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To: Council For Revision of the Industrial Property Systems
General Affairs Divisions
Japan Patent Office

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Comments on the Report (Draft) Issued by the Working Group on the Registration System for Nonexclusive Licenses, etc.
Patent System Subcommittee, Intellectual Property Policy Committee, Industrial Structure Council

Having learned that you are soliciting comments on the "Report (Draft) Issued by the Working Group on the Registration System for Nonexclusive Licenses, etc., Patent System Subcommittee, Intellectual Property Policy Committee, Industrial Structure Council," we would like to submit our comments as follows. Your kind consideration would be greatly appreciated.

Hoping to contribute to your study in any way possible, we would be grateful if you could give us opportunities for briefings and information exchange from time to time.

I. General Matters

The "Report (Draft) Issued by the Working Group on the Registration System for Nonexclusive Licenses, etc., Patent System Subcommittee, Intellectual Property Policy Committee, Industrial Structure Council" (hereinafter referred to as "draft report"), about which you have solicited public comments, mainly discusses how to increase the usability of the registration system for nonexclusive licenses, etc. We find this discussion meaningful to some extent.

Ideally, however, protection for a licensee should be provided based on the assumption that the transfer of a patent right or the right to obtain a patent is accompanied by the assignment of all of the rights and obligations related to the right (When the holder of a patent right or the right to obtain a patent goes bankrupt, he can

use the license agreement to claim the effectiveness of the right against third parties.). From this viewpoint, the protection under study in this report is insufficient because no protection is provided to the status of sublicensee established under the agreement on exclusivity based on a monopolistic nonexclusive license or under a comprehensive license agreement. Page 23 of the draft report states that "It is difficult to place an agreement on exclusivity within the framework of the registration system," implying the limitation of the registration system.

While agreeing to the proposal to consider the registration application date as the date on which the registration takes effect, we think that, ideally, the registration should take effect on the date on which the parties concerned reach agreement in order to prevent double assignment and other problems. This also makes us feel the limitation of the registration system.

Having presented our comments on the draft report below, we would appreciate if you could further study the points raised. It has been our longstanding hope to see a protection system introduced in the near future. Your study on the possibility of the early introduction of the system would be deeply appreciated.

II. Comments on Specific Issues

1. Assignment of the right to obtain a patent

- Page 18 of the draft report states that, "It would be appropriate to introduce a registration system under which registration is considered as a prerequisite for the right to obtain a patent to take effect in the case of a special assignment of the right" and also that, "There is the risk of increasing financial burdens depending on the amount of registration license tax that has to be paid upon registration." Considering that the special assignment of the right to obtain a patent is carried out completely separately from the act of licensing, we do not agree to the proposal to alter the existing system in such a way that would increase financial burdens. At least, an increase in financial burdens should be avoided.

2. Protection of licensees for patent applications before the grant of patents

- Page 12 of the draft report states that a license granted at the stage of patent application has the characteristics of a right established before and after the application publication (the right to request inaction to prevent the holder of the right to request an injunction and the right to request compensation from exercising those rights under the Unfair Competition Prevention Act) in addition to the characteristics of a nonexclusive license with conditions precedent. However, we think it unnecessary to treat license

protection at the stage of patent application differently depending on whether the application has been publicized or not. In the meantime, page 12 of the draft report states that, “the assignee of the right to obtain a patent could exercise the right to request an injunction under the Unfair Competition Prevention Act at the stage of application,” referring to Article 2(1)(vii), Article 3, and Article 4 of the said Act as the underlying provisions. These provisions could mislead people into believing that the assignee of the right to obtain a patent is permitted to exercise such right although we currently have no licensee protection system applicable to a pre-grant patent application. Therefore, these provisions should be deleted in order to prevent such misunderstanding.

