

World IP Resource Development Consortium: Comparative IP Academic Workshop
Essential Issues in IP Enforcement
July 25, 2009 UW School of Law

Thank you very much for coming to the first international global IP case law database consortium workshop. I want to let you know that Waseda University Research Center and CASRIP have been working on developing IP resources from mainly Asia, the U.S. and European countries. If you go to the CASRIP database, we have resources available for these countries. For example, France – not necessarily all of this information, but we are in the process of filling in this information. If you click the database, we have a link connected to Waseda University's database project page, and currently, we have one, two three, four, five six, seven, eight, nine, ten – ten countries that have IP case summaries available. For example, we go to Germany – we will hear from a German speaker today. For example, we search for “inventive step,” and “patent right.” Hopefully, some cases will come up. We have several cases included, but we are adding more cases and summaries this year. And we have information on how to cite them, because we want everyone to cite our database. We are putting in the investment about making available in English to IP students in Europe as well as Asia, particularly from those countries for which information in English is limited. I am hoping that by citing in your articles IP cases from non-English jurisprudence, we hope to learn from Asian as well as non-Asian countries with respect to jurisprudence as well as case studies as to where IP cases start. With such introduction, I would like to start the first workshop, hosted by the University of Washington and Waseda University Law School.

I will be changing my hat to that of chairperson for the first workshop. We have two very distinguished speakers for the first panel. I changed the order of the two panels, starting from the second panel, whose subject matter is very diverse. The speakers are Ms. Yeyoung Chang, Mr. Escoffier and we have their “Dr. Fathers” available to introduce the speakers, so I would like, maybe Professor Takabayashi to introduce Ms. Chang.

Professor Ryu Takabayashi: Let me introduce the first speaker today, Ms. Yeyoung Chang. Ms. Yeyoung Chang is my doctoral student at Waseda University. She graduated from Yonsei University in Seoul, Korea. After that, she came to Japan on a full scholarship from the Japanese government. Her main focus is copyright law with a comparative perspective. She is in the middle of preparing her doctoral dissertation. Today she will make a presentation about the debates on the introduction of fair use into the copyright acts of Japan and Korea, which is the part of the dissertation of her research. It is an honor to participate in this comparative IP academic seminar in Seattle. Please make comments for the further progress of her research. Thank you.

Ms. Chang: Good afternoon. It is an honor to participate in this seminar today. As Professor Takabayashi said in his introduction, I am originally from Korea, but I am studying in Japan as a budding scholar. I am still in the process of preparing my doctoral dissertation about copyright users' rights, I am trying to find a method which is unrestrained by traditional copyright law frame to guarantee the public interest and the promotion of culture. Today, I will introduce the debates for fair use introduction in Korea and Japan, which is one part of my research. I will also illustrate whether general provisions for copyright limitations (such as fair use), is compatible with the continental law system, and whether Japan and Korea really need fair use. In my paper, I propose a new approach to this problem, but today I am given only fifteen minutes to make a presentation, so I would like to focus on showing you the debates on the introduction of

fair use in Japan and Korea. As you already know, with the development of digital technology, new types of use have emerged and this has raised legal issues of copyright law as to how we should strike a balance as to protection of copyright and the public's interest. In order to keep the balance, there could be two approaches. What kind of copyright and exceptions are in need; or what is fair in certain cases? I would like to distinguish the exceptions and limitations here. The exemptions of the civil law system is an exception from norms, and the scope should be decided through legislation. Fair use functions as a limitation, presenting the configuration of the copyright through the judicial judgment. Well, there is a criticism for the enumeration list of the continental law system since it is hard to cover all new types of use promptly. Legislative procedure usually takes time, and there is a "Minority Bias." The unorganized and decentralized interest of the sole user, is hardly reflected in the legislation. It seems that limitation through judicial judgment is better to keep the balance than exceptions through legislation, because at least we assume that there is no discrimination against individual users in the courts. I think that this is why some legal scholars in Japan and Korea have proposed the introduction of a general provision for copyright limitation such as the fair use clause of the US Copyright Act. In Japan, the provisions of copyright exceptions are enumerated in Articles 30 to 49. The conventional theory has interpreted that copyright exception is only an exception of the principle and it should be interpreted strictly. While Japanese courts are not bound in theory by this strict construction, there are still some situations which are not covered by the enumerated exceptions. For example, according to court precedents and theories, copying for use in a company is not within the scope of Article 30 of the Japanese Copyright Act, because this Article clearly provides that it is applied only to reproduction for private use. And Article 31 provides that it shall be permissible to reproduce works in a library. So both the user and the library may reproduce under copyright law, but it is generally accepted that transmission by fax or by e-mail is not permissible. There may be three types of solutions to the issues mentioned above. By flexible construction, by adding new copyright exceptions, and by establishing a general provision of copyright limitation. In Japan, the introduction of the so-called Japanese version of fair use was proposed in November 2008. Now the Legal Issue Panel of Copyright Subcommittee of Agency for Cultural Affairs is reviewing the issue of the introduction of the general provision of copyright limitation. These Japanese version seems somewhat narrow, because it will be provided in parallel with existing exceptions and will only catch the cases which may not be covered by current copyright exceptions. On the other hand, in Korea, copyright reform bills have been proposed under a Free Trade Agreement (FTA) between Korea and the United States. And several proposals, including the "Korean type of fair use", were proposed. As you can see, the Korean fair use clause combines the three-step test of the Berne Convention and fair use from the United States copyright law. My guess is, this is to escape from the suspicion that this may be incompatible with international treaties. After that, other reform bills of the Copyright Act were introduced in 2008 and 2009 by lawmakers, which also include a fair use-like clause, but none of them has been passed yet. There are various opinions as to whether Korea should introduce fair use or not. Those to argue the "pros" say that fair use is a very flexible doctrine so that courts can apply it to various copyright infringement cases involving new technology. Eclecticism means that it might be difficult to predict the scope of application. To guarantee legal stability, some scholars insist that a restrictive fair use clause should be introduced to confine to certain uses with particular purposes, for example, non-commercial purposes, private study or research purposes, which are similar to the Fair Dealing clause of the U.K. Copyright Act. On the other hand, the "cons", say that the United States and Korea have legal systems that are so different, the fair use system cannot be consistent with the Korean legal system. Opponents also argue that if the courts may create a new "right" or "interest" for users by applying fair use, it would weaken the copyright holder's interest, and impair the stability and predictability of law. Moreover, [Korean courts have already been using a fair use-like standard such as the "normal usage," a "proper scope," in deciding copyright infringement cases. Therefore, an introduction of a fair use clause is not](#)

necessary for the Korean Copyright Act. In conclusion, they insist that it is better to deal with the problem by adding individual exceptions promptly to the Copyright Act rather than rely on an abstract general provision. It is interesting that almost the same opinions exist in Japan. To my understanding, there are certain debates in Europe about the general provisions of the copyright limitation relating to the Three-step test. Is fair use compatible with the European law system? There can be a question. When a member state establishes copyright restrictions of the Directive into its domestic law, it should not conflict with the Three-step test. The Directive enumerates a list of right restraints that should or may be introduced into their domestic law. If it is an exhaustive enumerated list, introduction of the fair use-like general provision will be denied. It is my understanding from the structure of the Directive itself that it is proper to understand like this. And comparing the factors of fair use and the Three-step test, the first three factors of fair use seem to be in conflict with the Three-step test. How about the first factor of the three step test? Fair use may qualify as substantial cases in the common law system, but overall it is hard to argue that fair use is limited to cases in which there is participation of the Three-step test. Now, in Japan and Korea, the importance of a general provision for copyright restriction is recognized enough. However, from the incompatibility with international law, and the difference of the legal system, in my opinion, Japan and Korea do not need fair use clause of U.S. Copyright Act. As dissenting opinions say, there are some advantages to enumerated exceptions, like stability and predictability of law, and Japanese and Korean courts already allow fairness to some degree. Enumerated exceptions can deal with the new technology to some degree by flexible interpretation and prompt legislation. In fact, fair use is somehow insufficient to solve problem. The freedom and interests are not protected enough at present, but I think that introduction of fair use to Japan and Korea is not the only and best solution to this situation. I am not talking about which legal system is superior to the other. Each system has its own merits and demerits. The important thing is to treat all parties equally for a balancing of interests. The paradigm should be shifted. This is why I am proposing the necessity for a balancing approach based on fundamental rights. I have specified the essential factors for my approaches, and I hope that I will have a chance to give a paper about that in the near future. I thank you.

Professor Takenaka: Thank you Lea. In fact, you finished within ten minutes. You could have had five more minutes, but thank you very much for finishing early. Because of my introduction, we were behind. Now we can catch up. The next speaker is Mr. Luca Escoffier. His doctor-Mother is Professor Gail Evans. Please introduce him.

Professor Evans: Thank you, Toshiko. It is my great pleasure to introduce Mr. Luca Escoffier to you. He is a candidate for a Ph.D. at Queen Mary, University of London Center for Commercial Law Studies. His subject is nanotechnology. One or two points to highlight. Mr. Escoffier is a graduate of the University of Parma and the University of Turin with an LL.B. and LL.M. from each university. He is also a fellow of the Stanford-Vienna Transatlantic Technology Law Forum, and he is a fellow of CASRIP here most recently. What pleases me very much is the degree to which Luca has already established himself as a published author. In the Nanotechnology Law & Business Journal, he has published several articles and he has told me that he has several entries forthcoming in the Encyclopedia of Nanotechnology. Thank you. Luca

Mr. Escoffier: Thank you, Toshiko and everybody for being here today. I am very honored to talk before such a distinguished audience about my subject matter. Unfortunately the paper that I am presenting today does not represent overall the extent of my dissertation because I am touching upon what is actually the definition of nanotechnology and I am focusing on nano-medical innovations, a subject that is not touched upon my presentation, as well as regulatory issues, with a comparison between Europe and the U.S.

Today, we are just talking about patentability of nanotechnology innovations. I will offer you some figures or charts that may be useful or not, but I will try to show that there is sort of a paradigm shift in the patenting of these innovations because we are seeing for the first time since probably the advent of the radio or the airplane, once again the patenting of building blocks. This is the table of contents for what I will go through in my presentation. I will give you a brief definition and I will offer you the patent trends in charts that I designed, and I will go through the concepts of non-obviousness in the U.S. and inventive step in Europe, and then I will try to draw some conclusions. These are two definitions that I took. The first one is from the Merriam-Webster's Dictionary, in which nanotechnology is defined as "the art of manipulating materials on an atomic or molecular scale especially to build microscopic devices." So from this, a person who is actually closer to this subject matter will see that there is a problem with this definition because it is talking about "microscopic" and we are talking about "nano," and one thousand nanometers constitutes a micron, so in theory, this definition is not so precise. We can skip to the second which is the definition which is very frequently quoted in all of the papers, it is a definition included on the web site of the Nanotechnology Initiative, which is a program created here in the U.S. several years ago. According to the definition of the Nanotechnology Initiative, "nanotechnology is the understanding and control of matter at dimensions between approximately 1 and 100 nanometers, where unique phenomena enable novel applications and unusual physical, chemical and biological properties can emerge in materials on the nano-scale." I will give you in a couple seconds, an example of these unique phenomena. But first, we have to distinguish the different approaches to nanotechnology. Things can be made very small in two ways. The first is the bottom up approach, which means that we are trying to build something from the atomic or molecular dimensions, which is now allowed through novel improvements and novel equipment we already have had them for a couple of decades, such as atomic force microscopes, etc. With this equipment, researchers are actually able to move atoms with their fingers. The other approach, which is probably the most well known and the oldest one, is the "top down," in which we are able to scale down to the nano-scale micro things from bulk material. So of course, the bottom up approach is the most innovative, the one with the most innovations.

This is an example of unique features. This is the Lycurgus Cup. It is a cup made in the fourth century after Christ. It is kept in the British Museum. In it, we see the triumph of Dionysus over Lycurgus. What is incredible is that with the reflected light, the vase is green, but with transmitted light, which goes through the vase, the glass is red. Up until 1992, which means almost 25 centuries after the making of the vase, researchers could not know how the master had realized this piece of art. In 1992, with an electron microscope, they found out that in the glass there were very small nano-particles of silver, which made the vase green, and gold, which made the vase red. The unique phenomena are this: we usually know silver as being silver colored, and gold as being gold, but here the gold is red. This is one of the interesting things we can find at the nano-scale. We see changes in color, property, flexibility, strength, etc. I would like to give you an idea of the trends in patenting of nanotechnologies. Nanotechnology is very fascinating for IP professionals because the technology has created troubles for patent offices, because we do not have a classification in the IPC. We have actually the B82B, which is a subclass for nanostructures, but currently I have tried to make a patent search of the database of the WIPO, and it turned out that there are 900 applications, which of course does not reflect the real dimension and number of actual applications. I used a very simple method that happens to have been used by other authors. I truncated "nanotechnology" to "nano," and for the sake of this paper, searched for only the patents that have that in their title. From 1983, you can see an exponential growth rate. What is interesting is that now we are in June, June 15 so we have 571 international applications which have been published by the WIPO, and what we can see if we make a rough calculation is that if we double this, it would be just one thousand, so the rate is not falling, but has been constant in the last three decades. I think that there is an interesting explanation. The explanation is that due to new regulatory issues that are coming out, new issues are threatening

companies worldwide, in Europe and in Asia, and the U.S. researchers in companies are trying to avoid using the word “nano” in their patents. This was confirmed a couple of weeks ago at a meeting of the MIT Forum here in Seattle. Three competitors in the nano landscape told me the same thing. Now it is not very convenient to publicize the fact that they are using nano-particles in their products. I do not know if some of you have read some articles on cosmetics, and the fact that they are nano-particles can enter you skin and damage your skin, cause cancer, etc., so there are many concerns nowadays. I also have other charts that I think are useful, all of them referring to June 15. This is a chart that indicates the number of applications by country. As we can see, the U.S. is far from the second and third and fourth, which are Japan, Germany and Korea. I always use the same method. I just truncated the word “nanotechnology” to the term “nano.” What is curious is that it actually reflects the average of the overall patent filings globally from 2001 to 2005. This is also the data that I retrieved from the patent filing statistics at the WIPO. So Japan, Germany, the United States and the Republic of Korea and then there is an exchange between China and France but more or less nanotechnology is following the general trends. As you can see, more closely, micro-structural and environmental technology are increasing in proportion. Another interesting chart that I designed is this, and I think it is very informative. As I mentioned, now we are facing a period in which we are seeing the patenting of the building blocks in basic research. Out of the ten major applicants for patents in the WIPO, as you can see, seven were from the U.S., then there were two Japanese and one French. They are universities. They are public institutions. We see the University of California with 163 applications. This reflects the numbers that I took from their website, on the basis of available technologies. The only difference I saw on the University of California web site and MIT is that MIT has only 45 available technologies and the University of California has 25, so probably that university has been more active. Also, there is probably more licensing activity in their technology offices. I think it is pretty interesting and reflects what has been said years ago by other scholars, such as Mark Lemley, who years ago wrote an article on nanotechnology innovations. It is still like that.

This is another useful chart. I think it highlights the subclasses to which each patent pertains. The first three are, as we can imagine, the most important for industry right now. A61K, preparations for medical, dental or toilet purposes. H01L, semiconductor devices, electric solid-state devices not otherwise provided for, and C01B, non-metallic elements in the material sciences. These are actually data that reflect exactly also the data that I collected for my dissertation. I retrieved more than 200,000 applications concerning nanotechnology and the fields categorized in the articles are exactly the same. Also, other publications concerning patent metrics list these as the three main categories.

