, it may be restricted by anti trust law, article 2 item 9 number 4 regarding unjust dealing prohibition.

3) Tokyo District Court case: Microsoft v. Syuwa System Trading (decided on January 30, 1987): Holding was that reverse assembling code into source code violates the copyright law. Note in this case no contract provisions were present prohibiting reverse engineering.

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Reverse Engineering Contract Prohibitions--CHINA

C. China Enforcement of Reverse Engineering Prohibition in License Under Chinese Contract Law

1) No cases, but potentially enforceable under contract

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Anti-Circumvention in WIPO Copyright Treaty, April 12, 1997, Article 11 –U.S.

1) U.S. Implementation—Digital Millennium Copyright Act (17 USC 1201) prohibits sale of any device primarily designed to circumvent a technical measure that controls access to a copyrighted work
   i. "lock and key" access
   ii. "secret handshake" access
   iii. Does not prohibit breaking copy control. Only prohibits trafficking in tools to circumvent copy control

2) DCMA includes a reverse engineering exception to enable interoperability of independently developed computer programs

3) Lexmark v. Static Control, E. D. Ky (2003) on appeal

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Anti-Circumvention in WIPO Copyright Treaty --JAPAN

Copyright Law of Japan, Penal Provisions, Article 120bis.

- The following shall be punishable by imprisonment for a term not exceeding one year or a fine not exceeding one million Yen;
- (i) any person who transfers to the public the ownership of, or lends to the public, manufactures, imports or possesses for transfer of ownership or lending to the public, or offers for the use by the public, a device having a principal function for the circumvention of technological protection measures (such a device includes such a set of parts of a device as can be easily assembled) or copies of a program having a principal function for circumvention of technological protection measures, or transmits publicly or makes transmittable such program;
- (ii) any person who, as a business, circumvents technological protection measures in response to a request from the public; ...

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Anti-Circumvention in WIPO Copyright Treaty --CHINA

A. Interim Measures for Software Products Administration, Article 18 "It is prohibited to reproduce ... decoding software and other software whose main function is to defeat the mechanism for copyright protection."

B. However, Art. 18 was not passed by National People's Congress or the NPC Executive Committee, but rather is an administrative regulation passed by the State Council—thus effect is unclear

C. No legal liability in law for non-compliance

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Enforcing Patents in China, Japan and the United States: A Comparison

Presented by Raj S. Davé
Morrison & Foerster
35th International Congress of the Pacific Intellectual Property Association, October 22, 2004, Toyama, Japan

Acknowledgement of coauthors

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  *Formerly, Tokyo High Court Judge

Overview

- Paper compares enforcement of patents in China, Japan and the United States
- Paper concludes that while there are a number of key differences between the enforcement systems of the three nations, the enforcement systems of these nations are converging in a number of respects

Enforcement issues reviewed

- Administrative action
- Court system
- Jurisdiction & venue
- Standing
- Declaratory judgment
- Preliminary injunction
- Bifurcation of infringement & invalidity actions
- Reasons for stay of litigation
- Claim construction
- Doctrine of equivalents

Enforcement issues reviewed

- Technical assistance & expert testimony
- Statutory defenses during litigation
- Equitable defenses
- Other defenses available
- Indirect liability
- Appeal: standard of review
- Remedies
- Criminal sanctions
- Enhanced damages for willful infringement

Administrative action

- China
  - Administrative Authority for Patent Affairs (AAPA), Customs
- Japan
  - Customs
- U.S.
  - International Trade Commission (ITC), Customs

Court system

- China
  - Basic court, intermediate courts, high courts, Supreme Court
- Japan
  - Tokyo & Osaka District Courts, Tokyo High Court (IP High Court), Supreme Court
- U.S.
  - Federal district court, Court of Appeals of the Federal Circuit (CAFC or Federal Circuit)

Jurisdiction & venue

- China
  - Designated intermediate courts / Defendant's domicile or infringing place
- Japan
  - Eastern Japan: Tokyo District Court, Western Japan: Osaka District Court (Appealed to IP High Court)
- U.S.
  - Claim must arise under the patent law / Defendant's domicile or infringing place

Standing

- China
  - Owner, interested party
- Japan
  - Owner, exclusive licensee
- U.S.
  - Owner, exclusive licensee

Declaratory judgment

- China
  - Yes
- Japan
  - Yes
- U.S.
  - Yes

Preliminary injunction

- China
  - Yes
- Japan
  - Yes
- U.S.
  - Yes

Statutory defenses during litigation

- China
  - Noninfringement
- Japan
  - Noninfringement and invalidity
- U.S.
  - Noninfringement, invalidity and statute of limitation

