

# **Part 2**

## **Examinations and Trials in the Age of Intellectual Creation**



# Examinations

## 1. Patent Examinations

### (1) Significance of the Examination System

The "Promotion Program on the Creation, Protection and Exploitation of Intellectual Property" (hereinafter referred to as the "Intellectual Property Promotion Program") adopted by the Intellectual Property Strategy Headquarters stipulates that "appropriate protection of intellectual property is indispensable in ensuring incentive for intellectual property creation and its effective exploitation and the system and organization for this end must be further improved" and shows specific policies in the "protection field" in the intellectual creation cycle.

Those policies are along the same line as the universal concept of the patent system in which patents that are the exclusive monopoly rights encourage creations (inventions) and promote development of industries and public benefits. Patents allow monopoly of the rights to execute the patented inventions (Patent Law Section 68) and the right to demand the ban, damage compensation demand rights and other civil rescue measures (Patent Law Sections 100 to 106) and criminal rescue measures as patent infringement (Patent Law Section 196) are prescribed against the cases when other persons infringe the rights, and thus patents are extremely strong rights that directly affect the rights and obligations of the people. Therefore, if such patents are granted to commonly practiced techniques, easily conceived techniques or applications with ambiguous disclosure of the techniques or the range of the rights, the impairment on the society and the people would be significant. The developed industrial nations and many other nations with a patent system adopt the so-called examination principle in which patents are granted after examinations.

#### -Reference-

The argument in the United States in the early 19th century, which listed the damages, caused by non-examination principle as follow:

-Senate Report Accompanying Senate Bill No239, 24th Cong., 1st Sess. (April 28, 1836)-

A Senate Report accompanying the Act cited four "evils" in the existing system of issuing patents "without any examination into the merit or novelty of the invention."

"1. A considerable portion of all the patents granted are worthless and void, as conflicting with, and infringing upon one another, or upon, public rights not subject to patent privileges; arising either from a want of due attention to the specifications of claim, or from the ignorance of the patentees of the state of the arts and manufactures, and of the inventions made in other countries, and even in our own.

"2. The country becomes flooded with patent monopolies, embarrassing to bona fide patentees, whose rights are thus invaded on all sides; and not less embarrassing to the community generally, in the use of even the most common machinery and long-known improvements in the arts and common manufactures of the country.

"3. Out of this interference and collision of patents and privileges, a great number of lawsuits arise, which are daily increasing in an alarming degree, onerous to the courts, ruinous to the parties, and injurious to society.

"4. It opens the door to frauds, which have already become extensive and serious ....

[I]t is not uncommon for persons to copy patented machines in the model-room; and having made some slight immaterial alterations, they apply in the next room for patents ....

[T]hey go forth on a retailing expedition, selling out their patent rights.... to those who have no means at hand of detecting the imposition.... This speculation in patent rights has become a regular business, and several hundred thousand dollars, it is estimated, are paid annually for void patents, many of which are thus fraudulently obtained."

As Japan is on its way to the science and technology creation based nation, the number of important patent applications is on the increase. They will be the foundation for creations of new businesses and development of new products and will ensure international competitiveness. The patent infringement law

suits are also increasing, and the resulting amounts of damage compensation are rapidly rising, e.g. 3 billion yen ruled by the Tokyo Regional Court in October 1998 (H2 blocker patent infringement case: plaintiff: Smith Cline French Laboratories Limited, defendant: Fujimoto Pharmaceutical Co. Ltd.) and a total of 8.4 billion yen at the same Tokyo Regional Court in March 2002 (Pachiko-slot machine patent infringement case: plaintiff: Aruze Co. Ltd., defendants: Net K.K. and Sammy K.K.). As Japan has enacted the "Basic Law on Intellectual Property" (2002) and "Intellectual Property Promotion Program" (2003) with the national target of realizing the "Intellectual Property-Based Nation", the value of patents is likely to be more highly evaluated and further efforts for optimization through examinations is expected.