Coming to patentability, we all know that there are particular requirements for the patentability of an invention. I decided to start with the U.S. to look at the non-obviousness requirements. I took the Graham factors, which came from a case that the Supreme Court decided in 1966, in which the court said that for an invention to be patentable the trier must first ascertain the scope of the prior art, the level of ordinary skill in the art would be second, then the differences between the invention and the prior art, and the fourth is considering the objective evidence of non-obviousness that can be proven by long-felt and unresolved needs, unexpected results, etcetera, etcetera, and this is more or less similar to the European approach. I came across many cases, but I decided to mention only a couple of them. Going back to the first one, in terms of age, 2005, *In re Kumar*. It seems the first case that was reported in the Federal Circuit, but it discussed a procedural issue that had been raised by the applicant. The applicant, Kumar, and other researchers tried to patent an innovation, but the PTO Board of Appeal of Interferences accepted some declarations without giving the other parties, Kumar and others, a chance for rebuttal or to reply to the communications. So the Federal Circuit decided the case on procedural grounds, finding that Kumar and the others had to have the chance to rebut and the Board could not make them hold their communications. Actually, we are still waiting for a new decision from the PTO. Then, in 2007, the Graham factors were affirmed, even though the Supreme Court asked the

Federal Circuit not to apply them so rigidly. The most recent case, this is before the Federal Circuit is Procter and Gamble Company v. Teva Pharmaceuticals USA, Inc. in which Procter & Gamble sued Teva. In this case, there are very important considerations, even though the Federal Circuit based it on other previous decisions. Under it, we understand that as long as the researcher is able to overcome a technical issue, we can establish that there is no issue of obviousness in the invention as has been claimed. What is also interesting, especially in the area of materials science, is that the court added that with respect to the claimed invention, as long as it exhibits some superior property or advantage that a person of ordinary skill in the relevant art would have found surprising or unexpected, then it would be considered non-obvious. This is exactly the case for nanotechnology because almost all of them, especially in materials sciences, are trying to demonstrate that an already known material is able to display features and phenomena when they are so small.

If we look at the inventive step in Europe, in which more or less the requirements are pretty much the same. With the only exception being that the problem must be explicitly mentioned by the applicant in the application. So the problem solution approach is actually codified in the implementing rules and the applicant has to describe the problem and then the way the problem has been solved by the claimed invention. There are many many cases, especially in the area of chemicals, but I just want to mention one article because this is the first time that I quoted an RCLIP case, in a paper. It is a case in which the Technical Board considered the life of a document, and determined that as to the prior art to assess the inventive step, no time limit can be envisioned *a priori*. There is no problem with that. Then, I came across other cases, such as T149/93, which practically said the same things that U.S. courts have said so far. Probably technical combination inventions are more common in this field, but as long as you are able to show that the inventor had not the expectation of success, but the hope to succeed, then in that case the invention cannot be seen as obvious. So as a conclusion, I would like to restate with regard to the charts that I have prepared that we are facing a paradigm shift in the patenting of technology that we have started seeing seven or eight years ago, and it seems so far that the problems that were foreseen years ago regarding the patentability of nanotechnology, those problems can be resolved with principles that have already been codified in the traditional law.

Professor Takenaka: This panel has three speakers whose topics are very diverse. The first speaker is Mr. Yann Basire and Professor Yves Reboul will be introducing him.

Professor Reboul: First, I would like to send my regards to Professor Takenaka, and thank her for the excellent progress in the workshop. Let me introduce Mr. Yann Basire, who is a researcher at CEIPI, the research center for intellectual property at the University of Strasbourg. He is a specialist in the area of the domain of trademarks. He decided to choose the subject of his thesis in the field of trademarks, and especially the functions of trademarks. Why because we are seeing at this moment an evolution in Europe about the functions of trademarks. Thirty years ago, the only function of trademarks in Europe was to identify the products which are put into the market by a company that is the owner of the trademark. The solution was decided by the Court of Justice in Luxembourg, ten or fifteen years ago. It is very different now, because the court of cassis decided that while an important function of trademarks in Europe, is certainly to notify, but the most important is to make the link in the mind of the consumer between the goods that are on the market and the owner of the trademark. This is the relationship between where the product is made, and the products. We have seen since that time a revolution in the importance of trademarks to companies. In some cases, the trademark is the most principle material asset of a company. The question is, "What about well-known trademarks?" We think that the focus of the research should be the traditional function is to notify the products, but the new function is to notify consumers of the relationship between the products and the company which produces the products anywhere in the world. At the same time, we have to study the question of well-known

trademarks, which we think are a personalization of the trademarks. Now perhaps we will hear about that.

Mr. Basire: Thank you. First of all, I would like to begin my presentation with a few preliminary remarks. First of all, I would like to thank Professor Takenaka for allowing me to be here. Secondly, my presentation does not have really a connection with new technology challenges, but I think it is sometimes good to discuss trademarks. Thirdly, I presume that you are all familiar with the trademark system in Europe, and how it is possible to have two different assets, in the same country, a national one and an EU one. Mostly, I want to emphasize that my presentation is a typical French one divided into two parts.

So as Professor Reboul mentioned, trademark has an ambivalent nature. It is both a tool for the producer, for the professional, but also an indicator for the consumer. This ambivalence is omnipresent in the decisions of the European Court of Justice related to the function of the trademark. Indeed the ECJ brought out for the first time the function of the exclusivity in the specialty in a case in 1974. This function corresponds exactly to the logic of the trademark right: Protect the holder of the rights against the competitors who are in the same specialty. The other function brought out by the ECJ is the function of guarantee of identity of origin which means that the trademark has as its function the guarantee to the consumers the commercial origin of the goods or services targeted by the trademark. The trademark has therefore a double nature protection to the owner and of recognizing a significant importance to the consumer. Indeed today, each decision by the ECJ, and almost all French decisions refers to this function and not only in the occasion of the enforcement of the exhaustion right but also for the assessment of the counterfeiting, or for the assessment of the grounds for refusal of the trademark.

We forget gradually, the first function: the exclusivity which is however forming the core of property rights. That is why it is necessary to rehabilitate and to remind the “producer’s side” of the trademark: the functions of the holder of the trademark. First of all, I would like to make precise why I use the term “functions” with an “s.”

Actually, we always have this confusion. We always use the word trademark to designate both the distinctive sign and the right on this sign. It is more appropriate to speak about the trademark, the distinctive sign which designates goods and services, subject of the right, and the right on this sign. Now, if we accept this distinction, it seems that there are two different functions, and we could group together these functions under the term “patrimony.”

Because of the specificity of intellectual property rights, we forget sometimes the ordinary law, the right which is the source of the intellectual property. In French, this is “*le droit des biens*,” and in English “property right.”

Thanks to this ordinary law, I am going to try to demonstrate that the “trademark” has patrimonial functions. The word “patrimony” has an important legal aspect in France. It may be defined as a “universality of right,” a set of rights and obligations under a particular legal regime. Patrimony is constituted of goods and rights. Thus, it is necessary for me to demonstrate that a trademark, as a sign, is a good. After that, it will be necessary to show the real function of this sign which gives it its pecuniary value. Secondly, I would like to consider the right of the trademark, which is usually considered as a right of property. And it will be necessary to consider the function of this right understood by the ECJ as the function of exclusivity in the specialty.

The first part, the patrimonial function of the sign. The trademark could have a patrimonial function from the moment that we could consider the trademark as a good. The question that must be asked is “Is the distinctive sign a good?” What is a good?” If the answer is “yes,” and of course, the answer is “yes,” we have to consider the function of this sign. Concerning the legal nature of a distinctive sign, we have to define first of all, what is a good. In France, we have some conceptions of “good” that are restrictive, some that are too extensive, and some that are useless. Concerning the restrictive conceptions, some authors consider that a good must be corporeal. This does not correspond any more to reality. Only a corporal thing may be

possessed. This conception prevents trademarks and all incorporeal things from being goods because they cannot be possessed. Other authors consider goods to be only a right that is financially assessable. We also have to reject this restrictive conception. Concerning the extensive conception, I refer to a decision of the European Court of Human Rights, which indicates that a good is anything that has a financial value, like clientele. This is too extensive for us. Under this conception, a trademark is also considered a good.

As for the useless conceptions, some authors in France consider a thing to be a good when it is a guarantee for a debt, or some authors have created a new type of good for intellectual property. This is totally useless. The qualification that must be retained is another definition given by Professor Mousseron, who is one of the most important authors in France in the area of intellectual property. I take his definition, “useful and rare, in the economic sense of the term, becomes a good, in the legal sense of the word, when society answers by the law, to complementary concerns of reservation and of commercialization of its master of the moment.” So it appears that the reservation can exist without a property right, as the law knows other mechanisms of reservation, notably civil liability. Even if the value in question is not very big, we can consider that there is a value as soon as the thing in question is rare and useful for the owner. With such a conception, we can consider the distinctive sign which designates goods or services as a good. Registered distinctive signs are obviously a good, but a use trademark can also be considered as a good. Obviously, these assertions are not totally correct or complete. A trademark is a good, but it is another question as to when a distinctive sign becomes a good. This is another question. Unfortunately, I have not finished my research on this point. At a later time, I would like to consider this question. However, this conception allows us to say that a trademark constitutes a good. A good with a particular function, independent of the rights which protect it. A trademark is a distinctive sign, such as a trade name, shop sign, and a business name. All of these distinctive signs have an identifying function, but they do not designate the same thing. The trademark designates, as you know, the goods and services of the company. The trademark individualizes the production of the owners and allows them to be distinguished from their competitors. As a consequence, the trademark holds an important place in the business of the producers and can have an important financial value. The trademark is indeed a means of conquest of the clientele, and is considered in France an essential element of the business. Actually, in many cases, we can consider that the trademark is the most important element of the attachment of the clientele. The trademark can constitute a particularly precious good. That is one of the reasons why the legislature recognized a strong special right in order to protect this good and its function. The second part focuses on the patrimonial function of the right on the sign. For the sake of time, we will only consider the private right. We usually speak about intellectual property and industrial property rights, but is it a property? First, we will classically consider the legal nature of the right, and then we will study the function of the right retained. As with the definition of “good,” there are many qualifications. Thus, for example, some authors speak of intellectual rights. This was Dabin. Another one, one of the most important authors in France, tried to create a new right, “clientele rights.” But, this qualification, for many reasons, may not be retained. So, we have to speak about property. The majority doctrine considers that the qualification which must be retained is the property. The property is the model of intellectual property. And even if there exists some difference in the system, it is possible to consider the right on a trademark as a property right, a specific property right. Let me demonstrate why. Concerning the subject of the right, whether it is corporeal or incorporeal does not matter. The other important elements of the property are the exclusive and the absolute right. Concerning exclusivity the classical property appears for its owner as a monopoly. The exclusivity means that a third party cannot use, enjoy and dispose of the good subject of the property. It is also the case for intellectual property. The owner can, by means of a counterfeiting action, prohibit a third party from exploiting his good and therefore, its usefulness without any authorization. The owner has a real monopoly in the exploitation of the good. Concerning the absolute right, it is quite

strong, but it means notably that the property right is the most important and most complete of the real right. The right does not have any limits. The owner can choose himself to enjoy his good and to grant a license, to transfer it or even to lose his right. The use of the rights can be limited by law. This situation exists also for classical property. The right of property has a third important element: perpetuity. The word perpetuity means only that it does not exist in an extinctive period for the right. However, the right exists as long as the subject of the right exists. The right of property disappears with the good subject to the right. The fact that the intellectual property rights are not perpetual is not contrary to the principle of classic property rights. Not at all. The right is granted for the life of the good. The life of an invention is statistically lower than twenty years. After that, the good is useless and the right disappears. This conception could explain why the trademark right is the only one in the field of trademark law which can really be perpetual. The sign which is correctly exploited maintains its usefulness and deserves to be protected by property rights. On the contrary, if the owner does not exploit the sign, it loses its financial value and the revocation for non-exploitation is possible. In the same way, if the sign becomes generic, the sign is also useless and cannot be protected any more.

After this demonstration, it seems that the intellectual property right and trademark right does not have only the name of property by also the system. It is necessary to consider now the real function of this right: the exclusivity in the specialty. Obviously, the right on the trademark allows protecting the function of identification of the goods. More precisely, the right has for function to reserve the exclusivity of the use of the sign in the specialty. The function of exclusivity in the specialty was consecrated by the ECJ. This function ensures the owner of the trademark to enjoy it in his specialty of an absolute exclusivity on his sign. He can prohibit a third party from using an identical sign which designates the same goods and services. According this decision, we do not have to consider that the protection of the consumers has to be taken into consideration by this function. But the European Court of Justice recognized a few years later the function of guarantee of origin which takes into account consumers. And today, the case law of the ECJ and of the French courts consider this function as the most important and forgets the patrimonial function of the trademark. Thank you very much.

Professor Takenaka: Before starting the open discussion, we would like to invite the invited discussants to comment on each presentation and paper. The first discussant is Professor Sang Jo Jong, from Seoul National University. He will be commenting on Ms. Yeyoung Chang's paper.

Professor Jong: This is Sang Jo Jong from Seoul National University. I heard Ms. Chang's presentation, and I read her paper. Her thesis is generally very good to describe the situation in Korea and Japan. Her thesis especially mentioned that the fair use provision is not the best solution in Korea and Japan. However, there are many other strong views in Japan and Korea because the copyright protection has been strengthened very much recently in Korea and Japan. Probably a serious provision is necessary. Copyright protection is strengthened by statutory provisions (the Copyright Act) and judicial decisions and also administrative procedure aspect. For example, very recently in Korea, a statutory provision on what is called the "three strike out provision," which is quite similar to a provision in France, which was held as unconstitutional in France. When you copy three times, then your internet account is deleted. There are three types of copyright infringement then that internet site will be shut down by the order of a government agency. That shows the strength and power of the governmental agencies in Korea. And it also shows the power of the strengthened copyright protection in Korea. So even the fact that there is strengthened copyright protection in Korea may be abused, arguing in favor of a fair use provision in Korea may be convincing in some way. Secondly, Ms. Chang mentioned that a fair use provision is not sufficient for protecting using interests, such as the author's moral rights. This is probably the most distinctive feature of the continental law system, that authors have

moral rights. The current Copyright Act does not deal with the author's moral rights. In my view if the fair use provision is introduced to a continental law system, such as Japan or Korea, then the fair use provision must deal with economic rights of copyright owners but also moral rights of owners. Finally, Ms. Chang mentioned a balancing approach based on fundamental rights of users as citizens, but I think that there should be a clearer definition of what are fundamental rights of citizens as users. Otherwise, your proposal in your thesis may be obscure and not be so convincing to the reader. I would like it to be more specific on the fundamental rights of users as citizens.

Professor Takenaka: Thank you very much. Lea, do you want to respond to Professor Jong's comments?

Ms. Chang: Professor Jong, you point out that I have to define the definition of fundamental rights more precisely. Yes, actually, I am on the way to specifying that.

Professor Takenaka: So, what type of fundamental rights are you thinking about? Freedom of expression, or...?

Ms. Chang: Yes, constitutional rights, such as freedom of expression.

Professor Takenaka: We will open the floor to discussion later when we have comments from our US colleagues. We will hear more about copyright versus freedom of expression. With respect to Mr. Escoffier's presentation, we would like to invite Professor Straus to make comments on his paper.