Bifurcation of infringement & invalidity actions

- China
  - Invalidity: Patent Office / Infringement: courts
- Japan
  - Invalidity: Patent Office, courts (as a defense only) / Infringement: courts
- U.S.
  - N/A (both decided in court)

Reasons for stay of litigation

- China
  - Some invalidity issues go to State Intellectual Property Office (SIPO) and cause stay
- Japan
  - Invalidation procedure
- U.S.
  - Interference, reexamination (stays are discretionary)

Claim construction

- China
  - Three-judge panel which can include a juror (expert associate judge)
- Japan
  - Three-judge panel (lawyer only), no *Markman* Hearing
- U.S.
  - A matter of law exclusively for the court, i.e., a nonjury matter (*Markman*)

Doctrine of equivalents

- China
  - Yes
- Japan
  - Yes
- U.S.
  - Yes

Technical assistance & expert testimony

- China
  - Court consultant; expert's verification; juror (associate judge)
- Japan
  - Technical assistant (full-time court employee), Special Commissioner (appointed case by case), Written expert opinion submitted by the parties
- U.S.
  - Parties commonly use expert witnesses; courts have authority to appoint experts but rarely use it

Equitable defenses

- China
  - No. But, statute of limitations
- Japan
  - Estoppel, statute of limitations
- U.S.
  - Laches, estoppel

Other defenses available

- China
  - First sale exhaustion; prior use; treaty and agreement; experimental use
- Japan
  - Prior user's right, exhaustion, experimental use, etc.
- U.S.
  - Experimental use, misuse, shop right

Indirect liability

- China
  - Contributory infringement
- Japan
  - Inducement
- U.S.
  - Inducement; contributory

Appeal: standard of review

- China
  - Normally *de novo*
- Japan
  - *de novo*
- U.S.
  - Law: *de novo*
    Fact: clear error or substantial evidence

Remedies

- China
  - Injunctions, damages
- Japan
  - Injunctions, damages
- U.S.
  - Injunctions, damages

Criminal sanctions

- China
  - Yes
- Japan
  - Yes
- U.S.
  - No

Enhanced damages for willful infringement

- China
  - No. But enhanced administrative penalty for patent passing off
- Japan
  - No
- U.S.
  - Yes

Conclusion

- China
  - Chinese system for enforcement of patent rights is the youngest system of the three surveyed and in many respects is still a work-in-progress
- Japan
  - Enforcement of patent rights in Japan occurs principally through its court system although Japan has recently introduced a new enforcement mechanism through its Customs service to enjoin infringing imports
- U.S.
  - The U.S. system for patent enforcement relies chiefly on its federal district courts which have general jurisdiction over patent matters; administrative orders of ITC can exclude infringing imported products

Enforcement of Intellectual Property Right in China

1st Working Group, Committee No.4,
PIPA Japanese Committee

The 35th International Congress
in Toyama
Oct. 22, 2004

Contents

- Provisions on damages under the Patent Law
- Court decisions of the cases to claim damages in China
  - Economic losses
  - Reasonable expenses
- Comparing China with Japan and the United States
- Problems in China and Recommendations

Provisions on damages under the Patent Law

- Article 60 of the Patent Law
- Articles 20 to 22 of the "Several Provisions of the Supreme People's Court on Issues Relating to Application of Law to the Adjudication of Cases of Patent Disputes."

Damages in China

- Damages
  - Economic losses (Articles 20&21)
    - The losses of patentee
    - The profits of infringer
    - 1-3 time(s) of royalty
    - The court award its discretion (Max:500,000yuan)
  - Reasonable expenses (Article 22)

Economic losses: Case 1
(Infringement of a patent right (design))

1. Guangdong Canbo vs. Guangzhou Panyu Dashi
2. Date of decision : Aug. 16, 2002
3. Plaintiff's claim
   Canbo filed a lawsuit, alleging that Dashi infringed Canbo's patent right by manufacturing similar disinfection apparatus, and requested Dashi to stop manufacture and sales of the infringing products/semi-finished products, pay 800,000 yuan to compensate for economic losses, make an apology, and eliminate the influence of the infringement.
4. Decision
   The court acknowledged the infringement of the design patent right, and delivered a decision to order the defendant to pay 800,000 yuan. The defendant appealed, but the appeal court supported the first court decision.
5. The points
   Fully acknowledgement of plaintiff's claim.

