

June 28, 2007

JIPA's Comments on the Patent Reform Act of 2007

(S. 1145 and H. R. 1908 proposed on April 18, 2007)

Japan Intellectual Property Association (JIPA)

JIPA hereby publicizes its comments regarding the Patent Reform Act of 2007 (hereinafter the "Bill") proposed on April 18, 2007 in the 110th United States Congress.

I. General Comment

JIPA supports the Bill as a whole and **strongly desires early enactment thereof**, for the following reasons.

[Reasons for support]

- 1) The Bill contains important amendments necessary for further promoting international harmonization of patent systems, e.g. the change to the first-to-file principle, publication of all applications, and also contains major improvements that JIPA has requested thus far.
- 2) The Bill provides solutions to the challenges facing the existing US patent system, such as how to achieve a balance between protection of innovation by way of high-quality patents (for the patent holder's interest) and prevention of unfair enforcement of rights based on low-quality patents (for the public's interest), and how to reduce costs for dealing with intellectual property (economic efficiency of intellectual property).

JIPA's comments and requests on specific amendments are as follows.

II. Comments and Requests on Specific Amendments

- 1) Change to the first-to-file principle: §102(a)

The change to the first-to-file principle is what JIPA has strongly demanded for a long time, and it conforms to the direction of international harmonization of patent systems that JIPA has been promoting. Therefore, **JIPA supports this amendment**.

- 2) Abolition of the Hilmer Doctrine: §102(b)(4)

This amendment will give the benefit of an earlier filing date to the priority date for the application filed in the first country, and eliminate the existing inequality in treatment between US applications and foreign applications arising from §102(e), which is generally called the Hilmer Doctrine. Therefore, **JIPA supports this amendment.**

3) Filing by other than inventor: §118

This amendment is in line with the principle under the Patent Act of Japan that a person who has succeeded to the inventor's right to obtain a patent, e.g. the inventor's employer, may file an application. Therefore, **JIPA supports this amendment.**

4) Expansion of application of right of prior use: §273

This amendment will expand the scope of prior use defense to cover all technical fields including the field of business method patents, which is almost the same range as where prior use defense is allowed in Japan. Therefore, **JIPA supports this amendment.**

5) Elimination of the exception to publication of applications: §122

In addition to the change to the first-to-file principle, JIPA has also strongly demanded the publication of all applications. Therefore, **JIPA supports this amendment** which provides for the principle that every application shall be published after 18 months from the filing date.

6) Petition for post-grant review: §321-335

As a result of this amendment, a cancellation proceeding may be instituted by raising a ground that was not accepted as a ground for reexamination, and the proceeding will require less cost than litigation. **JIPA supports the new post-grant review system** as an effective means to contend against unfair enforcement of rights.

However, there is a concern over cost efficiency because the discovery procedure is provided, although applicable with limitation. JIPA requests careful consideration in designing the details of the discovery system, while taking into consideration users' opinions regarding this concern.

7) Submission by third party: §122

JIPA supports this amendment. Submission of information by a third party is expected to prevent applications and rights that have potential grounds for invalidity from maturing into rights or being enforced.

8) Method of calculation of damages: §284(a)

This amendment provides that a reasonable royalty is applied only to that economic value properly attributable to the patent's specific contribution over the prior art. It also provides that unless the claimant (patentee) shows that the patent's specific contribution over the prior art is the predominant basis for market demand (for an infringing product or process), damages may not be based upon the entire market value (of that infringing product or process).

These provisions will reduce the risk of facing claims for large damages from patent trolls and realize fair amount of damages. Therefore, **JIPA supports this amendment.**

9) Determination on willful infringement and limitations on willfulness: §284(b)

This amendment provides that a determination on willful infringement shall be made without a jury, and clearly specifies the conditions and limitations for finding willful infringement. As a result, a court's determination on willful infringement will be more predictable and reliable, and excessive damages will less frequently be claimed. Therefore, **JIPA supports this amendment.**

10) Interlocutory appeal on claim construction: 28USC1292

This amendment will enable a person dissatisfied with a district court's construction of claims to file an appeal with the Court of Appeal for the Federal Circuit (CAFC). Since there are many cases where the CAFC reverses district courts' determinations on claim construction, **JIPA supports this amendment** in that it provides an alternative route for early determination on claim construction.

However, there is a concern that this system might prolong the proceedings at the district court. **JIPA suggests that consideration should be made toward** speeding up court proceedings and **improving the accuracy in district courts' claim construction as a fundamental solution.**

11) Regulatory authority of the USPTO: §3(a)(5)

This amendment stipulates the USPTO's authority to make regulations. JIPA understands the need to revise existing regulations and develop new regulations promptly in a timely manner, thereby enhancing patent administration. However, the recent revisions of rules by the USPTO create concern over strengthening of the USPTO's regulatory authority under the present circumstances because of insufficient consideration from the standpoints of users and people in patent practice. Therefore, **JIPA supports this amendment on condition that the USPTO should take into**

consideration users' opinions on its operations and carry out regulatory measures with obtaining users' understanding.

12) Distinguishing misconduct and fraud

JIPA requests the restoration of the provision for distinguishing misconduct and fraud, which was proposed in H. R. 2795 for the purpose of making a determination on misconduct more objective, but then has been deleted from the Bill.

At present, due to the unclear conditions for finding a patent to be unenforceable, Japanese companies have to be very careful, or are sometimes too careful, when submitting an information disclosure statement (IDS). In order to eliminate such procedural inefficiency and avoid subjective determination in litigation, **JIPA requests to introduce provisions for distinguishing misconduct and fraud.**