Professor Straus: Thank you Toshiko. I shall be relatively brief. I appreciate the elegant presentation of the topic. I understand, although you have not made it explicit, that you are in favor of patenting nanotechnology. I also understand that you have invested and presented to us let's say a lot of statistical data about the development of patenting in this area, and also about the problems of not having the international patent classification in this area, which means possibly also that the statistics do not accurately reflect the development in this area. Because the numbers of altogether 1,400, we have a backlog of 3.5 million or 4.5 million, this is negligible, a modest amount of inventions here. What I would like to say, and I understand that you finished your presentation with the remark that you are concentrating more on nanotechnology use in medicine and regulatory issues. What I would have loved to see, and I assume that you have assumed that we are all, more or less skilled in nanotechnology, to have presented one or two cases where the real nanotechnology either in patent applications or in patents or in general, would be reasonable for everyone here. Since you are with a journal that deals with nanotechnology, where it was more recently reported about the work of **Albert Fert and Peter Grünberg**, the 2007 Nobel Laureates for their invention of the so-called Giant Magnetoresistance Resonance effect which brought more than 10 billion already because it produced a giant in the miniaturization of hard disk drives. This is something which I would say would be interesting to all of us, although I am not particularly close to this technology. I was aware that in the area of medicine in Brazil, Israel, and Switzerland, quite substantial developments are taking place. I would encourage you when you present, not only the definition of nano-science and so forth that you also try to refer to specific cases, and when discussing non-obviousness, Teva and Proctor & Gamble, please give us the case, so we all understand what is actually at issue, etc., so that can be understood by the entire audience. In addition, I would encourage you to, as you said, you would be touching on the regulatory issues, but you also said that companies are now hiding their developments, and no discussion of the costs of the, let's say, negative publicity regarding this technology that has been offered. Is this correct? Is it wrong? To which extent? This is very difficult to estimate, but

nevertheless, I think that all the effects of nanotechnology should be viewed as positive. All technologies have some deficiencies and also in this case, chemistry can cause a lot of harm. So please try to elaborate on that. The last comment I would have: You touched on non-obviousness and inventive step. In Europe, you have correctly described the approaches which are used in the two jurisdictions. What about novelty? Once I listened to a Director of the European Patent Office she actually was a Nobel Laureate in Literature, tell us, "It is OK. It is no problem. Everything is just smaller." Of course, you told us being smaller doesn't mean only smaller, but you have different properties beneficial or not so beneficial, but of course the prior art, how much does it affect the bigger or the smaller, and you have not mentioned anything about that. I would be happy to see that in your final paper.

Professor Takenaka: Would you like to respond?

Mr. Escoffier: Yes, sure. Absolutely. I agree with you. Unfortunately, due to the time constraint, I could have mentioned the more than 800 products that are already on the market, like nano-films, anti-dust for windshields, golf balls that are stronger and go faster. There are already almost 1,000 products in the market, disclosed that is. Maybe there are more. Then there are cosmetics.

Dr. Straus: Any serious stuff?

Mr. Escoffier: Well, anti-dust films for windshields, paints, hydrophobic fabrics, anti-stain. Very nice things. As to the regulatory issues, it will be a very long chapter, unfortunately having decided to write on a very current topic, every week, I find something new, so it is pretty challenging. Last week, for example, a new report in Australia was published in one of the states asking for a moratorium on nanotechnology. They want to see rules established. Opponents say that we would like to see what kind of harms they have, then establish a framework. Usually scientists say that they have to go on and see what will happen. Of course, this can harm many people, but....

Professor Takenaka: The third discussant is Professor Ken Port. Professor Ken Port is a professor at the William Mitchell college of Law, in Saint Paul. He is considered as a leading expert in comparative trademark law.

Professor Port: Thank you very much. I am a last minute replacement, and like many of you, I am very busy and I did not get to read the paper until last night. If you read the paper, you can imagine my horror because once through, and I did not get it. I quickly realized that the problem is that I was coming at it from a common law perspective. This is very much a civil law paper. In many places in the world, the distinctions between civil law and common law are clearly breaking down. Some countries like Japan, are becoming more common law, more oriented to case law. America is of course becoming more like a civil law country, more oriented toward statutes etc. In some places, I know that there are many who argue adamantly that the distinctions between civil law and common law are breaking down, but not in the world of trademark. So I look at this paper and I thought, "Why you would focus on the patrimonial function of trademark when it does not exist, when there is no such thing?" In America, we think about balancing the trademark owner's rights to and against the consumer's rights to be free from deception, and to and against third parties' right to be free to compete. We think that is the function of the trademark, that is why we do it. In America, we have an obsession with free competition, and trademark law is just one subset of unfair competition law. This is a way to make sure that companies are getting along, that companies are competing fairly. Companies can use a sign as Yann says, but only to the extent that they have used it themselves and only for as

long as they use it themselves. Learned Hand said many years ago this is the law and the prophet of trademark law. So this is very much different from what we have here because in America we would never say that trademark is property. We use this term intellectual property and we use it very loosely in America. The funny thing about the label intellectual property is that none of it is property as long as it is intellectual. Before you write the copyrightable material down, as long as it is in your head, it is not copyrightable. Unless you get a patent, letters patent, it is not a patent, and unless you use a trademark in America, it is not a right. So, we have really fundamental differences. I realized that this talk about whether or not a trademark is a good, if a trademark is a good in America, it is generic and it is no longer a trademark. When a trademark becomes the name of a good, cellophane or aspirin or whatever, we say that it is generic and it is no longer a trademark. So I realized that my problem in reading this was that I was not seeing through to the brilliance, and there really is some brilliance here. That brilliance is to identify the gross distinctions we have between the civil law and the common law trademarks. In the civil law, I have been arguing for twenty years in looking at the Japanese system, the civil law system seems to be more susceptible to making, calling trademark property, than the common law system would be, and that is what this paper does, and that is what this dissertation does, and the brilliance of this dissertation is that it highlights the real distinction that we face in the world today. We have been working for 125 years to harmonize trademark law, and we have not succeeded, and there is a good reason. We have harmonized some doctrine, between common law and civil law like America adopted this ITU system a couple of years ago, and that sort of acts like a civil law first to file sort of system but the problem is that that harmonizing on the doctrinal level. It is not harmonizing what Yann has identified here and the brilliance of this, is that if you are going to harmonize, you have to harmonize not only on the doctrinal level, but also on the conceptual level. On the conceptual level, he has identified that we are worlds apart, and in another 125 years, we still will be.

Professor Takenaka: Thank you. Yann, would you like to respond or...

Mr. Basire: Do not ask me....

Professor Takenaka: OK, with this as a platform, we will start the discussion with Lea's paper -- Signe.

Professor Naeve: I feel like I am in the peanut gallery, but I would like to make a comment anyway. As many of you know, I teach IP, Copyright and First Amendment and IP and I recently supervised one of our LLM's papers on whether or not Japan should adopt a fair use provision and Lea and I have had a chance to talk a little bit during this Summer Institute. My comment/question to you, because it didn't seem to come up in your paper or in your comments afterward, is the role of private use and the private use exception in Japan, and its implications with whether or not fair use is necessary. It seems to me that that argument has been made before. In addition to the enumerated exceptions, that the private use exception specifically has kind of served the role that fair use has in the United States. So where do you think that fits in with whether or not fair use should be adopted? Does that make sense? Have you thought about it?

Ms. Chang: Well, in my paper, I deal with the Japanese Copyright Act. I think that all of you have my paper, and on page four, there is Article 30 regarding reproduction for private use.

Professor Takenaka: I think that she has discussed already with respect to the particular instances which are covered and are not covered with that private use exception. That is why Japan and Korea are considering to think of particular circumstances which are not covered by the private use exception and other exceptions, such as citational exceptions.

Ms. Naeve: I think that you might have added that footnote after I read your paper. We actually talked about this.

Professor Takenaka: Paul.

Paul: Just a couple of comments on a fundamental rights approach. Maybe just some food for thought as you think about that. Actually, you are really lucky because there is one scholar in this room who has already done some significant work on this, Maggie Chon has written a lot about human rights and intellectual property, and that interface. I would suggest that you read some of her most recent work. I think it is really excellent in that area. One thing to think about as you stumble from one difficult area to another really difficult area, because before I became an intellectual property lawyer I was very interested in fundamental rights and human rights and what I realized was that in that discussion there is just as robust a discussion about what a fundamental right is as there is to what a fair use is. At one level, the world has difficulty agreeing on what a fundamental right is. There are different debates. Some are East versus West debates, some are North versus South debates, some are economic rights versus individual rights debates. All of those debates have been raging, and they have been raging for some time about what the world considers fundamental rights. I think in the context of your paper, you are certainly looking at freedom of expression, freedom of education, freedom to be healthy. Some people put that on the list, that health is on that list. Certainly, freedom is on that list. So all of those things are going to be on your list, but realize that as I say that, there are going to be debates about the hierarchy of those fundamental rights. A current debate, for example that is going on you might say, between the Western world and the Muslim world, is a dispute about freedom of religion versus freedom to criticize. The Muslim world is now arguing that you should not have the right to criticize certain parts of religion because they consider that to be a freedom of religion issue, whereas from a Western viewpoint, they would say, "No, you should always have the right to criticize anything, including religion." This is just an example of how when you get into the area of fundamental rights, there is often a disagreement on what that means. So I like your idea. Rather than focusing on something called "fair use," we should focus on fundamental rights. However, I do not know if it is leading you to more certainty or less debate. It may be leading you to just as many debates. The other thing to think about is that there are many things that many people consider fair use that do not rise to the level of a fundamental right. I think about this from my experience in the world of computers and computer software. One of the debates going on there is whether it is fair use to interoperate between computer systems. That is a very important discussion that is going on in the software world and in the Internet world. Is that tied to fundamental rights? Not really, I mean, you could probably make something up. Maybe it is a freedom issue, maybe it is a speech issue. But there are certain types of fair use that maybe do not fall into this category of fundamental rights, but that we want to respect. That might be a weakness in focusing just on fundamental rights. Thank you.

Professor Chon: I wanted to say that I enjoyed all three of your talks, and I have a very short comment for each of you. For Ms. Chang, I wanted to question whether this three step test is actually accurately characterized as a fair use provision. The proposal in the Korean Copyright Law, that was in your slides "Debates in Korea 1." Perhaps people are describing it as a fair use proposal, but I personally do not think that that is what it is. It is the application of the three step test or the incorporation of the test into domestic law, but to me that is not a fair use provision, so I think that you need to keep those two concepts separate because there is a huge controversy about whether the three step test should even be implemented into domestic law directly. That is a huge controversy just by itself, but to describe it as a fair use provision, I think, is not accurate.

That is just an observation. I guess my question, then is “Is it being described as a fair use provision, the three step test?”

Ms. Chang: In Korea?

Professor Chon: Yes.

Ms. Chang: Yes, it is.

Professor Chon: Oh, that is very interesting.

Professor Takenaka: I would like to ask your opinion. I had thought that in Europe, the three step test was seen to be more like the American “fair use.” Is that not true?

Professor Chon: It is just a framework for considering exceptions and limitations, but I think that it is different from fair use.

Dr. Beurskens: It is a framework for drafting certain exceptions into national law but it is not a general description of fair use which is seen more broadly.

Professor Chon: So, I would like to keep those general terms very separate from each other, even if it is being used as the same thing in Korea

Professor Takenaka: Is it not true that in Korea the three step test is included as a part of the fair use provision? In Korea?

Ms. Chang: That is true.

Professor Takenaka: And in Japan, it is used as part of the consideration whether or not such copying should be considered fair use?

Professor Takenaka: They are wanting to consider a fair use provision which is pretty much the same as the US provision, however, even in Japanese law, whether or not such means of testing is satisfactory as international law or the law of Japan. Is TRIPs self executing in Japan? If so, then it is not necessary to include such a test. So then we come back to the question as to why Korea need to expressly...Is this more of a confirmation?

Professor Chon: I think that this is part of the trend, that Daniel Jarvis has also noticed this. With many nations in their statutory implementation. Many countries are implementing the three step test into their national law for some reason. It is not necessary in order to implement TRIPs, but that is happening.

Professor Evans: I just wanted to say that there are differences and to refer you to two analyses on the WIPO website. I think that Sam Ricketts’ analysis is excellent, and there is also one with respect to libraries by Kenneth Crews on the WIPO website.

Professor Chon: With respect to this second presentation, regarding nanotechnology, which I really enjoyed. Just a very small point. In your conclusion, you raise the point that the role played by public institutions and universities is greater in the case of nanotechnology in comparison to other technology. Is that correct?

Mr. Escoffier: Yes, in terms of the number of patents.

Professor Chon: Right, but I did not see that in the slide.

Mr. Escoffier: Actually, to be more precise, it is greater in the area where company funding is good.

Professor Chon: It is robust.

Mr. Escoffier: Yes.

Professor Chon: Oh, I see. So there is a correlation then between countries where there is greater public funding for research and development and a greater number of patents in nanotechnology. I did not see that necessarily reflected in the tables and charts, which were wonderful. Perhaps that could be...

Mr. Escoffier: Actually, in the final work, I also discovered that regarding the trend I was talking about, they are trying to avoid using the word "nano" in the title is really true, because the number of applications that contain the word in the claims or in the abstract are much greater. It seems as if they are trying to avoid attention from competitors. Usually almost all of the other commentators research with charts, use the keyword in the title.

Professor Chon: I see. So, how are you going to work around this?

Professor Takenaka: Would it be possible if we finish the comments on her presentation?

Professor Port: I just wanted to say...I haven't thought this through, but I thought I might give it as an idea that you can dismiss if you want to, obviously. It seems to me that the Japanese Constitution provides a new or different sort of hook to hang this fundamental rights idea on, because, as you know the Japanese Constitution mirrors what the American Constitution and our understanding of the American Constitution was in 1947. So, the Japanese Constitution has an express right to education. In Japan, you know that they have this goofy sense of the right privacy. So in cases about family law or murder trials, the judges use pseudonyms, not the person's name. That was always remarkable to me, that they would change the name of the criminal defendant because of a sense of the privacy for that person. I thought that there was no general deterrence if the name of the criminal is not made public. But anyway, I think that if you look at the Constitution as a source for fundamental rights, it might provide some interesting food for thought.

Professor Takenaka: Is there anyone who would like to comment on Lea's paper?

Professor Tamai: Yes, I have a question. I do not know exactly about the debate on the rights clause, but various clauses in my understanding is not the concept of common law, but of American law. If you would like to introduce such a clause, you need to know what it is, but I do not know who knows what fair use is in the United States. Fair use is a very broad concept and there are many many case laws and many cases, but I do not know who knows what it is. Some people mention the case of Sony v. Universal Studios for fair use, but such use is private use under Japanese copyright law and it is exempted in a legislative way. Some people say that such business as Google is only fair under the fair use clause, but I doubt Google business, especially the Google Book Search is fair use. I doubt it. I do not know of any other arguments. Do you

know of any other persuasive arguments that we should introduce a fair use clause like in the United States? I have no knowledge about any such arguments.

Ms. Chang: Yes, if I understand the argument in Japan to introduce fair use, they say the “Japanese version of fair use,” so this is not the same of the American version of fair use. They want to introduce a different version.

Professor Tamai: In any event, you need to know what is the fair use clause in the American version, to argue about the Japanese version.

Ms. Chang: Yes. In Japan, they use the term just a substitute for the general provision.