Economic losses: Case 2
(Act of unfair competition)

1. Guiyang Laoganma vs. Hunan Huayue Foods
2. Date of decision : Aug. 10, 2000
3. Plaintiff's claim
   Laoganma filed a lawsuit, alleging that Huayue misappropriated the specific name of the plaintiff's products and affixed to the defendant's product a bottle label with a close resemblance to that of plaintiff's, whereby causing confusion among consumers and misleading them into buying the defendant's product, and thus infringing the plaintiff's legitimate interests.
4. Decision
   The first court partially upheld the plaintiff's claim, but the appeal court fully acknowledged the defendant's act of unfair competition, and upheld the plaintiff's claim for 400,000 yuan to compensate for economic losses.
5. The points
   The plaintiff's claim for 400,000 yuan as damages was reasonable because the defendant had spent 2,700,000 yuan as advertising expense.

Economic losses: Case 3
(Infringement of a trademark right)

1. Yamaha Motor Co. Ltd. vs. Tianjin Gangtian Group and its four affiliated companies
2. Date of decision : Aug 6, 2002
3. Plaintiff's claim
   i) Infringement of registered trademarks by the motorcycles which were manufactured and sold by the defendants.
   ii) 30,000,000 yuan for economic losses, etc.
4. Decision
   i) Stop production and sales of motorcycles to which the plaintiff's trademark was affixed.
   ii) 900,000 yuan for economic losses, etc.
5. The points
   i) As the basis for the assessment of the amount of damages, the statistical data which indicated the reduction in the amount of sales was not approved.
   ii) The reason for reduction of the total amount of damages (from 30,000,000 yuan to 900,000 yuan) was not specified.

Conclusion: Economic losses

Claimable damages can be assessed on the basis of
(i) the reduction in the volume of sales of the patented products,
or
(ii) the volume of sales of the infringing products,

multiplied by the reasonable profit per patented product.

- It is easier to prove the volume of sales of the infringing products and the reasonable profit per patented product than to prove the reduction in the volume of sales of the patented products.
- The right holder may be able to claim damages on the basis of the exploitation fee of the patent.

Reasonable expenses : Case 1 (Infringement of a trademark right)

1. Baoxiniao Group ,Ltd vs. Dadongfang Garments ,Ltd
2. Date of decision : Dec. 12, 2002
3. Plaintiff's claim

   The defendant manufactured and sold clothes of the "Depai( )" brand, to which tags that contained the characters "香港報喜鳥株式有限公司" and "香港報喜鳥" were affixed. The plaintiff filed a lawsuit, alleging that the defendants' act fell under the category of acts of unfair competition, and claimed damages to compensate economic losses and 100,000 yuan for reasonable expenses incurred for the investigation and litigation.
4. Decision

   The defendants shall be liable to pay the plaintiffs, to compensate for 49,370 yuan of reasonable expenses for the investigation and 34,400 yuan in newspaper publicity costs etc.
5. The points

   All expenses in the plaintiff's claim were judged to be reasonable.

Reasonable expenses : Case 2 (Infringement of a copyright)

1. Interlego A.G. vs. Coko Toy Co.
2. Date of decision : Dec. 18, 2002
3. Plaintiff's claim

   The plaintiff filed a lawsuit, alleging that the defendants infringed Interlego's copyright for 30 types of brick toys, and requested the defendants to pay the losses due to the infringement of the copyright and the total costs of this lawsuit as well as expenses for the investigation and evidence collection and lawyer fees incurred by the plaintiff.
4. Decision

   The defendants shall pay to the plaintiff 17,017 yuan to compensate for reasonable expenses incurred by the plaintiff to stop the infringement.
5. The points

   As for the fees paid to the plaintiff's agent, the court did not uphold the plaintiff's claim on the ground that the agent was a citizen of China but not a lawyer.

Reasonable expenses : Case 3 (Infringement of a trademark right)

1. Yamaha Motor Co.,Ltd. vs. Tianjin Gangtian Group ,Ltd.
2. Date of decision : Aug. 6, 2002
3. Plaintiff's claim
   This is the case of the infringement of a trademark right mentioned above.
   The plaintiff requested the defendants to pay to the plaintiff 10,000,000 yuan in total (Part 1) to compensate for economic losses suffered by the plaintiff due to the trademark infringement by the defendants, including losses of intangible property as well as investigation costs, travel costs, labor costs, and lawyer fees for this case.
4. Decision
   The defendants shall be liable to pay to the plaintiff 400,000 yuan to compensate losses.
5. The points
   The exact amount approved by the court as reasonable expenses was not specified in the decision because the plaintiff claimed the total amount of damages for economic losses together with reasonable expenses.