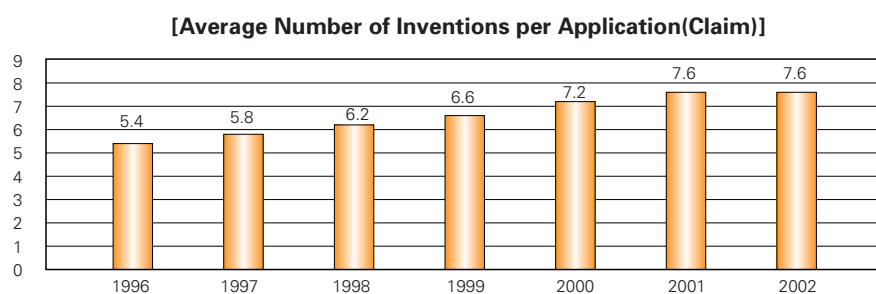
## (2) Demands for Timely and High Quality Patent Examinations

In order to realize the "Intellectual Property Based Nation", it is essential and indispensable to establish the pro-patent policy which enables granting patents to excellent techniques without missing the timely opportunities for commercialization as well as protecting and exploiting such techniques. The Basic Law on Intellectual Property Section 14 stipulates to "establish the examination system that will enable timely and high quality procedures and take other necessary measures".

### (i) Demands for Timely Patent Examinations (reduction of backlog)

As the efforts to execute the provisions in the above Basic Law on Intellectual Property, the Intellectual Property Promotion Program stipulates that: "In this age when speed is demanded in the management decisions of corporations engaged in severe international competition, timely patent examinations are indispensable in promotion of commercialization of excellent inventions and invigorate economy. In order to accelerate the patent examinations, it is important to take measures to reduce over 500,000 applications awaiting examination and to handle rapid increase of around 300,000 requests for examination expected to occur in the near future. In order to realize the timely and high quality examinations in the world highest level, we shall set the target for reduction of the waiting period, secure necessary number of examiners, exploit examiners' assistants with special knowledge, reinforce the examination system including outsourcing of prior art searches, review the Patent Law, restructure the application and examination request system for applicants and take other comprehensive measures. As a temporary measure to reduce the congestion, we shall assign persons outside the Patent Office as examiners with a limited term and employ them as intellectual property specialists after expiration of their term. We shall present a law for the Promotion of Expeditious Patent Examination (tentative) that comprehensively contains a proposal to amend the relevant laws and other measures required for timely patent examinations to the ordinary Diet session in 2004."

As the technology renovation progresses, the subjects for patent applications are shifting from mature technologies to state-of-art technologies, and as a result the contents of the patent applications are becoming highly technical and complicated. At the same time, as the applicants tend to set the range of patent more minutely based on the techniques described in the specifications in order to obtain the patent strategically, the number of inventions (claims) contained in one patent application is steadily increasing.



The tasks of a patent examiner are diversified and include the first examinations for domestic applications, secondary examinations on the arguments and amendments submitted by the applicants, to the results of the first action, reconsideration by examine before appeal conducted before the appeal against examiner's

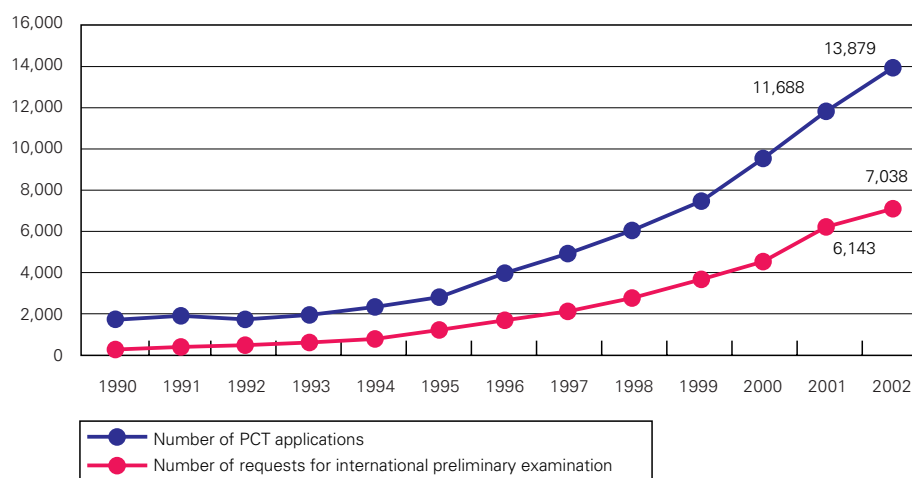
decision of refusal suits and the procedures for the applications based on the Patent Cooperation Treaty (PCT applications). The preparations of international search reports and international preliminary examination reports related to the PCT applications that are increasing in recent years, in particular, are important for the business strategies of enterprises, and must be handled with priority since the time limit for the report and the range of the search including documents from foreign nations are prescribed in the Treaty. Therefore, there is an unfortunate tendency that the ratio of examiners' resources dedicated to the first action for domestic examinations is decreasing.