Professor Tamai: In my understanding, there are many problems with the payment system. You should pay to use. But you cannot pay in many cases, so you would like to use something without any payment, but this is massive infringement of the copyright. To justify such infringement of copyright is the so called fair use in the Japanese version.

Professor Takenaka: It seems to me that if you just say in general, is it more to decide sort of balancing and meeting or expansion, nothing different between the US fair use versus this three step test. So once they have a more, concrete test...

Ms. Chang: Yes.

Dr. Beurskens: I have a very small comment. I am by no expert in copyright law, but I am a bit concerned about the idea of the minority bias in discussion about Germany for example, I do not think that there is a minority bias. The whole idea of two parties fighting it out in court and each party being of equal power and therefore fair use being superior. To take these important cases such as Sony that goes up to the Supreme Court. You have all of those amicus parties on both sides. You have all of those famous witnesses going up and all the economists bringing their theories up. We have the same thing going on in the legislature in other countries, so you have the same problem. On the other hand, you have people trying to influence the Congress in the United States to pass laws allowing for less fair use. For example, take digital audio home recording where you had very strict rules in the United States that completely blocked the whole thing. So, I do not really think that there is a minority bias in the non fair use system. I do not think that there is such a bias. I think you have the same situation in both systems. If the case is important enough you will have all of the heavyweights of industry going in. And there is some industry interest in copying. Usually the industry producing copying devices is highly interested in having a lot of reproducing devices and if copyright is too strong, they will do it. So I think we should take a more objective view on the whole argument of minority bias, which is not there in any system. There is no minority bias.

Professor Naeve: I was wondering, I am not an expert by any means, but, if in Japan private uses are accepted already and we are only talking about company uses, I am not sure what minority bias means if people are copying are only corporations. You do not have your everyday average user that you have to aggregate into a minority bias.

Ms. Chang: I mentioned the minority bias in the discussion about legislation because I wanted to discuss, in my paper, not in my presentation, about the minority bias approach based on fundamental rights. If an individual user finds it difficult to insist on his or her right, for example, if there is access control on DRM something, and he would like to use the work, the user could not access the copyrighted work. Because the access control is with the copyright owner and the

users inability to access the information limits his or her right to know or right to learn, or some other fundamental right. So in that case, the court might consider the copyright's holder's right is a copyright, and the user's right to know is a Constitutional right. That would make the copyright holder seem equal. I want to make this situation important, so that is why I mentioned the minority bias. In this current system, the individual user cannot argue his own rights.

Professor Tamai: I understand such a bias, but it is usually the democracy. The real matter is that if a company should use such a document, is impossible to find out who is the author. Who is Lea Chang? Who knows? Or they would use the document inside the company without payment. But in theory, as they are a profitable organization they should pay some thing to the author. This is not a matter of fair use, but a matter of payment systems. Information technology will solve this matter in the near future. Therefore, we do not need any fair use clause for such purpose. It is a very stupid idea to introduce a fair use clause without any knowledge of U.S./American law.

Professor Liu: We are talking about "fair." Is it fair to Ms. Chang that so many people try to beat her up. Three of my students, actually have written fair use papers in the last two or three years. Two PhDs and one LLM. Fair use is a very common term but it is very difficult to write about it well. I think your topic, the paper's topic, may be misleading. People expect too much from your paper, and in fact you ask a question, but it seems like you really do not know the answer. You might want to think about your topic. I agree with Professor Tamai that it and maybe it is easier, and I will give you some suggestions. You probably in terms of the logical flow of your dissertation, should define fair use first, and do a comparative study. What are you talking about? U.S.? Korea? Japan? And find out what are the differences. Maybe you will find out there really is not much difference. We are really only talking about limitations and exceptions. You should go for that part. That is the part that you want to attack. That is an easier way for you. If you want to find an example of a civil law country that adopted US concepts, then go to Taiwan. Because the four factors that you are talking about private, the purpose and amount and everything, in fact Taipei, Taiwan wrote those four factors into Articles 85, 86, 87 and 88. They did not have any problem. Even before they had written the law, those judges had always looked up US cases and tried to follow the pattern. So those are examples that you might want to go after and that might make it easier for you. The important thing for you, it seems to me, is that your paper must come up with a concrete suggestion, exactly what is your point, because if you look in the Internet, you see twenty, thirty, forty papers talking about fair use. Be careful. You do not want to repeat what everybody has already said. Those are the suggestions for you.

Professor Takenaka: OK. I think we have enough comments for Lea, so we will move on to Luca's comments. Maggie, sorry I interrupted you.

Professor Chon: I am sorry. I just wanted to follow up very briefly. Have you considered how to work around the problem that people are no longer using the term "nano" in describing their inventions?

Mr. Escoffier: Well, there are actually three approaches. Not just the fact that it was, let's say fashionable ten or five years ago for a manufacturer to publicize that it was using nano technologies, but now no longer. There is also another approach of those who are for actually willing to show to competitors that they are using those technologies. So the landscape is very different. And it depends whether we are talking about an American company that is using nanotechnology or a foreign company. For example, it is very typical for an American company to put on its website a portion of the page devoted to IP, which is pretty peculiar. Not many other

companies do that. And they release a portfolio of the inventions. I think that this is a very peculiar situation. I am trying to consider the very different point of view between Europe and the US with respect the markets.

[Unidentified Speaker]: What about the tags that the European Patent Office uses. Can we find the nano-summary, perhaps I can call it that, by these tags, or are they also hiding that?

Mr. Escoffier: Yes, let me introduce another interesting topic, the fact that the USPTO and the EPO introduced a classification system separate from the normal classification system for patents Y01N by the EPO and class 977 which is a digest for the USPTO in which the patent examiner tries to collect the prior art, and then the prior art is identified as incorporating nanotechnology. But the point is that what they are facing, both patent offices, is the fact that nanotechnology by its nature is interdisciplinary. You do not have people that are able to combine different experiences, different expertise being at the same time a physicist or biologist or an expert on computer sciences at the same time. So if you actually tried to look at the numbers, the figures of the documents that are tagged, they are not comparable to the actual amount of documents that contain prior art and the prior art that pertains to the sector.

[Unidentified Speaker]: One other thing is, have you considered that there might be patents that are actually not real nanotechnology, but are counted as nanotechnology for the reason that it is attractive to future investors to have a patent that says it is nano, but it does not really meet the scientific definition.

Mr. Escoffier: This relates exactly to the trends. Even though five or ten years ago there were companies employing micro technologies, they used to sell the term nano, even though they were dealing with a technology that comprised micrometers, which is of course a measurement that comprises nanometers, but a lot of them. So they are now doing exactly the opposite to avoid competitors they are also using in patent applications term “micro” instead of “nano” meters. So the trend switches.

Professor Takenaka: Sean first.

Professor Sean O’Connor: Two things I think you discussed this at one point. Thinking about why applicants may be shying away from the term “nano” as you suggested when looking at the regulatory phase of this, the challenge is that when looking at non-obviousness, because these things are acting unpredictably at the smaller scale, so something like iron oxide acting very differently. At the same time, the applicant is trying to get through FDA processes and try to have things that in the past were already generally regarded as safe – iron oxide, we already know what it is. So they are sort of always caught. I think that there was a case, from the Federal Circuit recently within the last year or so that was basically like this. The company was caught basically, saying two different things to two different Federal agencies essentially. On the one hand saying, “Of course this does not operate any differently than it does on the macro scale,” but at the same time they were telling the Patent Office, “It was clearly unpredictable” when it went down to the nano-scale. So that is one thing that if you retract out of your patent documents the word “nano” then you might have an advantage, because the FDA has been trying to do more to look at SEC filings and document sin the Patent Office, and this may be one aspect of that.

The second thing is I am wondering if it is true that it seems that there are more university patentees in this sector, than, lets say, biotech. Is that true?

Mr. Escoffier: Apparently. I used just the WIPO website to carry out my search.

Professor O'Connor: I was going to suggest that even if it is true, is that not just perhaps a function of the fact that it is such an early technology now? And so, it was so new, and there are not that many, although I agree with you that there are a lot more products out there than people realize, but it is still very early. If you went to the early days of biotech, you probably would have seen the same thing, or the figures would have been even more skewed towards university patentees rather than to industry because there certainly was not much of an industry yet developed.

Mr. Escoffier: The point is that I think that nanotechnology is really applicable to so many diverse sectors. The number of products will be much higher than what we saw in the nineties with biotech. As to the FDA, there is an Italian professor in Houston and he is the president of the Alliance for NanoHealth. It is a consortium of five Texas universities, and they received the highest award from the US, approximately \$140 million to create a nanotechnology hub. A few weeks ago, they reached an agreement with the FDA, so researchers will be defining what nanotechnology is, what are the drugs that are requiring more care in their exam. They are probably trying to find a solution.

Judge Randall Rader: Before you make a judgment about university intervention in the field, have you studied how much of the university research is industry sponsored?

Mr. Escoffier: Yes.

Judge Radar: How much of it?

Mr. Escoffier: Well, the US is of course further ahead than Europe, in these two macro regions. The amount of industry support is pretty high.

Judge Radar: What is the percentage? Is it documented somehow?

Mr. Escoffier: Yes.

Professor Liu: This paper, I think if I look here at the title, I really want to find out whether nanotechnology is different from other technology in terms of inventive step and all of that stuff, but from your presentation, you spend about nine or ten pages just to tell us what nanotechnology is. If your paper is proportioned like that, you might have trouble. We want to find in-depth analysis of what your title says. That would be my suggestion to you. Especially, you should explain in detail the meat of your paper. If the conclusion is what you have, then looking at your first conclusion, that is not much different from biotech. If you search about biotech, you see that most biotech is made by universities and institutes. And number two, it looks like it is the same as other technologies. Maybe that is the case, but then why are you writing this paper? That will be the challenge you have. You have to package it better, I think.

Mr. Escoffier: Can I respond?

Professor Takenaka: Yes.

Mr. Escoffier: So, thank you for the comments. The time constraints and the number of words in the paper unfortunately, were limited. My dissertation will be fifty times this and everything will be carefully analyzed. I will dedicate one chapter on non-obviousness one on utility, one on novelty. Everything will be there. There is a difference because these materials are actually different from those used in other technology. This is a challenge for the examiners, this

is a challenge for researchers for companies that probably will face strict regulatory issues. There was a report a few years ago that said that carbon nano-tubes can be equated to asbestos because they have the same problems in lungs. So the companies that have been developing them, and there have been a lot in Japan and the US, will, I do not know, stop their commercialization. They are just now building ne factories and executing agreements.

Professor Heinz Goddar: Yes, I would like to add only a little bit on top of what Professor Liu said. From my experience with nanotechnology fields, I would say in pharma, polymers, materials science or whatever, there is nothing special about nano technology from the industry viewpoint. It is a question of dimensions, which then leads to certain special effects if the dimensions are small enough. Now, there are two trends with two people, and this explains why you do not find so many patent applications or published patents, at least in Europe. Two trends, I say. The first trend is that a certain school of people arguing before patent offices try to convince the patent offices that there is something special about nanotechnology and you cannot apply prior art that comes from different fields to argue novelty and inventiveness. So you know this is modern and very nice, if we use that word to try to convince an examiner who might not know better and tell him that this is all different and all he has to do is look for the word “nanotechnology.” The second trend, no wonder you find so many nanotechnology or “nano” patents and publications by universities and spinoffs, because it creates the impression that this is something that is such a special field that it is of value to licenses of the university on one side, and of investors of risk capital, whatever funds to inject into such industry. So everyone who is in search of outside money, who does not use his own invention such as chemical or pharmaceutical usually for producing these respective articles themselves and to improve their portfolio in terms of products, it is just this use of the word “nano” to attract the interest of licensees and capital. I think that this is totally artificial. The others have the same technical features in their applications, but they do not use the term “nanotechnology.” You find somewhere in the specification of so many patents that is then cited in parenthesis “ah nanotechnology.” And that means it is by some people called so, but serious applicants would not call this nanotechnology. It is particles of 0.00121 micrometers, and that is it. I think we should not conclude from the facts that you describe in your dissertation and your paper here today, that there is any difference in intensity of research in these dimensions in universities and industry. It is all a question of designation with a purpose.

[Unidentified Speaker]: It might be quite interesting from the point of view of the courts, especially the infringement courts, I know this is not covered by the paper, which is about patentability not enforcement, but coming as I learned, coming from the third busiest court in the world, we did not have any nano patent infringement cases, ever. At least it was not named so, and I was not aware of it. So, this is a reflection of what Professor Goddard told us, from a different angle.

Mr. Escoffier: I totally agree with you. In the full dissertation, I will highlight the approval issue. In the many papers and statistics from the US, IBM is the first patent filer for nanotechnology in the US before the USPTO. If you look at the WIPO data, you see that they are one tenth. That would probably open a discussion of the patent portfolio policies of companies.

Professor Takenaka: Because Professor Straus needs to leave for the airport, I would like to ask Professor Straus to introduce Kristina, although she will be doing her presentation later.

Professor Joseph Straus: Thank you very much for your kind words. I would like to use this opportunity to congratulate you on this kind of event. You can see how lively they are.

Without my having to leave for the airport, I think you would have a hard time coming to a conclusion until I depart.

I have the pleasure of introducing to you my PhD student, Ms. Kristina Janusauskaite. She earned her Masters Degree in Law from **Vilnius** University in Lithuania in 2001, then she started to work as a lawyer in a local law firm in Vilnius with a special focus on IP enforcement and litigation. She was admitted to the Lithuanian bar in 2003. Her practice as an attorney at law was followed by further studies at the Munich Intellectual Property Law Center. She was admitted there and she was awarded a scholarship. She earned her LLM in 2005, and then she switched into the next phase to become a PhD student in the Max Planck Institute for Intellectual Property, Competition and Tax Law. I must say that she has already finished her dissertation which is on the interpretation of the EU Enforcement Directive in the Baltic states. We were very happy to have you with us because I recall that at the time, I was in the British Patent Office and they showed us the library with all of the patent files of Estonia, **Monjuria**, and I thought, “Oh, this is really history.” Can you imagine thirty years later, or a little less so, we have a new patent from Lithuania, and we have new membership from the Baltic States in the European Union. So we were very lucky to have her with us. Some people say there is nothing new because they say for enforcement they will never take the European laws into their own national legislation. Of course, we have on the one hand Korean language, Chinese language and the Japanese language, but we also have the Baltic languages, which are let us say close to the rest of Europe. Therefore, we were very happy to have her with us. It is now my turn to finish the reading of her dissertation and I think that the jury will be able to submit it to the faculty of law in a few weeks. So I wish you good discussions. Do not be too tough!

Professor Liu: I merely challenged her. You all were just trying to make her feel good!

[Laughter]

Professor Straus: I do think that there was a certain discrimination regarding gender. You were mean to the ladies, and then you were to Luca....Start being more balanced.

Professor Takenaka: With respect to Yann’s paper, does anyone want to, maybe comment from a continental law perspective, because we have Professor Port from the common law perspective?

Professor Reboul: In France, the thesis is predominantly, essentially a terrible exercise. If we want to enter a university we present a thesis. In the thesis is a theoretical expression we use in France. If you do not deal with a point of national concern of the university in your thesis, then you have no chance. We have to present a theoretical exercise. That is the first point. The second point – There has been a question as to whether or not there are property rights in trademarks. There are many important consequences, especially in contracts. When we choose a partner, in licensing for example. If you buy the trademark, the conditions are not the same in France. The position of counterfeiters are not the same, especially if we don’t have property rights in a trademark, it is not possible in France to ask for criminal sanctions against a counterfeiter because criminal law does not allow criminal sanctions if you do not have property rights. If you do not have property rights, it is not possible to stop counterfeiting if you do not have damages. This is very important in practice. And it is not, in my opinion, a question of exclusivity for trademarks. It is a general question. If intellectual property gives real property rights or not. And the question is at the moment in France before the Parliament concerning the Internet.