Conclusion: Reasonable expenses

- Reasonable expenses should be claimed separately from economic losses and the contents of reasonable expenses should be clearly indicated.
- Reasonable expenses should be those paid by the right holder to investigate and stop the infringement. Expenses paid to stop the infringement should be those paid by the right holder or his agent for the investigation and evidence collection in respect of the infringement.
- Agent fees can be claimed only for an agent who is a citizen of China and a lawyer as provided for by the relevant state department.
- Evidence to be produced should be relevant to the payment of the expenses.

Amount of damages and its assessment method in Japan

- **Claim for damages**

  -Article 709 of the Civil code

  -The patent law and other intellectual property laws include various provisions concerning the presumption of the amount of compensation for damage

- **Presumption of damages**

  -Provisions concerning proof of the amount of damage

  The revision of the Patent Law in 1998 and 1999

Amount of damages and its assessment method in Japan

- Basis of the claim for damages

  -Claimed damages on the basis of the amount equivalent to the royalty. (Section 102(3))

  -Claimed damages on the basis of the profits which the right holder could have made in the absence of the infringement. (Section 102(1))

- Provision concerning disclosure of evidence

  -Production of documents (Section 105)

  -Expert opinion for proof of damage (Section 105-2)

  -Confidentiality order (Section 105-4)

Remedies for Patent Infringement in U.S.

- Remedies
  - -Preliminary/Permanent Injunctions
  - -Monetary Damages, Punitive Damages
  - -Prejudgment Interest, Attorney Fees
- Traditional Measures of Monetary Damages
  - -Lost Profit Basis
  - -Established Royalty Basis
  - -Reasonable Royalty Basis

  (e.g., Awarded Damage:$521M(Eolas Tech. v Microsoft, N.D.Ill 2004 $521M))

Remedies for Patent Infringement in U.S.

- Other Remedies
  - -Punitive Damages
    - -Finding of Willful Infringement
  - -Attorney Fees
    - -Willful Infringement, Inequitable Conduct, Insincere Attitude
  - -Prejudgment Interest
    - -Normally Approved (for Damages and Attorney Fees)
- Discloser
  - -Discloser of Evidence for Assessment of Damages by Parties
    - -Discovery
      - -Deposition, Interrogatories, Document Request
      - -Protective Order

Problems of China and Recommendations

1. Problems in Chinese Trial Procedures
   - Why is the basis for damage assessment often not clear ? –
   1-1. There is no Chinese rule like US discovery and Japanese disclosure system
   1-2. The value of bases for assessment of losses/profits does not disclose of the decision
   1-3. To abolish the ceiling on damages (500,000yuan)
   1-4. The court usually rejects the plaintiff's claims without defendant's contrary evidence
2. To publish all Chinese court decisions relating to IP on the Web
3. Exclusive jurisdiction of Patent court
4. Availability of injunction

Thank you.

Enforcement of IPRs in China – Report of IPO Asia Practice Committee Fact Finding Mission

Christopher E. Chalsen
Milbank, Tweed, Hadley & McCloy LLP (New York)

Brenda J. Panichi
Procter & Gamble Far East, Inc. (Kobe)

Impact of Organization on Enforcement

- JDA
  - Constitutes "technological development contract" under contract law
  - Must be in writing
  - Government approval not required

Impact of Organization on Enforcement

- Enforcement via JDA
  - IP is jointly owned (per the fact pattern)
  - Any of the three JDA partners can enforce against a third party infringer
  - Each JDA partner should be given the opportunity to join such an action
  - The court may proceed even if a party is unwilling or refuses to join

Impact of Organization on Enforcement

- Joint Venture Company (JVC)
  - Limited liability company with profit and loss proportionately shared
  - Foreign party should invest not less than 25% of the registered capital
  - Formation is subject to government approval

Ownership of IPRs

- Fact Pattern: Protect IP via patent or trade secret
- Inventor: One who made creative contributions, either at conception or reduction to practice or both, to the substantive features of the technological achievement
- Determine inventorship based upon the above, whether JDA or JCV

Ownership of IPRs

- Assignment of IPRs may be the subject of contract and/or employment agreement
- If no contractual provisions exist, default to inventor ownership
- General JDA practice applies (e.g., definition of existing or pre-owned IP)