[Various Tasks Performed by Examiner]

Results	2000	2001	2002	2001-on- 2002 Increase
Number of first examinations	192,244	196,416	215,321	110%
Number of subsequent examinations	145,279	149,693	158,721	106%
Number of international search reports of PCT	8,468	10,716	12,303	115%
Number of written options of PCT	3,300	4,669	5,996	128%
Number of international preliminary examination reports of PCT	4,162	5,163	6,631	128%
Number of reconsideration before appeal	12,604	18,663	18,499	99%
Number of reports of expert opinion on registrability of the utility model	1,822	1,337	1,533	115%
Total	367,879	386,657	419,004	108%

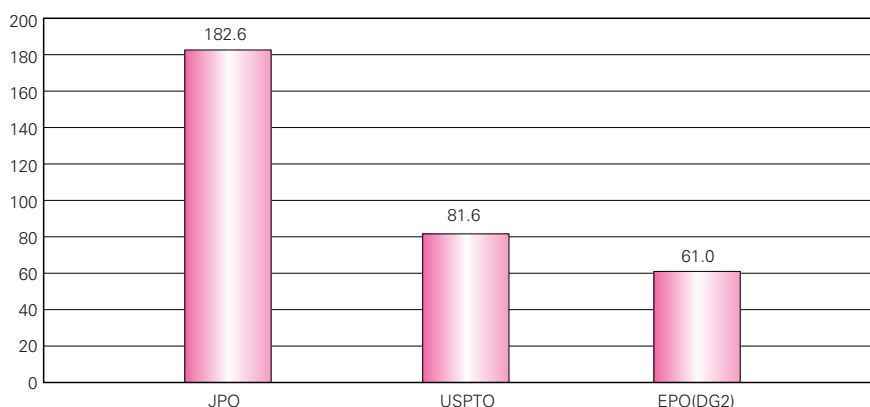
(Note) "Number of first examinations" includes the number of first examinations of applications for registration an extensions of the term of patents for medical products, etc.

[PCT Applications and Requests for International Preliminary Examinations]



While the number of inventions contained in one application is increasing, the contents are becoming highly technical and complicated and the resources available for handling domestic applications are decreasing due to rapid increase of the PCT applications as mentioned above, the JPO was the first in the world to take drastic measures including outsourcing of prior art searches and introducing the paperless system utilizing the information system. As a result, a JPO examiner conducts two to three times more examinations than a patent examiner in the EPO or the USPTO, and the JPO has achieved execution of duties in the comparable level to those of the EPO and the USPTO with fewer examiners. Even though the JPO has demonstrated higher efficiency, the application waiting for examinations (hereinafter referred to as "congestion") is on an increase as indicated in the Intellectual Property Promotion Program in this age when the level of the examinations is expected to be even higher. Now that the effect of the advanced measures in international comparison such as outsourcing and paperless plan has matured, it is necessary to take further measures to promote structural reform of the patent application and examination request as indicated in the Intellectual Property Promotion Program.

**[Comparison of Performance of Examiners : Filed decisions and International Preliminary Examination in CY2001 (FY2001 for the United States)]**



(Source) Annual Report by the JPO, USPTO and EPO

(Remark) For the EPO : the number of examiners in the substantial examination division (DG2)

## (ii) Demand for Sustenance of Quality in Examinations

As the value of patents is becoming higher as mentioned in the foregoing item, it is desirable that the examinations of applications for patents pertaining to techniques with a higher economic value or techniques that will significantly affect the business management are conducted stably and precisely to avoid easy reversal of decision by subsequent trials for invalidation or law suits because the impact on the patent holders and relevant persons would be considerable when invalidation of the rights or changes in the range of rights occur upon conducting business or execution of the rights. It is also demanded by the industries in and out of Japan to conduct examinations with priority on the requirements for novelty and inventive steps in order to promote development of innovative technologies, regulate excessive application competitions and avoid obstructing fair execution or management of third parties.