Mr. Basire: There is a very important law at the moment before the Parliament and it is very important. There have been many problems.

Professor Reboul: Yes, it is very important.

Professor Takenaka: Please

Mr. Basire: Not a question for myself, but I will try to comment. Professor Port, you said before, if you consider a trademark a good, it is because it is generic. Actually, in France, if we consider a trademark as generic, it is not a good anymore. It is a thing, a common thing. That is a very important difference, maybe.

Professor Takenaka: I think that under Japanese law, a trademark that is considered as a right. There is an interesting case in Japan in which the court held that there was infringement, however the court did not award any damages because the trademark owner did not use the trademark at all, so therefore, there was a discussion as to whether some compensation should be awarded for those rights. Is there anyone who would like to comment on this paper? Maggie, you said that you had a comment for everyone.

Professor Chon: Thank you. I am very happy that Ken expressed what he did, but I do think in terms of the harmonization project, there is a usefulness in terms of the European Community, particularly in bridging the civil and common law traditions within the European Court of Justice jurisprudence so that even though we as Americans may feel very marginalized and alienated from your project, at least with respect to the Europeans, that might be very useful. I just wanted to encourage you. I am not sure where that is going to go.

Professor Evans: As somebody who researches the rights European harmonization, I would like to emphasize what an important thesis I think that this is, and I followed a similar trajectory to Professor Port in reading this paper. I realized how important it is from a conceptual point of view. The thing is, in Europe, I was thinking of the horror with which a lawyer like David Llewellyn would consider your thesis, because David and other lawyers have been spending their lives saying that there is no personal property in trademarks. We see here the conflict, the conceptual conflict within Europe. This came to the fore recently in the L'Oreal case, when the ECJ emphasized the communication function of the mark, much to the horror of the English lawyers. So, I do not want to say anything more, but this is a very important thesis for Europe, and I understand that if you are filing your thesis in France, then you will write in a different way, but if you are writing for a common law audience, you are going to have to do a lot of defining, a lot of comparisons, so we understand what Yann is getting at with tangible and intangible issues.

Professor Takenaka: OK any other comments? Then maybe we should take a fifteen minute break now, and return a little bit after the hour. Let us thank the speakers.

Ms. Janusauskaite: ...I will make use of the statements and take note of the comments which will be provided today. Using this opportunity first of all, I would like to thank Professor Takenaka for the invitation to attend this IP academic workshop today. I also would like to thank my supervisor, Professor Straus, who was very helpful throughout all of the research in my very difficult and very ambitious project. I would also like to thank Judge Rader, who actually encouraged me to make this presentation, at least on some issues, even if they look a little bit incomprehensible today. As you can imagine the thesis really consists of much more information and due to character limitations and time limitations I had to use all of my efforts to put some

certain information in my presentation. I would therefore like to focus on certain issues very briefly related to the current legislative regime of enforcing intellectual property rights in Europe. This mainly concerns the legislative level. I would also like to continue with reference to the last case in the European Union, the European wide Enforcement Directive which was adopted in 2004 and had to be implemented by then end of April 2006. In view of those instruments, I would like to highlight the most current enforcement issues in Europe, which are being discussed these days, and also new proposals and initiatives which were proposed in order to tackle them. One of them will concern the 2005 Criminal Enforcement Directive, which is still being debated in the EU level and second, to reflect on initiatives with regard to highlighted issues, meaning Internet piracy and piracy at the borders.

As you can imagine, the enforcement topic generally is a very old one, a sensitive one, and it covers a lot of issues and it is not an easy task to talk about all of them. However, as you may see from my paper, I have narrowed my presentation and also my PhD research only to certain issues and it was mainly focused on the Enforcement Directive and its implementation the Baltic region, considering the specificity of its meaning the very young sovereignty. The Declaration of Independence in 1990 and 1991. I am talking now just for reference about Lithuania Latvia and Estonia, and by referring also to the fact that although enforcement as a topic might look quite old-fashioned or not very interesting for some of the so called old EU member states, for the emerging countries or emerging economies, also in terms of the development of their IP rights protection systems, such as the Balkans, the selection of this topic was interesting and actual. So, discussing the current regulation regarding the enforcement of intellectual property rights in Europe, I would like to refer to the fact that even before adopting the Directive in 2004, there was already the package of certain instruments within the EU, namely the Directives so-called – these are shortened versions of their titles, such as Computer Programs Directive, Copyright Directive, the so-called Information Society Directive, as well as the regulation which dealt with customs actions dealing with alleged infringing goods suspected of infringing certain intellectual property rights of patent owners. However, all of those instruments dealt with enforcement measures only in certain episodic moments referring to those substantive rights which were protected by the Directives, or to be more precise, which were harmonized by the Directives.

Therefore, the very natural move in Europe, was to find some way to look for a comprehensive tool which would cover the list of measures and remedies as fully as possible. In 2004, the Enforcement Directive was adopted, on which I will talk in a minute, and which now is also a part of the current regulation, which also established the deadline for national legislators to implement it by the end of April of 2006. As you may see from my paper, which was distributed to you, and which was reported by the Commission, at least at the legislative level, all the countries reported that they had implemented and enacted. So we provided with national laws very nicely which amendments have been done in each of the IP laws in each of the countries, but just a note, this has been done on the legislative side.

So when we consider looking at the implementation of the national legislations, as well as the national case records, which is a real action basis to consider whether the Directive was actually implemented. Needless to say, it really takes time to evaluate this, especially considering the expanded European Community, meaning twenty seven European Union member countries. Considering the enforcement regulation, we should also keep in mind that European Court of Justice cases, on the interpretation you do want interpretation of certain harmonizing provisions. For example, the case which was by the ECJ, which dealt with certain provisions and the balancing mechanisms regarding harmonization of the right of information and other rights of interest to the parties.

Now going, back to the Enforcement Directive. I said that the Enforcement Directive was adopted in 2004 following a Commission proposal in 2003, without even referring to exact months, you can see that the Directive was adopted very quickly. Really, looking at certain

preparatory acts and the memorandum of the Commission, how the Commission presented such a tool, and what kind of enforcement measures and remedies should be included by the instrument. It immediately raises some questions. The Directive also established, as mentioned, a deadline for its implementation by the national legislatures at the end of April, and most importantly, the final text of the Directive covered only civil enforcement measures and remedies, meaning that even though they initially proposed criminal enforcement measures but they were taken out of the Directive by avoiding certain debates. Of course, this shortened the adoption of the Directive. An analysis of the preparatory acts really shows that there was a lot of pressure from lobby groups and industries to adopt such an instrument, especially in view of the expansion of the European Union, meaning that on the first of May, 2004, the Directive was adopted on the 26th and 29th of 2004, the European Union was expanded by ten member newly joined member countries. Most of those countries were countries of Eastern and Central Europe and they also had to harmonize their legislation to the European Union acts.

Talking about the Directive very briefly because we do not have time to go into certain details, considering certain issues in the papers by scholars and practitioners, we can notice that there are some few issues raised. First of all, the issue of whether the Directive was actually necessary. Also, from a legal point of view, knowing that the TRIPS Agreement, namely, Part III of the TRIPs Agreement already dealt with enforcement issues, and the contracting parties to TRIPs had to implement certain provisions. As we may see from the declaratory acts from the Commission, the Commission did not make very comprehensive analysis as to whether they were implemented, how they were implemented, how they were reflected in practice, and so on.

The second issue is that even if we assume that the enactment was necessary for political reasons, and considering the expansion of the European Union, the question remains, "Was it practical?" :Looking at it in steps, we see that first of all, no comprehensive revision is reflected in the different national laws affected. Of course, the best possible practice of the countries, Germany, the Netherlands, the U.K., France were taken into consideration. However, no references were made to those countries which brought new legal traditions, such as Eastern and Central European countries. The Directive also left a very broad scope of its application. Meaning that although it took out the criminal enforcement measures and remedies, it seemed to cover all the rights. There was no difference made in terms of patent rights, copyrights, trademarks, Community rights and so on. The Directive, being a harmonizing tool, also left many broad and vague provisions, as well as a number of optional provisions for the national legislatures to implement. Therefore, although we can say, by looking at the effect of the Directive as implemented on the legislative level, certain outcomes, or the outcomes in court practice, especially in those new member countries, we can demonstrate a weak harmonization effect is possible because a lot of new instruments came into the legal traditions, the procedural laws of the new member EU states. One of the examples mentioned before can be considered that the Baltic countries became a part of the European Union in 2004, and the process of coming to Europe started much earlier, 1998, so the revision of the national jurisprudence regarding IP cases, also the national legislation, had to be done prior to the implementation of the Directive. As my research reveals, it has been done, and the national legislators were working towards that. By analyzing the implementing laws, we may see, and maybe this is also the case for many new EU member states, in many of the cases, even having the idea to approximate the laws, the national legislators simply translated certain legal norms, without even considering how this would affect the court practice which had existed before that. Secondly, they also established new civil measures, for example civil ex parte searches which were not known to national case practice, for example in Lithuania. Also, license analogy mechanism to compute damages. Of course those legal issues are not new for countries such as Germany or France, however, for our judges, seeing those cases it was quite a difficult task to evaluate the new phenomena, how to view that and so on. In most of the cases, we can see that the implementing national legislation is favorable to IP right holders, which might also raise the question as to whether the balancing mechanisms,

meaning the rights and interests of other persons, were taken into consideration. Issues therefore remain first of all regarding the literal transposition of the harmonizing provisions without very comprehensive legal considerations, and second, and this is most important, that this presumed the enforceability of certain provisions is presumed due to some rudiments of the Soviet law tradition and the drawbacks in the national judicial traditions we still have. Meaning, for example especially civil procedural laws, which faced the reforms in 1994, there are some discrepancies still left, and this can be seen from the case practice which I also mentioned in my paper. The drawbacks in the national judicial system mainly mean the national judges, and you may keep in mind that most of them received their educations during Soviet times, so for many of them, this transposition of certain rules or the understand of so-called Western mentality and the application of the harmonization provisions, although it is nicely written in the paper, might induce some problems. Besides that, very briefly, of course considering the special nature of the region, and those problems which are still evident in it, one of the problems which is an indicator of why we still need to review the enforcement issues is the high rate of piracy. This is also due to the geographical position of the region, Eastern and Central Europe being a crossroads of countries for counterfeits and pirated products, growing the Internet piracy, which is also a growing issue for the Baltic countries and Eastern and Central Europe, and piracy at the borders, which is especially an issue for countries with an external EU border. Considering those highlighted issues, some proposals and initiatives were recently discussed. In talking about them first of all, we need to see them exactly in view of the Enforcement Directive and what can be learned from it. Also, from the implementation process. One of the proposals on the legislative level relates to the 2005 Criminal Enforcement Directive. The Directive was aimed to harmonize certain criminal measures and sanctions, especially those related to organized crimes, willful infringements, counterfeiting and piracy. Although it is still being debated at EU institutions and most probably will stay at this level, some issues can be discussed at this point. First of all, the substantiation of points of EU law. How much the functioning of the internal market will be affected by this instrument. More than that, the other issue involves the possible painful intervention into national criminal laws. The question remains how far EU law can reach, especially considering that criminal laws and criminal procedural laws of the twenty seven member states vary in many senses. Comprehensive revision regarding national criminal law systems is necessary again. Certain proposals regarding liability of Internet service providers, this is also relevant for certain states having acquired a strong IT sector, rather than for example, dealing pretty much with patent rights, and in this regard having the current regulation is not helpful to deal with certain issues. Current issues regarding threatening liability for Internet service providers on the EU level as well as the national level, the national level of for example, the Baltic countries, also concern such initiatives such as codes of conduct among Internet service providers, harmonization of cooperation, or compulsory licenses to be paid for using protectable content online. As we may see, this goes a little bit beyond the legislative level. I am giving you some ideas of how it might be regulated.

Last, final issue, which also concerns the European Union as well as the new EU member states. This is customs actions. As mentioned, we have the regulation of 2003 which deals with those cases where the goods are detected at the EU borders and the customs authorities have the possibility either to start an action on motion or to act upon the application of IP rights holders. The current initiatives basically relate to increasing the competence of customs authorities. This is especially true for new EU member states custom authorities regarding certain trainings and understanding how it should be dealt with. The second initiative is to encourage timely and comprehensive applications by IP rights holders themselves, meaning by inducing them to act. All those issues show that the current legislative framework, how complex it is, but it is not sufficient to tackle certain issues, especially considering those drawbacks of the Enforcement Directive itself, and also the problems which are faced by certain EU member states. Thank you very much for your attention.

Professor Evans: I am sure that there will be a lot of comments because I know that there are people here who are involved in Eastern Europe.

Professor Takenaka: I am very pleased to introduce Toshitaka Kudo. He is listed as “Mr.,” but his application for a PhD was formally approved, so therefore, he is formally a “Dr.” He has a LLB from Keio University in Tokyo Japan. He passed the very difficult exam to become a *bengoshi*, a lawyer, and he was a lawyer at a leading law firm in Japan before coming to the University of Washington. He completed an LLM in Comparative Law, as well as a PhD from the University of Washington. Because his focus, before coming to the University of Washington was civil procedure, he originally planned to write a paper on general aspects of Japanese civil procedure, comparing it to US civil procedure. However, because he met me, and I convinced him to focus more on IP litigation, that is why he focused his topic on the patent court system and IP litigation.

Dr. Kudo: Before I start, I would like to thank everybody for attending the workshop today. My dissertation is about changes to civil procedure law and regulations, with particular attention paid to patent invalidation procedures in the United States and Japan. I would like to start by talking about the significance of the topic. I would say that the complexity of patent invalidation procedures represents typical modern age litigation. There are three points that support this. First, the national industrial policy, the policy of the promotion of industrial innovation. In this sense, validity of patents is a boundary of government approved exclusivity rights. Second, validity of patents is often argued in patent infringement disputes. The disputes are usually between business entities. In this sense, the parties interests at stake are huge, and the impact is nationwide, or worldwide. Third subject matter is technically specialized. In invalidation procedures, the main issue is novelty and non-obviousness of the invention. To examine the requirements, adjudicators must understand cutting edge technologies in the field.

Next, I will talk about the main purpose of my dissertation. In my dissertation, I researched the historical background and theoretical basis of patent invalidation procedures in the United States and Japan, and compared them. The goal of this study is to find out effective and efficient allocation of resources in courts and administrative agencies. Through this study, changes to traditional doctrine and the system for civil procedure and are prompted.

I will look at the US system first. In the United States, federal district courts have jurisdiction over patent invalidation. Invalidity issues arise by raising a defense in an infringement suit, or by filing a declaratory judgment action. Please note that all district courts can adjudicate validity as long as they have personal jurisdiction over the particular case. There are two turning points. The first one is the establishment of the Federal Circuit in 1982. The Federal Circuit has nationwide jurisdiction for the uniformity of patent law. The second one is the establishment of reexamination procedure at the USPTO. This administrative procedure was expected as a quick alternative to litigation.