Ownership of IPRs – Compensation

- Inventor compensation provisions exist in the Chinese law
- Employers should make award to inventor up on the issuance of patents (Article 16 Patent Law)
- When technological achievement is implemented, employer should remunerate inventors appropriately in view of the scale of the implementation (Article 326 of Contract Law)

Ownership of IPRs – Compensation

- Specific requirements for state-owned companies exist
  - Chapter IV, Implementing Regulations of Patent Law
  - Article 30,Law on Promotion of Conversion of Scientific and Technological Achievements
- Specific requirements for research institutes and universities also exist

Ownership of IPRs – Technology Transfer

- When a technological achievement is transferred out, employer should take:
  - Not less than 20% of the net income from the transfer to remunerate the inventors as well as those who contributed to the successful transfer (Article 29, Law on the Promotion of Conversion of Scientific and Technological Achievements)
- Although this law is lesser known than the Patent Law, it is in force and should be taken into account

Minimization of Potential Third Party Liability

- JDA: Each partner at risk
- JVC: Probably limited to the amount of capital
- Good internal risk management policies
  - E.g., competitive watch, clearance opinions

Minimization of Potential Third Party Liability

- Defenses to third party claim
  - Not Infringed
    - Claim construction based on "technical solution" (somewhat like EPO)
  - Invalid Right
    - Must bring invalidity action in SIPO within period for responding to claimant
    - Claim based on utility model or design right likely to be suspended pending SIPO decision

Minimization of Potential Third Party Liability

- Invalid Right
  - Exception: prior public use as defense to claim based on design right
  - Claim based on invention patent: suspension depends on strength of invalidity position
- Courts unwilling to look at invalidity issue – leave it to SIPO
- Action for non-infringement exists as confirmed by Supreme Court

Minimization of Potential Third Party Liability

- Remedies
  - Profit made via infringement
  - Loss suffered by right holder
  - Reasonable Royalty (1-3 times)
  - Statutory damages up to 500,000 RMB per act of infringement
  - Injunction (preliminary and/or permanent)
  - Fees and costs
  - Public apology

Former Employees

- Misappropriation of trade secret is a cause of action based on the unfair competition law (Article 10)
- Confidentiality and non-compete provisions in employment agreements are enforceable if "fair" and "reasonable"
  - time, scope, compensation for the restrictions
- Practicalities
  - Proof, evidence collection is difficult

Compulsory Licensing

- Grounds for seeking compulsory license
  - Entity capable of practicing the patent has proposed reasonable terms but has failed to obtain a licensing grant from the patent owner within a reasonable period of time
    - 3 years from date of patent grant
  - National emergency/need to promote public welfare
  - Dominating patent involving important technical progress with obvious economic significance

Venue

- Intermediate Courts usually the court of first instance
- Venue – where infringing goods are sold or the defendant's place of business
- Beijing and Shanghai have the most experience in IP matters
- As plaintiff, get venue in Beijing or Shanghai by involving a retailer in either city

Venue

- Transfer considerations
  - If defendant brings counterclaim in its home province, the courts involved will decide which venue prevails, based on "convenience" of the parties
- Local Protectionism - remains a reality
  - Provincial authorities often protect local economic interests at the expense of IPR owners

Litigation Strategies

- Available forums
  - Court actions
  - Administrative actions
    - Damages not available as remedy
    - Quicker procedure
    - Provincial level
  - Customs seizure
  - Criminal actions in "serious case"

Litigation Strategies

- Statute of limitations – Two years from "knew" or "should have known"
- Anti-counterfeiting
  - Tremendous problem that has grown worse
  - Quality Brands Protection Committee (QBPC)
    - Consortium representing interests of IPR owners
    - Liaison to government
    - Industry working groups –share resources and best practices

PIPA FACT PATTERN TOYAMA 2004

A Chinese company, Shanghai Ltd., a Japanese company, Tokyo Co. and an American company, NY Inc. decide to jointly develop a new version of wireless technology for commercial applications and enter into a joint development agreement (JDA). The parties are looking to find the optimal means of working together, be it a joint development agreement, or a Joint Venture Company in China (or elsewhere) or some other kind of arrangement

Issues: Type of agreement, how to register joint development agreement in China, or whether it joint venture is considered foreign entity

The Chinese, Japanese and US companies each have offices in Shanghai and meet periodically in the Shanghai offices of one of the three companies to discuss their progress to date and plans in meeting future milestones. Employees of each company outside of Shanghai office in China have also exchanged ideas and regularly communicated via the Internet regarding the development of wireless technology. Each company already has patents and trade secret information, which they are contributing to this project. Over the course of a year, these periodic meetings and communications have led to a new patentable wireless technology invented by the employees of each company and branded by the companies as the BEST EVER wireless technology. Some of the work was completed in China and some was completed in Japan and the US. To reap the benefits of the investment, the three companies agree to protect the invention in the form of patent protection, with certain aspects kept as a trade secret. Also the three companies agreed to license the technology to interested third parties in China, Japan and the US.