For instance, the "Current Conditions of Intellectual Property at Manufacturers and their Efforts, etc." (Manufacturing Industry Bureau, Ministry of Economy, Trade and Industry, October 2001) that compiled the current conditions of intellectual property that the Japanese manufacturers are facing and the awareness at the enterprises states that while the industries appreciate the shorter examination period these days, "several industries and enterprises expressed the opinion that since the JPO started to accelerate the examinations, (omitted) those that could not have been granted a patent are granted a patent in some fields", lists the issues caused by such situation and demand stricter requirement for novelty.

The "Study Report on Patents and Competition Policy in New Fields" (Fair Trade Commission, June 2002) expresses strong demands for precise examinations stating that "under the pro-patent policy to protect rights 'strongly and broadly', examinations with higher quality is necessary on novelty, inventive steps and description requirements (range of a claim) at patent application examinations".

In regard to the decision of the Intellectual Property Promotion Program, the learned members of the Intellectual Property Promotion Headquarters expressed the opinion one after another that the examinations system should be restructured, the precision of examinations should be sustained and stable rights should be granted earlier.

The Patent Office in response to the strong demand for quality has amended the examination standards at opportune time (described later), promoted appropriate examinations on the requirements on novelty, inventive steps, description requirements and other patent requirements, and as a result the rate of decisions for refusal has improved and the numbers of cases for oppositions and successful oppositions have decreased (described later).

[Patent Examination by Calendar Year]

Year	Number of first action	Number of decisions to grant patents	Number of decisions of refusal	Number of applications withdrawn or abandoned	Number of final decisions	Rate of decision of grant	Rate of decision of refusal
1999	203,117	135,412	73,331	3,603	212,346	63.8%	36.2%
2000	191,131	116,279	75,347	4,034	195,660	59.4%	40.6%
2001	196,288	107,581	82,540	4,083	194,204	55.4%	44.6%
2002	215,288	109,720	99,383	4,396	213,499	51.4%	48.6%

(Note 1) Number of final decisions = Number of decisions to grant patents + Number of decisions of refusal + Number of applications withdrawn or abandoned

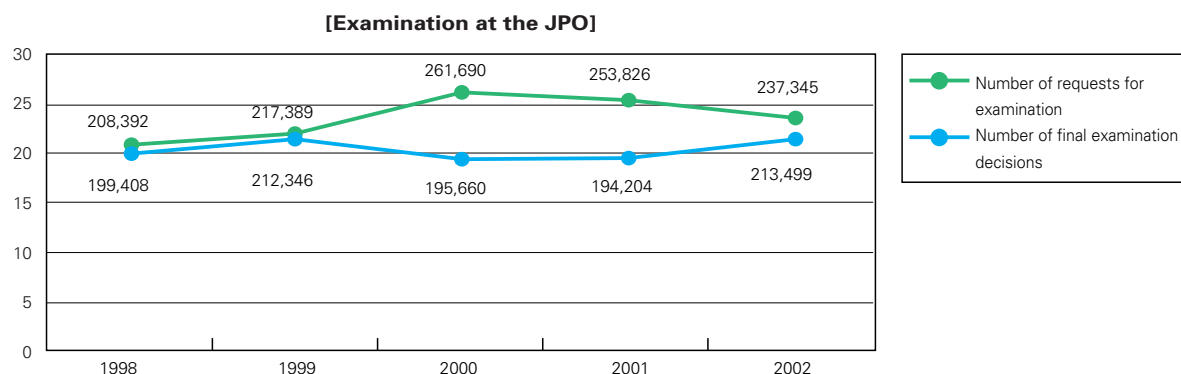
(Note 2) Rate of decision of grant = Number of decisions to grant patents / Number of final decisions