Here are five issues: Because reexamination is not popular, litigation is still the main route for invalidation. Therefore, traditional shortcomings of patent litigation still remain. For the parties, under the adversary principle, they have to hire experts to support their technical arguments on their expenses. Because hiring of those experts increase litigation costs, especially small businesses face financial difficulty when they choose litigation as an option for dispute resolution. For district judges, patent cases are merely heard with a variety of civil and criminal case, except some districts famous for patent litigation, it is not easy to accumulate patent knowhow on efficient case management for patent cases. Based on academic and legislative argument, I have two proposals for the US system. The first proposal is improvement of administrative invalidation procedures. I propose that the new administrative invalidation procedure should provide a larger scope of review, and more opportunity to argue, as compared

to reexamination. This proposal has already been presented in the recent patent reform bill. The enhanced administrative procedure will be useful to serve public policy aspects of patents. In addition, adjudicators can use technical resources at the USPTO, so that the parties' costs to hire experts can be reduced. The second proposal is the concentration of jurisdiction for patent cases. Under the current situation, some judges are famous for their speedy and well-organized processing of patent cases. I propose that courts with sufficient patent law expertise should be systematically guaranteed, and that patent cases should be concentrated in such trial courts. In order to avoid that judges hearing only patent cases, and secure access to justice for the parties, not specialized courts, but special case assignment within ordinary district courts is preferred. The idea of concentration of patent cases to designated judges has also been presented to Congress as a pilot bill. Here I will present the direction that future reforms should take. In order to improve case management in patent cases, national level support, like uniform rules or guidelines for processing pre-trial hearings, would be helpful for judges. However, I understand that careful coordination is required not to invade the judges' basic capacity as an independent generalist.

From this slide, I will pick up issues and arguments in Japan. In Japan, the invalidation procedure in the Japan Patent Office is an exclusive route to the invalidate issued patents. In the past, invalidity could not be raised as a defense to an infringement claim, due to the decisive power doctrine. There were two turning points. The first one was the famous judgment called the Kilby case. After this judgment, invalidity can be raised as a defense in an infringement suit, without requesting invalidation trial at JPO. The second one is enactment of the Patent Law Article 104-3. By this article, in infringement suits, validity is examined using the same standard of review as invalidation as invalidation trial at JPO. But, please note, this article still does not authorize courts to formally invalidate patents. Here are the issues in Japan. Because invalidity defense in infringement suits gained unexpected popularity, management of double track between infringement suits and invalidation trial became more difficult. The double track comprises three problems. The first one is how to accommodate concurrently pending proceedings. The second one is how to coordinate finality of judgment and decision. The third one is gap of scope at the appellant level. This gap comes from a Supreme Court judgment in 1976 which restricts appeal grounds in an appeal suit against an invalidation trial. Please note that in infringement litigation, raising new grounds for invalidation is allowed even at the appeals level. Based on academic and practical arguments, I have two proposals for the Japanese system. The first one is enhancement the scope of preclusion in Patent Law Article 167. This is about invalidation trials. I propose that a decision upholding validity should preclude not only subsequent invalidation trials, but also invalidity defense by Article 104-3 in infringement cases. Some scholars criticize the preclusion in Article 167 is broader than the general rule of Japanese Civil Procedure Law. However, I believe that this preclusion should be applied broadly to stabilize the validity of patents. The second proposal is revision of the scope of an appeal suit against an invalidation trial. I agree with the idea that the limitation can be practically removed. The reason is the improved technical specialty of the courts. The Supreme Court judgment was based on the past assumption that courts lack resources to adjudicate invalidity without a decision of the invalidation trial at the JPO. However, after the revision of Civil Procedure Law, Japanese courts have sufficient resources such as expert committees to adjudicate validity. Therefore, an appeal suit against an invalidation trial decision should be allowed to hear new grounds for invalidation which is not raised at an invalidation trial.

Here is the direction of future reform. Transition of primary jurisdiction for patent invalidation from the JPO to the courts is now a realistic solution worth thinking about. If it happens, cumbersome double track issues will go away. However, to make it happen, court system must overcome theoretical and manpower limitations, especially Japanese civil procedure law does not allow enhancement of finality of judgments to third parties. That means patent holders can re-litigate the validity of patents against third parties, even after the patent owner lost a case due to invalidity. So, what can Japan learn from the United States? As I mentioned just

now, traditional preclusion rules, are so narrow that it does not fit in the case of invalidity of patents. Broad preclusion, based on collateral estoppel, as under United States law, can be rational to enhance the validity of invalidation in courts. And what can the United States learn from Japan? If the invalidation procedure becomes popular, management of the double-track invalidation procedures can be a useful procedure in the United States, too. I think that in the United States, how to manage current administrative procedure and litigation could be a key to achieve goals of fast and low cost processing of invalidation procedures in trials in which invalidation is an issue.

For the final part, I would like to summarize the main findings and implications of this study. Through the comparative studies into the laws of the United States and Japan, I will show a common framework for civil procedure rules and a judicial system for the future. Traditionally, civil procedure and judicial system were operated in a doctrinal approach. However, the modern type of complex litigation urges the transition to a practical approach. For the modern civil judicial system, a generalist judge is expected to have soft specialization when he or she plays a supervisory role in specialized cases. Soft specialization means to acquire specialized skills through the accumulation of experience in cases in the specialized field. However, specialization courts have limitations. Therefore, cooperation with policy-focused administrative procedure is still necessary. This is all I have to say. Thank you for your attention.

Professor Takenaka: The last speaker is Michael Beurskens. Unfortunately, we do not have a professor to introduce you, so therefore, would you mind introducing yourself?

Dr. Michael Beurskens: Actually, I need no introduction. Well, my name is Michael Beurskens. I am from Germany, from Dusseldorf. I studied there. I did post studies there. I made "Doctor" title there. I also received an LLM in intellectual property law. I also received another LLM from the University of Chicago in the United States. I also passed the New York bar exam a few years back, but I am not very good in U.S. law and I am not going to talk about American law. Today I am going to talk about some developments in German law.

Professor Takenaka: Are you a student of Professor Jan Busche?

Dr. Beurskens: I am a student of Professor Busche. I am currently writing my second thesis. To become a professor in Germany, you have to write two theses. So first, you have your doctoral thesis, and afterwards, you have to write a *Habilitation* which is another thesis which usually is even longer. If you write a doctoral thesis of five-hundred pages, and then a *Habilitation* of eight hundred pages. You write a book and people quote them in their papers, and say, well, "You must be good because you write a thick and long and boring book." This is what I am going to be doing next.

Professor Takenaka: Yes, Professor Busche is one of our team who is participating in the Database Project, but unfortunately, because of his busy schedule, he was not able to come.

Dr. Beurskens: So, my topic today is patents and standards. As you see, I have fifteen sides. I will keep it short. I only have fifteen minutes. I have divided the presentation into four parts, so that I can remember to do all of the things that I intended to do at the time. So, let us start with standards. The question we ask ourselves is, "What are standards?" and "Why do we need them?" To give an example that is simple, we have a twenty-four hour clock. Now I recently spoke with a biologist who told me that the human body does not work on a twenty-four hour cycle, but on a twenty-five hour cycle. So what happens is our internal clock does not account for the sun set or the external clock. So we get tired every morning and tired every evening, and stay tired. So the time is actually wrong. So, what happened is that we have a standard, a worldwide

standard of twenty-four hour time. We cannot change that. Why? Because there is no primary market for a different time. You cannot have different time than a twenty-four hour clock. So the question remains, "Why do we do it?" That is because we have a huge secondary market. You can buy clocks, you can buy clocks on a computer. You can have everything because the time is standardized. You can replace those products. So that is an easy and simple economic reason. So in theory, in most standards, the improvements should outweigh the costs. "Should" I say, because it is not always the case. And the interesting question comes up, "Why am I talking about this?" Because we have patents, and as we all know, patents are very useful. When you have a patent that is incorporated as a central patent in a standard, that is great, because everyone who uses the standard will have to license your patent. On the other hand, we have of course, patents which will not get into the standard, which will be overruled by the standard, and therefore they will be completely worthless. Nobody wants to create a non-standard good. Therefore, you have patents that nobody cares about. Then we have complimentary patents, patents which fit into the standard, which also has benefits. Now the issue is of course pretty clear. If we have patents, why do we have to have those patents in the standard? Can we simply have the standard without any patents? And of course, if you design a standard, you usually do it when there is a new technological development. We do not design standards just for fun, because we have the time. We do it because there is a new development. Then, of course, we have lots of companies having patents in that area and so it is tough to design around. Once you have a standard in place, you have to lock in the standard so you cannot get away from it.

So, what issues arise? Well, actually four issues. The first one is, in setting the standards, the parties might try to keep their patents a secret. So they establish the standard, then later on they can enforce those patents against everybody who adopted the standard. As soon as they build their factories and adjust to the standards, then they can begin enforcing the patents and making a lot of money in damages. The other issue is over-inclusiveness. As I said earlier, essential patents increase tremendously in value. So you want to get your patent declared an essential patent, and everyone wants that, so all of those patents get included in the standard, and the standard gets complex, and it is really tough to see if you really need all of those patents, or whether they are simply superfluous. Then we have the bad faith denial of license. If you have an essential patent in the standard, you might have people denying a license at all, or you might have people demanding an excessive royalty.

So let us begin with the first issue, the non-disclosure issue. This is the issue that everyone associates with Rambus or Qualcomm. It became a Korean FTC case and everyone said, "Oh, those are bad guys. They hid their technology and the standards were set, and they should not have done that. So they should not be able to collect any royalties." I do not think that that is the correct approach, simply because I do not think that this is an anti-trust issue, at least from the European perspective. Monopolization is not an anti-trust issue in Europe. You have the act of abuse of an existing monopoly, but you do not have the act of creating a monopoly. This is an unfair competition issue, maybe in some instances. Also, there are means in the patent system which should actually prevent such things, which is of course, compulsory disclosure of anything filed. People should be able to see these things within eight months. Standards setting does not happen within a week. It takes a long time. Of course, you have patent provisions in the United States which allow you to modify your patent later on, which makes it a little bit tougher, but in theory, this should not be an anti-trust issue.

Then we have the issue of over-inclusiveness. What should we do about over-inclusiveness? Well, the first question is, "Why do we have over-inclusiveness?" We should not have over inclusiveness if every party is interested in keeping the standard as light as possible. If you have a patent from an unnecessary party in the standard, you will have to license those patents as well. So there should be unnecessary patent free. This does not work for two reasons. The first reason is that the parties usually have patent pools or cross-licensing agreements, so they do not care what other parties have. Secondly, they do not weed out because there is no

agreement on the royalties they will later receive after implementing the standard. Since there is no discussion of royalties during the standard setting process, at least under US anti-trust law, we have the huge issue that we do not care about those royalties at that point at time. If people were fighting for every cent of royalties in the later use of the product, you would never have the problem of over inclusiveness in standards. You would have the problem of under-inclusive standards, but not over-inclusive.

And then you have the interesting issue which is the denial of license. If somebody says, "I will not license at all." Why would you do that? It is completely ridiculous to determine a standard where one party to the standard says, "I won't license to anybody." This is a pretty strange standard which requires product coming from a single party. So, this is a pretty strange case, but it has happened. So what we would be looking for is either a contractual duty, which might come from the standard setting organization, you have those IPR policies by ETSI or whatever, or it might be a general anti-trust duty. If you somehow allowed this to get into the standard, you, at least, impliedly agreed that you would license it. Then of course, what if somebody else sets the standard? So if you are not involved in the standards setting organization, and the standard incorporates your patent, why should you be required to license to anybody? And the answer is, "You shouldn't." There should be no obligation unless you were involved in the standards setting process. Nobody can force you to license your patent simply by designing a standard around it. One thing I want to emphasize, there is ECJ case law. You know the IMS Health case and the MaGill case, but those cases do not help you in this situation, and they should not help you, simply because those cases cover a different situation.

Far more common is not a question of a complete denial of license, but a request for an excessive royalty. And, of course, the question is, "What is 'excessive'?" The first thing you must consider is that it must be non-discriminatory. If you read the paper from Professor Adelman, in 1977, the year I was born, he says, "Well, you could say you give one free license under any terms, but you must comply with the second license. If there are two licenses, you have to give everybody the terms of the second license." This seems closer to the logic of the applied by the FTC in the Qualcomm case which says that you must put a most favored nations clause into those license agreements, so if you give terms to one party, you must adjust them to all of the other parties. This is not really useful. You want to keep freedom of contract. If you are a patentee, you are not supposed to be limited in contract, at least not completely. If you adjust one term, and you are not supposed to adjust the others, it becomes difficult to say which is the discriminatory term. An even worse standard is "reasonableness." What is "reasonable?" Reasonable is not a specific amount. It is a range of amounts, and anywhere in that range might be the proper amount, but who is going to determine that? A patent infringement court is going to set royalty fees? Again, I invoke Professor Adelman, who said "The costs of determining reasonableness are so extraordinary, no court in the world will do it." The whole question is, "Do we really have to care about this? Shouldn't this be a patent infringement issue?" I say, "No." Let us do it as a tort, an anti-trust issue, a contract issue, whatever, but it should not be covered in patent infringement cases. So, people should not care about the amount. They should just say, "There is agreement," or "There isn't." I will have a look at what the German courts do, or did, in those cases.

You have three possible situations. First of all, it could go to the anti-trust courts. Or, to the anti-trust authorities, that would be the European Commission. The problem with those proceedings is that they take a long time, and you might be able to lay a claim for damages, but it is pretty tough to calculate the loses you made simply by not infringing. The other thing you might do, is you might bring it up as patent infringement. So you go ahead and produce an infringing product, and then later on say "Well, I was allowed to do that because he was required to give me a license." The final thing you might do, is you might bring a contract suit. "Well, we agreed on something. You said 'no,' but you meant 'yes' because you are required to say 'yes' under the anti trust laws." So this is like a godfather, making you an offer you cannot refuse. As you see, you could bring a contract suit on that basis.

I am going to focus on the issue of patent infringement. In the case of patent infringement, there are three possible things that we could discuss with regard to standards. First of all, a patent court might say, "No, if you are implementing a standard which has a list of essential patents, you are evidently infringing on all of those patents listed as essential. And now go ahead and prove that you are able to implement that standard without infringing them." There should be a presumption that an essential patent is infringed if the whole thing is in a standard. The second thing is, if we allow an anti-trust defense, a compulsory license defense, if we do allow that how far does that defense reach? And finally, and this is especially important in German courts, we want to keep infringement proceedings very speedy. We do not want proceedings going on for five years. We want patent decisions at least decisions of first instance, to be relatively speedy. How can we resolve those complex anti trust issues which no one can do but economists, in a very short time?

The presumption issues. The presumption issue of course is an issue of trust and as I said before, industry standards tend to be over burdened, especially those standards set by groups like ETSI. If the court does not use trust built organizations, which German courts tend to do, there is the case of the ethics of the standards, then you of course have the case that anything in the standard is also infringed upon if you use the standard. Of course, such a system would require proper rules and sanctions in the organization. If there is no real framework to disclose patents, or no real internal procedure to tell whether a patent is really essential to the standard, then there would be no basis for that presumption. If the organization is governed well, there are no issues.