Issues: Inventorship, inventor compensation issues, ownership of technology, prior art, technology import and/or export licenses

Under the JDA, such jointly developed technology is jointly owned by all three companies with the provision allowing each party to license its property right to a third party (exclusive bases and/or nonexclusive basis?). The companies wish to patent protect the BEST EVER wireless technology on a worldwide basis through the initial filing of a US provisional patent application (if possible) followed by a PCT application within one year of the US provisional filing. The companies also wish to protect their rights in the BEST EVER trademark through the filing of a trademark application under the Madrid protocol.

Issues: Where to file first patent application, import/export license, PCT strategies, Madrid trademark protocol, and joint inventorship

In order to maximize their return on investment, the companies decide to license, under standard terms and conditions, the BEST EVER wireless technology, including know- how and trade secrets as well as associated BEST EVER trademark to third parties in China, Japan and the US. It is recently brought to our attention that the BEST EVER wireless technology may fall into the category of restricted technology under the provisions of Articles 16 and 17 of the Foreign Trade Laws. In preparing these technology and trademark licenses, the companies wish to minimize their potential liability with respect assertions of intellectual property right infringement made by third parties.

Issues: Licensing strategy, licensor liability, restrictions on types of technology to be licensed

A disgruntled employee (Joe D. Part) of Shanghai Ltd, who initially was involved with the Best Ever project has left and joined Beijing Company, located in Beijing, China. It is rumored that they are now developing a new competing wireless technology under the name BetterThanBest, and plan to introduce it in Asia and the US in the next year. Before he left, Joe.D. Part had signed an employee confidentiality agreement with Shanghai Ltd.

Issues: Enforcability/applicability of employee confidentiality agreements, misappropriation/theft of trade secrets and know how, inventorship

The companies also decide that they will enforce their patented technology and trademark rights against infringers within the US, Japan and China. The companies recognize that it may be far more difficult to enforce their patent and trademark rights in China than in Japan and the U.S. Enforcement strategies, in each of the three countries, need to be considered and incorporated into the licensing terms and conditions.

Issues: IP enforceability and litigation strategies (may depend on contract terms)

"Management of inventions by a foreign owned company in China"

October 20 , 2004
15:50~17:10

Coordinators
Soonhee Jang and Katsuyori Matsubara

Panelists
Jon Wood
Thomas Tsai
Karl Jorda
Lawrence Welch
Hiroshi Kon
Mitsuo Takahashi
Yoshinari Murakami , and
Jeong Hwan Lee

1. Where to file fist when the invention was made in China? (Assignment and patent ownership)
2. EMPLOYEE-INVENTION COMPENSATION IN CHINA
3. TRADE SECRETS

1. Where to file fist when the invention was made in China?

Could applicants file in China or in their home country first?

1. Where to file fist when the invention was made in China?

Article20.

1. Where any Chinese entity or individual intends to file an application in a foreign country for a patent for invention-creation made in China, it or he shall file first an application for patent with the patent administration department under the State Council, appoint a patent agency designated by the said department to act as its or his agent, and comply with the provisions of Article 4 of this Law.

1. Where to file fist when the invention was made in China?

Regulations on Technology Import and Export Administration :
Article 37
After concluding a technology export contract, the applicant shall submit to the competent foreign trade department under the State Council the following documents in applying for a license for the exporting technology:
(1) a letter of intent for licensing the technology export;
(2) a copy of the technology export contract;
(3) a list of technical information relating to the export; and
(4) any regulatory document certifying the legal status of the two parties to the contract.
The competent foreign trade department under the State Council examines the authenticity of the technology export contract, and decides, within fifteen working days from the date of receipt of the documents provided for in the preceding provision, on approval or disapproval of the technology export

1.Where to file fist when the invention was made in China?