- Page 14 of the draft report states that, “An application claiming priority under Article 41 of the Patent Act should not be permitted to take effect based on the registration.” If this is the case, any applicant who files an application claiming priority under Article 41 of the Patent Act (hereinafter referred to as “domestic application claiming priority”) will be deemed to have withdrawn the basic application, causing the registration of the license to lose effect. On the other hand, a domestic application claiming priority contains an invention for the basic application. In this sense, the identity is preserved. Requiring the registration of a license for an invention claimed in a domestic application claiming priority that preserves such identity would unnecessarily complicate the procedure and result in wasteful spending. As a business practice, a license agreement often contains a provision specifying that an application claiming priority filed based on the patent application in question shall be included. The proposal presented in the draft report is inconsistent with this business practice as well. Therefore, domestic applications claiming priority should be permitted to take effect upon registration. The same should apply to the effect of the restrictions on the disposal stated on page 19 of the draft report.
- Pages 14 to 15 of the draft report refer to licensee’s consent for the withdrawal of a patent application. We consider it appropriate to require a prior notice to a licensee in the case of a nonexclusive license and require licensee’s consent in the case of an exclusive license. With regard to the withdrawal of a patent application mentioned on page 19 of the draft report, the consent of the attaching creditor should be required. The same should apply to the abandonment of an application, while this issue is not addressed in the draft report.
- Page 15 of the draft report states that, “It would be appropriate to prepare, upon the filing of an application for registration, the registration ledger based on the application number. If this system is adopted, there would be two types of patent applications, i.e., patent applications with the main registers and those without them. In order to prevent

people from filing a request for inspection of the registration ledger of a patent application that does not have such registration ledger in the first place, we think it necessary to provide information on the existence of the ledger through IPDL and so on.

3. Registered matters

- Pages 22 to 23 of the draft report state that further study needs to be conducted on the issue of an agreement on the exclusivity of a nonexclusive license. Also, page 24 of the draft report states that further study is necessary with regard to patentees' grant of authority to sublicense. In these respects, it is especially important to provide protection under a special agreement concluded in relation to a license agreement. The system to provide such protection should be established as soon as possible. In particular, regarding the protection of a special agreement concerning the grant of authority to sublicense, we think it necessary to urgently establish a system to protect sublicensees without requiring identification of them based on the registration of the grant of authority to sublicense, as is the case with real-estate registration where protection is provided to sublessees without requiring identification of them based on the registration of the grant of authority to sublicense.

4. Disclosure of the registered matters

Page 28 of the draft report states that the registered matters may be disclosed to interested persons. As pointed out in note 43 of the drafted report, further study is necessary to decide who should be regarded as "interested persons."

5. Registration application method

Page 32 of the draft report states that, "It might be appropriate to maintain the current joint application system and introduce a system of independent application that permits one of the parties concerned to obtain a registration upon application regardless of whether the other parties wish to apply for registration." Licensees are not willing to apply for registration of their nonexclusive licenses partly because they fear that the registration would disclose the existence of those licenses that they prefer to keep secret. Actually, in many cases, the existence of a license agreement is kept secret. The draft agreement proposes the establishment of a system to keep a part of the registered matters undisclosed to the public. However, the draft report fails to examine whether to impose a secrecy obligation on the registration agency and any party to whom the registered matters have been disclosed. The registration system for nonexclusive licenses would not be successfully implemented unless the secrecy of the registered matters is guaranteed. This issue must be solved before "permitting one of the parties concerned to obtain a registration regardless of whether the other parties wish to apply

for registration." Otherwise, such independent application system would cause confusion when any of the parties does not want to file an application for registration for fear of compromising the secrecy. Therefore, we consider it necessary to conduct further study as to who has the obligation to keep the registered matters secret before introducing an independent application system.

III. Desirable License Protection System

It would be desirable to further modify the existing registration system for nonexclusive licenses, etc., or to create a completely new system without being constrained by conventional ways.

As stated in page 8 of the draft report, the utilization ratio of the registration for nonexclusive licenses is not so high in reality because users are aware that the registration system possesses its own distinct limitations. In the actual transaction of a patent right, etc., the assignor often assigns the right to the assignee together with the debts and credits related to the right. In some cases, the arrangement described as Type 3 in pages 36 to 37 of the draft report is made to allow a licensee to continue to exploit the patented invention, etc. If these practices are protected under law, in other words, if we establish a system to protect a license agreement without requiring the registration of the license, all of the issues with regard to licensee protection would be solved at once. Germany and the United States have a system under which the effectiveness of a license may be claimed against third parties based on the license agreement. Japan should also introduce a similar system to protect licensees.