The second issue is the scope of the defense. The scope of the defense covers three issues, the damages, the destruction of the infringing goods, and the possibility of injunction. Of those three issues, injunction is the most dangerous one, because damages for the past usually do not go beyond what would be a reasonable royalty under a license agreement. The destruction of existing goods, well that is bad luck, but an injunction, after you have built an entire factory around a product could really destroy your business. What do the courts do to keep the case clean? They say that you have to make an offer for a license agreement. The potential infringer has to say, "Please give me a license." If he does so, that is great. Now comes the German courts. Yesterday, we talked about financial engineering. What the German courts do is legal engineering. They say, "Just making an offer is insufficient. You have to offer the contract." So the German Supreme Court in the Orange Book decision said, "Make an offer with a reasonable license fee, and go ahead and pay that fee, or make a deposit with the court, and then you are fine, unless we find that your offer wasn't reasonable and there was no obligation to accept it, and therefore you are not." As we learned, financial engineering can be dangerous. Legal engineering, in this case, sounds like beautiful law, but just because it is beautiful does not make it practical. I spoke with several attorneys dealing with patent law who said, "If I represent defendants in such a case, I would not know what to tell them. I would 't know the proper monthly deposit in this case." This is a really untenable thing, and it kills off the defense. You cannot bring up a defense that requires you to do things in advance that you cannot properly account for.

We are nearing the end. This is my next final slide. Up to now, I have spoken about things that are standards because everyone agrees on them. Of course, the issue goes beyond that. Do we have quasi standards because everyone adopts them? You have the Microsoft Windows operating system. Everybody had it on their computers, well not everybody, but let us say ninety-five percent. Should they be required to license their things under those rules? Should there be an obligatory licensing simply because they are doing good in the market?" According to what was ultimately decided on September 17, 2007, the answer is, "Yes. Of course. The patent is a valuable thing and we have to make good use of it." I would say, if there is a contract in effect, and if there really is freedom of contract, we should not touch this thing. Let us deal with it. It is how markets work. Patents are valid for a twenty year term. So what?

This brings me to my final slide, just to summarize the issues that we are dealing with are not actually legal issues. There are not obligatory terms we can discuss. Those are economic

issues and they should probably be discussed by economists, not by me. But, what I am focusing on is solutions. As lawyers have to make solutions, not economists. Economists just deal with numbers. Lawyers deal with real life. The end result as in many legal cases, is that we have a balancing act. We have to balance things and hope that things turn out right. Thank you very much.

Professor Evans: Thank you all for your presentations. Now we have three very distinguished commentators. And to comment on Kristina's paper, Judge Rader.

Judge Randall Rader: Let me comment briefly on the aspect that interests me, and that is the obstacles to enforcement of intellectual property in post-Soviet era economies. It seems to me that requires a distinction between the influences of the Soviet shadow, and the influences of simple biases against intellectual property. The Soviet shadow I identify as stateism. Everything is state controlled. A complete bias against private rights of any kind, not just property rights, but private rights, and third as you and I both know, Kristina, permeating corruption. I have identified it as a part of the system – an essential part of the system, which is regrettable because somehow you have to find a way to address that, and it is not a pleasant academic thing to discuss. Corruption, lack of integrity, is built into a system that makes enforcement impossible. Frankly, that may be the core issue and how you address that diplomatically is tough.

But, there is another whole set of issues that go along with, but are separate from the Soviet shadow, and that is the economic bias against property rights in the intellectual area. That is more than just in the Baltic states and Eastern Europe, but extends into India and Brazil, and even into the United States and there are biases against the economic costs of financing innovation. Somehow, you have to separate those, I think, and figure out what are the particular obstacles to enforcement that then have to be addressed by regulations, and new methods, and better judges and some of the things that you referred to at the end of your paper. I commend the scope of your enterprise. It is an ambitious undertaking. I am not sure if anyone is going to be able to tell you how to drag Eastern Europe into the modern world, but if anyone is going to be able to do it, it is going to be the Baltics who are doing it better than anyone else. Thanks Kristina.

Professor Evans: To comment on the next paper, which is Dr. Kudo's paper, we have Professor Duffy.

Professor John F. Duffy: Thank you very much. This paper is on an issue that I have done some writing on, too, which is thinking about what institutions should be in our axis and how to structure our institutions. The nice thing about this paper is that it tries to do a comparative analysis between two countries, which I think is always good because it is always easy to think that the set of institutions we have in one country are sort of the way things have to be, when in fact, when you look across both geography and time, you see a lot of institutional variation and that sort of makes you realize that these things can vary in a lot of different ways. The hard thing about institutional analysis is that we currently have no real idea of what are good institutions. So people have estimates. They say, "Oh, administrators are good because they do this. They are inexpensive." Or "Judges are good because they do this other stuff." But we are really at a primitive level of understanding of institutional analysis, and that is a real challenge. We cannot stop doing scholarship, but we have to recognize that we have this huge problem in talking about institutions. We do not know much about the attributes of institutions. I think that with this paper, you should try to start off with some sort of common sets of goals, or tradeoffs at least that you could imagine that are across cultures. Generally, I think that your organization might be better, instead of going as you currently do by describing the Japanese system and then describing the United States system, sort of in isolation, because the reader is thinking, "I am learning a lot about these systems, but I don't know why I am learning about them." Start out

with the similarities and try to introduce a common vocabulary or common set of tradeoffs that both nations are facing. Then in the second part of the paper, talk about the differences, because I think that there are some commonalities with the systems and there are some very stark and very interesting differences, but you do not really get them set out. You sort of get this information up front, and you do not know what is similar and what is different. That is the way that I like to read papers that are comparative in nature. Talk to me immediately about the comparisons. I think that the similarities are best to start off with. I think that you could think of both of these systems as having a set of filters to try to determine what are the good patents and what are the bad patents. I wrote down some comments, but I will e-mail them to you and not go through them all because it would take too long. I wanted you to go back a little in history, because originally you could say the United States had a registration system, which was common and we got it from England, which is essentially like saying that there was one filter. You have litigation as the only filter to determine the good and the bad patents, because you could go to the patent office and copy something from the ante office, literally copy down an invention that had already been patented and they would give you another patent. This had actually happened and the Commissioner of Patents said, "I feel it is my duty to give that patent out." So there is only one filter, which is the courts. Then the United States did this quite radical thing, which was to have two filters, an administrative filter and a judicial filter. Now we are sort of moving through to a three filter system throughout the world, which is a quick ex parte administrative filter, and then sort of an opposition or re-examination, a more expensive filter, and then the third filter, the judicial filter which at least in the United States exists and actually has a long time frame, too. It can go on for a long time. For the whole life of the patent you can always challenge the validity of the patent, and it is very expensive. You get full procedures and all that. I would like to see a little more organization. Perhaps we can talk about that, how you can put all of the similarities into a common framework and then talk about the differences. One last thing you should talk about. (Of course, if you are asked to comment, you always use it as an excuse to talk about your own scholarship.) I will say that there is a tremendous amount of administrative innovation going in around the world and the United States, and I think that we are just on the cusp of it. I have an article that has just come out, or might come out, or at least I have the PDF. I will send it to you. It is in this Summer's issue of the University of Pennsylvania Law Review. It is called, "Ending the Patenting Monopoly," and it is sort of about the privatization of patent examination, which I think is the next big thing. But there is a lot of information there about innovations at the base level, this first filter of the administrative system. Maybe if we could get that better, maybe it would affect how we think of these other filters. At the end of the day, I think it is not a criticism of your paper to say that we are using rules of thumb. Now, if you were a scientist and you said, "Prove to me that this is better, this procedure that you are suggesting is better than the current status quo," you would have to throw up your hands. I have a few more comments, but I will leave it at that.

Professor Evans: And finally, but certainly, not least, because Professor Adelman, because I know that you cannot wait to comment, on Mr. Beurskens' paper.

Professor Martin Adelman: It is true. I actually liked the paper his iconoclastic approach. The graphics, and the PowerPoint, of course detracted from the scholarship. It sounded like he was telling us in Germany we have this *Habilitation*, which I do not think anybody else puts their scholars through. So everybody understands that we have to spend four years writing a worthless work in order to get a professorship. Thank God I was not born in Germany to go through that. I was not sure, because those slides were kind of fun, whether this would work for a *Habilitation* because it was interesting. So, I am not sure where to go on that. I take it that there will be a lot of filler here because the literature on standards setting is vast. I had fifteen or twenty students write detailed papers on this. Judge Radar had the Rambus case, and he knows that much of the

scholarship about that case is nonsense, because in fact, if you read his opinion, it is perfectly clear that Rambus disclosed its application, disclosed everything to the group, and depending on who you want to listen to, the inventions there were kind of great, or they were junk. I do not know the answer to that, but certainly most of the scholarship does not really address it. If junk of course, you fight the claims in court and invalidate them. If they are good, and the rules of the standard setting say, "All you have to do is disclose the application," which they did, then it is up to everybody else to figure out how many inventions are disclosed in that application, because it is no secret that one can, until the patent issues, and there are no continuations, write claims on all of the inventions and file divisionals or continuations. You can do that in Europe, too, although they are fighting in the European Patent Office. That is not so unique to the US, so as far as I am concerned, and I have had students say this, that this does not add up.

Judge Rader: Cut off your remarks and give me the last two minutes.

Professor Adelman: All right...so in summation, I would like to see something in the paper that says, "Here's a real complex case and there is a problem, and it really is unique problem." Something more than the German courts. I do not know what they are doing and I do not think that they do from your description. Why are they intervening at all with this matter? If the agreement was that there was a FRAND obligation, then that is one thing. If there is no FRAND obligation, then I am not sure that I understand that intervention, and you certainly will have a difficult time discussing European Union anti-trust because it is all administrative fiat and probably violates human rights.

Judge Rader: I have read hundreds of these papers, and I am waiting for the one that approaches the subject uniquely, and the unique approach, instead of the one that every paper does, "We are giving you a standard and so we must figure out some way to use anti-trust remedies to force you to take a very low royalty." That is the approach of every paper. Now, why doesn't somebody look at this as a question of patent valuation? What is the value of this patent? Let us do an economic analysis to figure out what value it has added, and by the way, it has to have added something magnificent, or the world would not be adopting it as a standard. Maybe you start with some of Professor Duffy's scholarship that says you look at the amount of R&D that was put into developing it and the amount of effort that has to be put into marketing that to make it into a standard. Start from the other end. Figure out what it is worth, then set the royalty there, instead of trying to take force them to take a minimal royalty because you are giving them a standard. Start from the other direction. You will have the only paper I have ever read in this area that is unique.

Professor Adelman: I had a student who wrote that there should be no limitations.

Judge Rader: It is not a question of limitations. It is a question of valuation. I have not seen an effective paper.

Professor Adelman: Not a really good analysis of how to do them.

Judge Rader: Well, that is economics. So there is your challenge. Do not just write what everybody else has so far written.

Professor Evans: I thought I would give you an opportunity to reply after you have had the benefit of all of the comments. I was wondering if Judge Grabinski would like to comment at this point.

Judge Klaus Grabinski: It is a very issue. I was participating in several of these cases. I was not participating in the case that was mentioned, the Orange Book case at the Supreme Court, which was issues several months ago when I was not part of the Supreme Court. In principle, it is a normal patent litigation. Something which was mentioned in the talk, but which is not so easy, is how to prove whether a standards related patent is infringed. Normally, they do it by the standard. That is how it is done. Then, of course, there is a defense from the defendant's side. He tells the court that in principle, if there really is an infringement, if they really are making use of the standards related patent, then they will pay a royalty, but of course only a little bit. They would even want to pay nothing, but if they have to pay a little bit and then they make some kind of formal offer, or they do not make any offer. Then of course, the patent owner says, sometimes they do not say what they really want, but they say, "You are not offering enough." In this kind of situation, both parties come to the court and they both want us to tell them what is a reasonable....

Professor Adelman: They want an adjudication from you. Oh, that is different; you did not make that clear.

Judge Grabinski: We always do not want to tell them. That is pretty clear. In my perception, it is not to the court to tell them what is a reasonable royalty. Maybe in an extreme case, we can tell them, that the royalty that is demanded by the patent owner is far too much given the general economics of the situation. This would be possible, but it has never been decided this way. This was the situation before this decision of the Supreme Court was issued. Now, what does the Supreme Court say? The Supreme Court said in the Orange Book decision, "You, defendant, if you make use of the patent, then you have to decide. Either you can say 'We are not making use of it. We are not infringing.' The second option is 'We infringe, and we want to pay a royalty, but we are not sure about the...'"

Judge Rader: Klaus, if the German courts approach is this complexly, it is no wonder that they cannot get it right. You have to though all of these steps to answer a quick question, then it is getting too tough.

Judge Grabinski: What are they required? If they make use of a standard related patent, then they have to render an account, to tell what they are doing. That is the first point, and nobody usually is prepared to open his books. That is the first point. The second point is then they have to say, "We paid a certain amount of royalty and we put it in a security somewhere, posted security." It is no longer a case of infringement in this kind of situation. We accept that we are infringing, and at this point in time, the first trial stops and there may be another trial where they discuss what is the fair amount of it, but during this time, they can continue using the standard related patent. That is the idea of this decision. Whether this will work or not, nobody knows at the moment. At the district court level, we have no practice with it. Just a few days ago, we decided a case but in this case this was not an issue because they never made this offer and they never posted security and so on, so we will have to wait and see if this will work or not. At least, this will help the courts so that they no longer have on the one hand to decide all of these infringement issues, and at the same time deal with this defense, because the defendant has to make a choice. Either he says, "I am not infringing," and then it is a classical patent infringement case, or they say "We infringe," they pay a security, they render an account, and then they are allowed to continue making use of the patent, and then they settle, or they have a trial on the real amount that has to be paid, but there is security so the patent owner is on the safe side.

Professor Adelman: What if the patent owner, and this would probably be unwise in most cases, "Here is what I want. There is no FRAND obligation. I never agreed to a FRAND obligation, and the standard setting organization did not require it. That is probably a bad thing,

but that is clear. I want five percent. That is it. I either get five percent, or I get an injunction and you quit.” Do you get involved then? They admit they infringe, obviously, that could be an issue, but let us say they admit they infringe, they admit that the patent owner says, “Five percent or nothing.” He wants an injunction, but they only want to pay three percent.”

Judge Klaus Grabinski: Right. They have posted security. Maybe they put five percent aside. They continue. There is a second trial, and maybe they find out that five percent is too much.

Professor Adelman: This is fascinating.

Dr Goddar: May I just comment on this? Dr. Grabinski knows that I highly respect our Supreme Court. I admire it actually, a wonderful system. But in this case, what happened here in this famous decision, is only that the Supreme Court introduced in the sense of economy of the procedures, the principle of German patent litigation to separate the infringement and validity questions from the calculation of damages. The same situation that you go into a separate process afterwards. So in the sense of the economy of the procedure to keep the infringement and the invalidation procedures very slim fast etcetera, and put the very difficult questions, like Professor Adelman raised, into a separate later on long fight which will end in a settlement anyway because all such cases end with a settlement, and this is the fatal intention behind it. Really, it does not solve the problem.

Judge Grabinski: Why is this fatal?

Dr. Goddar: It is fatal for one simple reason. It does not solve the real problem. It shifts it to an endless procedure with a compulsory settlement more or less, because that procedure was at the height of the licenses which must be determined finally, is not open to adjudication. It is something which in ninety-nine percent of all cases ends in a settlement. Maybe it is reasonable, but at the end of the day, the refusal of speaking justice by the court. It shifts it into a procedure which cannot be decided anyway, and later on somehow, the parties will decide. Maybe this is good for our whole system because the infringement procedures remain quick fast and cheap, and this is necessary to obtain justice, but it does not solve the real problem. It shifts the problem into an endless procedure which is more or less compulsory settlement because otherwise it does not work.