Article 46

Where a technology prohibited or restricted from import and export is imported or exported without approval shall be prosecuted for criminal liability according to the provisions for the crimes of smuggling, illegal business operation, or divulging national secrets or other crimes under the Criminal Law. Where such import or export is not so serious as to be prosecuted for criminal liability, penalty shall be imposed according to the circumstances pursuant to the relevant provisions of the Customs Law, or the competent foreign trade department under the State Council issues a warning against it, confiscates illegal income and/or imposes a fine one to five times the illegal income. The competent foreign trade department under the State Council may revoke the foreign trade business license.

2. EMPLOYEE-INVENTION COMPENSATION IN CHINA

What are the employee invention remuneration law in China?

What are the standards of reasonable remuneration for the private Sector?

2. EMPLOYEE-INVENTION COMPENSATION IN CHINA

Article 6

1. An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the material and technical means of the entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the application is approved, the entity shall be the patentee.

2. For a non-service invention-creation, the right to apply for a patent belongs to the inventor or creator. After the application is approved, the inventor or creator shall be the patentee.

2. EMPLOYEE-INVENTION COMPENSATION IN CHINA

Article 16.

The entity that is granted a patent right shall award to the inventor or creator of a service invention--creation a reward

and, upon exploitation of the patented invention-creation, shall pay the inventor or creator a reasonable remuneration based on the extent of spreading and application and the economic benefits yielded.