(Note 3) Rate of decision of refusal =(Number of decisions of refusal + Number of applications withdrawn or abandoned) / Rate of decision of grant

### (iii) Variegated Demands for Examination Time

In addition to the demand to reduce congestions that leads to delay in starting examinations as described above, others demand establishment of diversified system that can meet the needs of the users so that the contents of the rights can be defined and the patents may be granted at an opportune time with due consideration to the commercialization trend and technical trend and the timing for commercialization and standardization to prevent easy imitation by others. More specifically, while early granting of a patent is demanded by the commercialization techniques in the technical fields in which technical innovation and model changes occur frequently and by small and medium enterprises and venture companies with commercialization techniques that need early recovery of the development investment, it is necessary to define the range of patents after making sure of the technical trend and industrial trend for key inventions that takes many years before standardization or utilization and inventions of pharmaceuticals that can only be commercialized after clinical tests and subsequent approval examinations.

While such variegated demands for the timing of granting of patents by the users promote exploitation of the current accelerated examination system in the Intellectual Property Promotion Program, there is an opinion that "in order to allow granting of a patent at an opportune time for applications concerning international standards or applications that will take time for execution, review should be made on alleviation of the limitation on the separation period (e.g. allow the opportunity for separation even after the decision to grant patent) and introduction of the system to delay the examination start time to a certain period as requested by the applicants, and conclusion should be reached by the end of FY2003".



(Source) The number of final examination decisions made at the JPO is for Patent and Utility model applications

### (3) "Patent Strategic Plan" for Timely and High Quality Patent Examinations

The "Intellectual Property Policy Outline" compiled in July 2002 is a fundamental concept of the government to realize the "intellectual property based nation" through establishment of the intellectual creation cycle.

Needless to say realization of timely and high quality patent examinations is extremely important in establishing the intellectual creation cycle, and it is stated in the Intellectual Property Policy Outline that "upon examinations of patents, etc., it is truly essential to define high quality and stable rights to meet the needs of the users and improve the examination period to the international level".

In addition to the increase in the examination requests as the patent applications increase, it is likely that temporary examination requests will explosively increase due to a shorter examination request period. As a result, congestion is worsening and it is likely that the waiting period for the start of examinations will become longer. Under these circumstances, the Intellectual Property Policy Outline first declares that "to contrive a project for the period from FY 2002 to FY2005 when the number of examination requests is expected to increase rapidly due to a shorter examination request period" and that "to promote a program that will prevent longer examination period while maintaining the precision of examinations through executions of the program, etc. after FY2002". It also demands for the period after FY2006 that "to aim for timely and high quality examinations in the world best level, strive for further efficiency and establish a better examination system".

In order to achieve the targets stipulated in the Intellectual Property Policy Outline, the JPO contrived the "Patent Strategic Plan" in July 2003. This plan describes the current conditions and future issues on the patent applications and examination requests in Japan and lists specific issues and effects for establishment of a new system and structure that are necessary in achievement of timely and high quality examinations and make the patent system in Japan contribute to the reinforcement of the industrial competitiveness. In order to realize timely and high quality examinations at the JPO, the number of cases of the examinations and international searches, etc. as stipulated in the treaties that the JPO can handle (number of examinable cases) must be more than the number of cases in which examinations and international searches, etc. are requested to the JPO (number of examination requests). For this reason, it is necessary to restructure the system of the JPO by increasing the number of examiners, exploiting examiners' assistants, increasing outsourcing for prior art searches, etc. in order to increase the number of examinable cases and to obtain supports from enterprises for the structural reform of the patent application and examination request. Specifically, it has been pointed out that cooperation of the system users is important so that the patent system which is a public foundation to support the industrial competitiveness of Japan can be operated as efficiently as possible through amendment of the patent related fees and introduction of the examination request fee refund system that have recently be executed.

Furthermore, the patent system must execute high quality examinations as the foundation for the intellectual creation cycle and answer the broad range of requests from enterprises and universities, etc. for their strategic patent acquisitions. Therefore, it was declared that it is necessary to make timely review on the desirable protection of inventions in the state-of-art fields in accordance with the trend of research and development and at the same time to take measures to promote international harmonization in the patent system and its operations.