[Unidentified Speaker]: I have a little bit of a different opinion because first of all, this separation between infringement and damages is the normal procedure in Germany. If you are in a situation where three or five percent is the issue, I think it is a very easy decision. Who has the burden of proof? Four or five percent? That would be the patentee. So the patentee comes on and says, “I have ninety agreements so far, and they have all paid fifty percent. The others have paid a little bit more because they did not want to pay at all.” So basically, it is a matter of the burden of proof. If the defendant can prove that the majority has paid three percent for an identical object or product, I think that that is the end of the story. We had a very similar discussion if you remember, at Manila. Unfortunately, Judge Rader is gone. I think that he came a little bit to that same conclusion. Who has the burden of proof? “Show me the evidence and then I will decide.” It is not so far fetched. Of course, it might take some time because you might have sixty witnesses to prove five percent.

Dr. Goddar: Maybe one sentence still, also to the whole procedure, it takes, and this is the serious thing, out of the hands of the patentee, for the main procedure, immediate injunctive

relief, which otherwise is provided in Germany in patent litigation. This is taken away, so the heaviest weapon that the patentee has is no longer available because you shift this all...

[Unidentified Speaker]: It is a bit like EBay.

Dr. Goddar: Yes, kind of.

Judge Grabinski: Yes, except in the direction, of EBay, but on the other hand you have the security and also the patent owner is on the safe side.

Professor Adelman: You will get the money.

Judge Grabinski: And that is the only thing you can, because if it is a standards related patent, in principle, he has to let his competitor on the market.

Professor Adelman: Yes, that is probably true under U.S. antitrust law that if you form a standard organization, and you are part of that standard, I think it is going to be difficult to assert that. "Well, I am entitled to an injunction."

Professor Evans: A great topic for next year's summit. I am thinking that...

Professor Adelman: But he needs this in his paper.

Professor Evans: Absolutely. It is a great topic. I was thinking that in order to be fair to our other speakers, are there any other comments? We can return to this later. Any comments, for Mr. Kudo, on his paper please?

Dr. Goddar: I have with great shock, I think, and I hope I am not unjust to the paper of Mr. Kudo, with regard to Article 167, and I refer to this slide, are you seriously proposing as a compromise, learning from both systems, that if an invalidation trial decision upholding validity became final and registered, no one can find in the relation trial by the same fact and evidence any more. That means that you have made Japanese patents unprotectable. You are introducing into Japanese law, from my view, the biggest flaw that U.S. law has. Namely, that patents cannot cheaply and at any time and by everybody be destroyed if they are not worth being upheld. I consider this extremely dangers, and maybe you would like to include in your thesis what I should do if I have to do or what my colleagues should do if I have to advise a patentee in such situation, if you change your law in Japan. I would just by a straw man having a nice easy attack against the validity of the patent filed and would through that procedure in which validity is finally upheld, and from then on, the patentee has an unattackable patent. That cannot be.

Professor Duffy: I want to actually say that that is not U.S. law. Under U.S. law, the patentee is collaterally estopped, if the patentee ever loses validity, but people can continue to attack validity case after case after case. It is precisely because you do not want an incentive for the patentee to find someone to make an easy, gloves on type attack on the patent and it is also....

Professor Adelman: It is constitutional law. I have the right myself, to litigate it, period, end of story in the U.S.

Professor Duffy: Right so, unless you litigated it, you are not bound by the decision, which is why the patentee can be bound by the decision, because the patentee litigated it. So it would not be a compromise to have that.

[Unidentified Speaker]: For a German, it was interesting to hear that specialization is now in English. I have a short question and remark. First of all, I did not hear anything about you wanting to abolish the jury....

Professor Adelman: That is constitutional law, too.

[Unidentified Speaker]: Didn't you prove that this is not really true for patent litigation? You said on one of your slides something about forum shopping as a problem. On the other hand, your specialization or concentration as you said means that you have a number of courts in the first instance, so there still would be forum shopping and I really recommend you continue that. As you know from Germany, if you have only one court, it might be the Dusseldorf court that is the best one, but it may be some other court. That you can choose improves the court. That is what the judges also want. Another remark is that you had one of the reasons for litigation to be the main route, in Japanese and US litigation is the lack of technical expertise. My suggestion would be that it is a lack of patent litigation expertise, but not of technical expertise. Although we have technical judges in our first instance court, the Federal Patent Court, I would hesitate to say that the technical judges help a lot. They can help, but if they in the majority, and this is my very personal opinion, like they are in the nullity chambers in Germany, they do not do good, I must really say. They often have the impression that they could have made the innovation themselves, and therefore as regards the invalidation rates, we know that, and we have also seen from Japan, that the patentee can really go down. I would say it is really good to have one on the panel, or maybe two if there is still a majority of judges on the court, then keep them apart from the decision. You can bring in technical expertise with trial experts or even a court expert, but I would be really skeptical with too much technical power on the bench because they try to dominate the discussion and afterwards you lose your patent. I was worried that you were in favor of the bifurcated procedure, I would, having now in mind the European development, suggest what if you offer both of the possibilities. Maybe a defense of invalidity as a fast procedure in the court, but at the same time if it is a heavy validity litigation then you can also chose a bifurcation by a specialized invalidity chamber. That might be the best solution and that by the way is what is now on the table in Europe for the specialized court that we are discussing right now.

Professor Takenaka: Excuse me because, I want to clarify because with respect to estoppel, he is not introducing estoppel, but rather it is already part of Japanese law with which is different. If adjudicated for the same party and the same patent, you are not able to adjudicate again for attacking invalidity.

Professor Adelman: So it is the standard of law.

Professor Takenaka: Yes, it is somewhat similar to estoppel, but it is not collateral estoppel, but estoppel between examination versus... But he wants to expand not only the parties but also the patent parties, so that it will be extended.

[Unidentified Speaker]: That is a very strange thing to do in a comparative law paper, because what you described as Japanese law is very similar to U.S. law. You can be collaterally estopped. Usually, what comparative people do is that they look, and when they see similarity, they tend to think that that actually confirms the wisdom of the rule. It is odd then to say, "Both nation states have this rule, but I recommend changing it."

Professor Takenaka: No, he is not changing it.

[Unidentified Speaker]: Oh, he is not changing it?

Professor Takenaka: He is proposing to expand it.

[Unidentified Speaker]: Then he is changing it, though...

Professor Tamai: Professor Takenaka. This is contrary to our constitution. We expanded Article 167.

Professor Takenaka: I understand. That is why he has said that it would not be acceptable to traditional notions, but...

Dr. Kudo: Yes, I understand Article 167 is problematic.

Professor Tamai: Only on this point, I cannot agree with his presentation. But his presentation and his article is very important for us, Japanese. It is what the Japanese people need, and I strongly urge you to publish it as soon as possible. However, I do not agree with you about Article 167.

Professor Duffy: One thing I wanted to comment on. One thing you seemed to say seemed to be in conflict with the other. You seemed to suggest that the Japanese system wanted more shift to the judiciary doing more on the validity front, yet oddly, it seemed to me quite odd then that you recommended that the U.S. create an administrative opposition system. So, it seemed to me that in Japan, you are a champion of the judges, and in the United States, you are a champion of the administrative state. So, I think you might want to talk about why. Maybe your argument is that you are trying to build each of them into the middle a little bit...

[Unidentified Speaker]: Why not both?

Professor Duffy: I actually like the concept of soft specialization. Too often, people seem to think of specialization as an on/off switch. Really, it is a question in my own work of optimal specialization. We all understand the concept of optimization and marginal changes. You are right to say we want increased specialization, but maybe not exclusivity.

Professor Evans: Can we have comments, please on Kristina's paper?

Judge Grabinski: I would suggest, at least from the practitioner's point of view, not to be too critical of the EU Enforcement Directive. I think it provided a lot of good things. It set a standard for rights, claims of the patent owner, or whoever is entitled with regards to an IP right. For example, it is not only injunction. It is damages, right of information, search order. It concerns the destruction of products. It concerns the publication of a decision of the court, and so on. I think that it is of great value that this is now the standard in all of the EU member states. We did not have this before, and I understand that the situation is different in different member states. Maybe the situation is different in Germany and France and the U.K. that there has been already for many many years similar laws and what has been introduced by the Enforcement Directive was not so much. On the other side, I think for the new member states, there is now an interest in getting to the same level. This is I think a good way to get to this level, and if there are some difficulties which I perfectly understand, one must try to launch an educational program or whatever. I was involved in one of these by the EPO, to help the judges in these countries get to this standard. Professor Straus yesterday mentioned a lot of failures on the EU level, and I think that he was right in saying so. If I had to mention a success story in the EU, I would have to

mention the Enforcement Directive as maybe the last success story we have in the EU in the last years.

Professor Evans: Prognosis for a criminal directive?

Judge Grabinski: That is very difficult, very difficult to say. I do not have my crystal ball with me, otherwise....

Professor Pagenberg: I would agree with what Dr. Grabinski said. One flaw that is in the Directive, namely the loose language in many of the areas where they say repeatedly say, "The judicial authority 'may'." Therefore, that is too many options, and the countries can choose between different levels of protection. If you look at them more closely, there is quite a difference if you can choose the one may or the other may. That could perhaps be pointed out because one must look for the discrepancies that will arise from the practice in the future, I would say.

I have two questions. Once you said the scope of the Directive is too broad. There are a number of new issues, but I think they are all positive. We will for the first time, give Germany a search order, as did France, for that that procedural possibility, and so forth, so I do not know what you mean by being too broad. The other thing is that you said something about giving due consideration to the country mentality has not been taken into account. There was a lot of quarreling when this Directive was discussed. If one was to take into account the mentality of countries, perhaps that would be taking a step too far. Just because I am at a low level of protection and I need more time. I do not know if that is your idea. I think you described it correctly. The speed and therefore the loose drafting, is due to May 1, when all of the countries came on board, they had to get this through, otherwise, there would have needed to be a renegotiation of the agreement. Those are all of my comments.

Professor Evans: Any further comments on Kristina's paper?

[Unidentified Speaker]: I would like to give some brief comments on the criminal enforcement directive. Kristina said this draft was proposed by the EU in 2005. I want to say it is better to show the difference between this directive and the TRIPs convention. Does this draft strengthen standards? Kristina said maybe it is hard for the EU members to bring this draft into their countries laws, and I would like to know why it was hard. If this draft follows the TRIPs convention, Article 61, every member of the WTO should bring criminal procedures and criminal punishment to the person who willfully engages in commercial scale counterfeit and piracy. The EU, of course is a member of the WTO, so I want to say if this draft is strict, then you do not set stricter standards than the TRIPs convention. Please give us a clear and comparative research between them.

Professor Goddar: Just a comment on this. I think that several of the EU member countries are very right in asking for a longer and more detailed discussion of the criminal directive because of the miserable experiences we have had in Germany, for example, with criminal proceedings in patent infringement cases. The problem is the one which Kristina has mentioned in her last slide, where she said there is for customs procedures, on the way an awareness program, an education program for customs police. Why is it that they are so necessary? If you come to the criminal proceedings, you will see immediately the real problem. The customs procedures problem is that people who are not competent judge that certain articles are obviously patent infringement, and then they are taken off of the market, temporarily. Later on, they are very often to be released again. For trademarks, for which this provision was originally made for, there might wise good customs officer, who has the opportunity to say whether something is a trademark infringement. If this is an embedded software in a

semiconductor chip, he has no chance, but he believes the patentee much too easily. So there already, the Ministry of Justice in Germany, the Federal one, is trying to coordinate this. A lot of educational work still has to be done to better train customs police officers in order to avoid undue restrictions or interferences with the business of people who are in a justified manner importing goods into Germany because they either don't infringe patents, or they are junk patents, and there are more junk patents in the world than we often think, and we all know this at this table.

The same problem however arises, and I had a couple of experiences out of Germany last year September in Berlin at the international radio exposition when the Berlin attorney general confiscated from sixty-three Chinese companies all goods of an electronic nature, including computers, personal ones for projector purposes made by Toshiba or Hitachi or whatsoever, in the exhibition booth, because they have no clue. And this is the big risk. If you give it to the hands of children who have not been educated beforehand to use sharp weapons, which patents, are then it becomes very dangerous. Therefore I think that there must be first a general training and education of the public prosecutors in Germany for example, even in Germany, at all of the important exhibition centers, etc. before you can think of something, before you could recommend from a country like Germany to any other country, similarly dangerous procedures like we have at the moment in our patent law, which enables, not innocent, but inexperienced public prosecutors to do something which only experienced patent dispute handlers should do. So I think a lot of discussion is still necessary. It is always dangerous to put these instruments into the hands of a set of the customs police. On the other hand, public prosecutors before having done an intensive training program to distinguish between right and left, between patent infringement and no patent infringement.

Professor Evans: Thank you very much. Now, given the lateness of the hour, I am going to call on the speakers to respond however, not structurally, format, or "if I had more time or space." Purely, two minutes on legal technical issues. Has your position changed, and so on? Michael?

Dr. Beurskens: The Orange Book decision that I explained about is of course a Supreme Court case, so they opened up the whole issues, the whole Pandora's Box of compulsory licensing in standards based patent infringement actions. As you might know, in Germany, there are very few defenses available if you are actually sued for patent infringement. So, they opened up that Pandora's Box, and if you take a look at some briefs and cases that have been brought, everybody seems to think that if there is even the slightest chance that there might be a monopoly position, brings up, "You have a right to give me a compulsory license, so I am not really infringing." You should have given me a license, so there is no infringement. We should move to a different case.

Professor Evans: So, that is your two minutes. Mr. Kudo, your two minutes.

Mr. Kudo: Yes. About Japanese Patent Law article 167. Actually, I was wondering how to deal with it. My proposal is the expansion of preclusion in Article 167, but I do understand the legislative criticism to the article itself. My proposal is based on the current Japanese problem which patents can be challenged too easily. So, reflecting comments to my proposal, maybe I will think about another option for stabilizing Japanese patents.

About technical judges, I do not support the idea either. Actually, in Japan, a few years ago, there was an argument about appointing technical people into the panel at Intellectual Property High Court, but the government did not take that proposal. So, I understand the problem of having technical people on the panel as judges, and I do not support that idea.

Professor Evans: Thank you. Kristina.

Ms. Janusauskaite: To Judge Grabinski's point, I absolutely agree with you and in my thesis it is much more reflected how when the Directive was implemented by the Baltic countries has positively influenced our legal systems. Here in the presentation, maybe I slipped a little bit with the, let's say, very critical points, but it goes without saying that we have very positive changes regarding standing and the presumption of rights and related rights and so on and so forth. Regarding the other point, I meant too broad in terms of the subject matter being regulated. The Directive says, "Intellectual property rights as they are defined in the national laws." This brings us, let us say, to a bigger ocean. Regarding the consideration of different countries' mentality, of course I mentioned the IP mentality and different legal tradition, no necessarily thinking that it would be an overambitious exercise to deal with how each country looks at certain processes. So, with regard to criminal enforcement, of course, it is too complex, and I would be happy to discuss it afterwards.

Professor Evans: Thank you very much for your comments. That is fine idea. If finally remains to me to thank the speakers, the commentators, and everybody here, and in particular, Toshiko, for organizing this very unique meeting and unique opportunity. I would like to invite everybody to put their hands together to thank Toshiko and her team.

Professor Takenaka: Thank you very much. I would say that I myself learned a lot about the IP system as well as the European system and the U.S. system. It was a wonderful opportunity for me, especially my students and colleagues. We hope that this will be repeated soon in Europe and Japan. Thank you again.

We will be meeting for dinner at the hotel. Could you make an announcement about the shuttle?