2. EMPLOYEE-INVENTION COMPENSATION IN CHINA

Implementing Regulations of the Patent Law

Reward and Remuneration of Inventors or Creators of Service Inventions-Creations

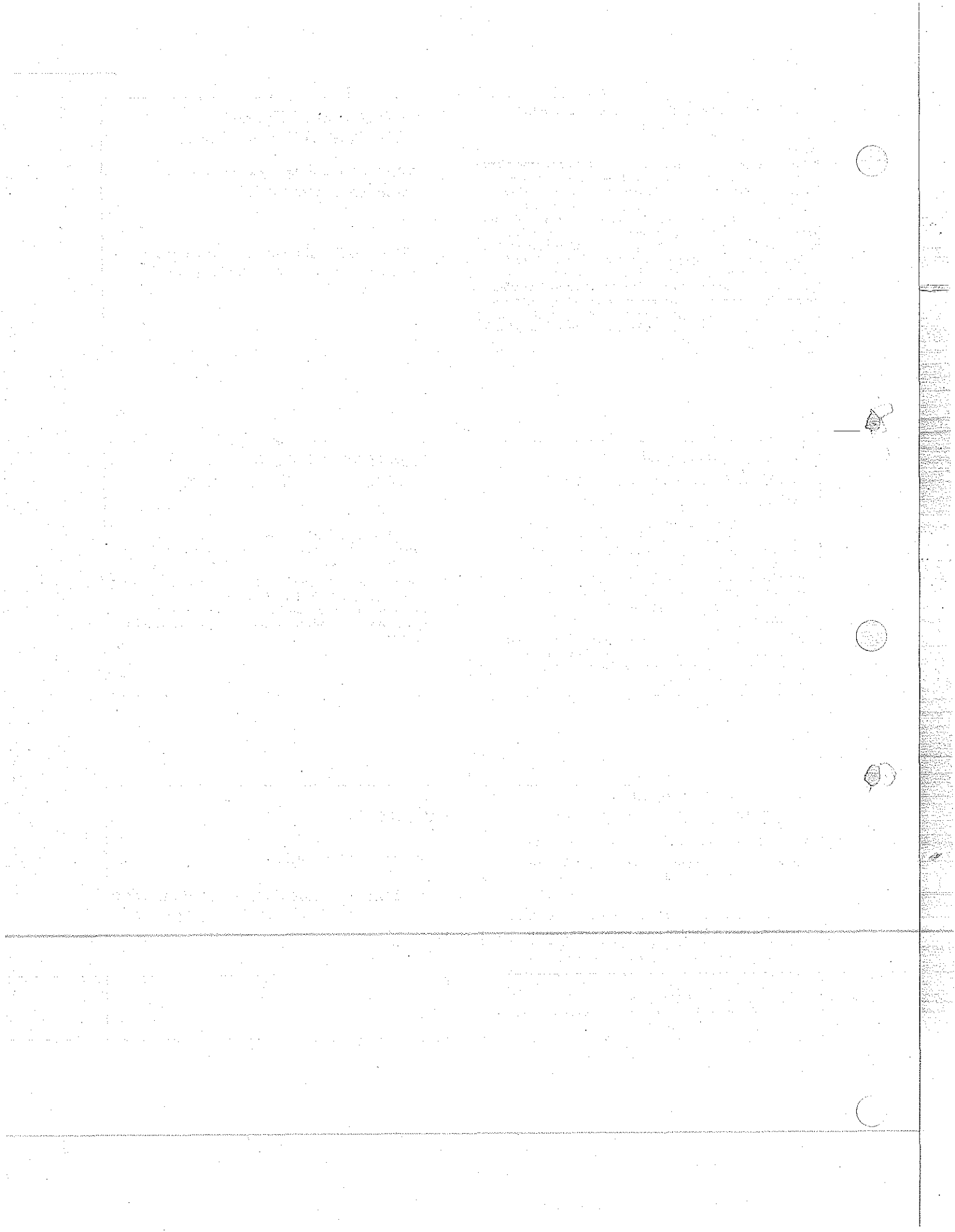
Rule 74

The State-owned enterprise or institution to which a patent right is granted shall, within three months from the date of the announcement of the grant of the patent right, award to the inventor or creator of a service invention-creation a sum of money as prize. The sum of money prize for a patent for invention shall not be less than RMB 2000 yuan;
the sum of money prize for a patent for utility model or design shall not be less than RMB 500 yuan.

3. Trade secrets

How to protect trade secrets?

What type of contract should be concluded for preventing troubles with employees ?



3. Trade secrets

aw Against Unfair Competition Of China,

rticle 10 "Business secret" in this Article means technical information and operational information which is not known to the public, which is capable of bringing economic benefits to the owner of rights, which has practical applicability and which the owner of rights has taken measures to keep secret.

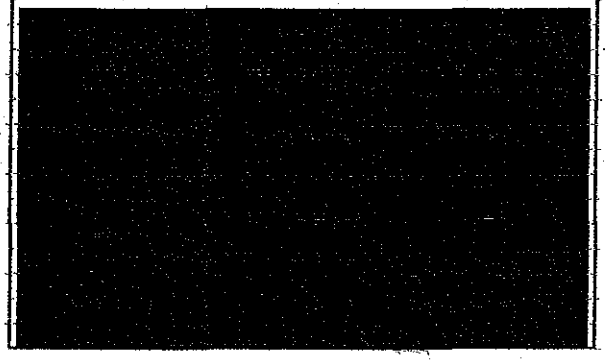
4.EFFECTIVE USE OF THE UTILITY MODEL

Comparison of Chinese Patent and Utility Model systems

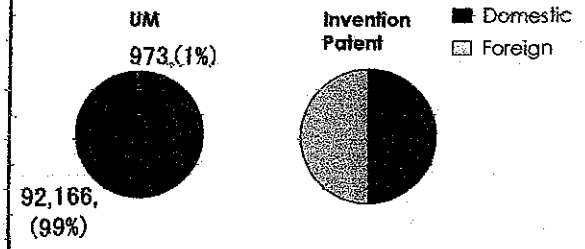
Status of application for each of the patent and utility model

4.EFFECTIVE USE OF THE UTILITY MODEL

Invention and Utility Model in China



Applications for Invention and UM at 2002

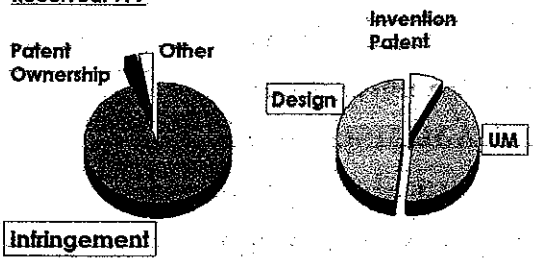


- UM Applications filed by Foreign Applicants are only 1%
- Domestic UM Applications according to Non-service are 70 %

4.EFFECTIVE USE OF THE UTILITY MODEL

Patent Disputes in China (2001)

Received: 977

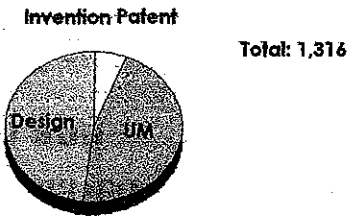


In 2001, the IP (patent) administrative authorities prosecuted 413 cases of passing off patents. And 1679 cases of passing off patents were prosecuted in 2002.

4.EFFECTIVE USE OF THE UTILITY MODEL

Validity of UM and Design Patents

Requests for invalidation (2001)



In 2001,1,480 cases were closed.
invalid:41.6 %
partially invalid: 9.7%
maintained: 48.7%