Concerning the outlook of the examination waiting period after execution of those comprehensive measures, the Plan mentioned that the amendment of the patent related fees to be executed upon amendment of the Patent Law, etc. in 2003 has achieved expected effect, the necessary legal restructuring will continue, and if the similar structural reform of the patent application and examination request and other efforts to be conducted within FY2003 is to continue, the long-term balance between the examination requirements and examinable applications will be achieved and it is likely to achieve the targets of prevention of long waiting period mentioned in the Intellectual Property Policy Outline.

The Intellectual Property Policy Outline also proposed that in order to achieve the future targets of "aim for timely and high quality patent examinations in the world highest level, strive for further efficiency and endeavor for restructuring of the examination system", it is necessary to organize the issues to be reviewed as the special measures to handle the rapid increase of congestion and continue further review in the future.

The JPO plans to endeavor for prevention of longer examination waiting period and continue to make timely review the Plan as needed with due consideration to the trend of the usage of the system by the applicants and the restructuring progress of the examination system through steady execution of the Patent Strategic Plan.



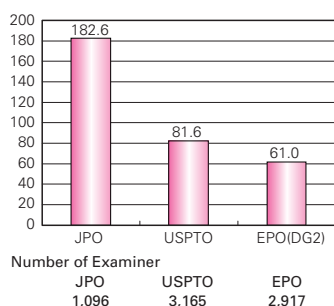
## Current conditions and issues of patent examinations

- Patent applications increased at the average rate of 2.9% in the 5 year period from 1997 to 2001. The number of examination requests increased at a higher rate. On the other hand, the patent granting rate decreased and refusal rate increased.
- While higher efficiency is maintained than in Europe or the United States, the examination commencing capability cannot catch up with the increase of the number of cases requiring examinations, PCT applications, etc., and the “imbalance between the number of examination requests and the number of examinable cases” constantly exists (imbalance between “in” and “out”).
- Due to a shorter examination request period, “rapid increase of backlog caused by the transitional increase of examination requests” (generation of a bump) is expected.
- In addition to the imbalance between “in” and “out” and the affect of the bump, it is likely that backlog will further increase and the examination waiting period will become longer.



“Solution of the imbalance between the number of examination request cases and the number of examinable cases” and “special measures to solve backlog” are urgent matters.

Comparison of Performance of Examiners :  
Filed decisions and International Preliminary  
Examination in CY2001 (FY2001 for the United States)



Changes of the numbers of examination request cases  
and primary examination cases

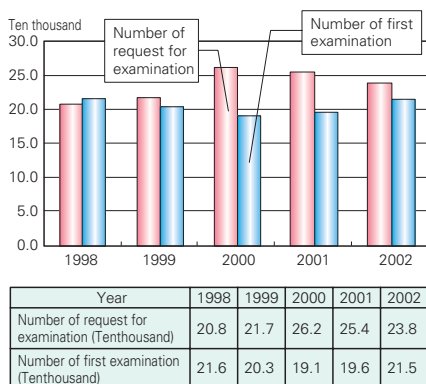
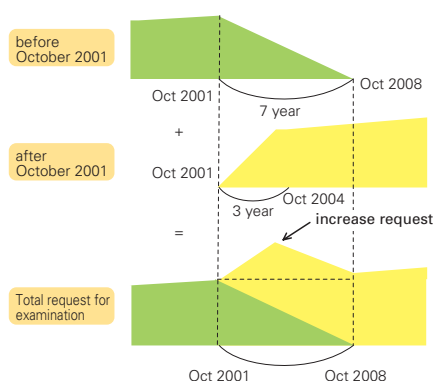


Image of the generation of a bump by coexistence of the  
old and new examination request systems



## Restructuring of the system and organization to reinforce industrial competitiveness

### For long-term balance between the number of examination request cases and number of examinable cases

#### 1.To increase the number of examinable cases

- Increase of patent examiners (34 persons in FY2003)
- Increase of outsourcing for prior art searches (around 160,000 cases in FY2003)
- Promotion of new admission of appointed search agencies
- Exploitation of examiners' assistants (employment of former examiners, post doctors, etc. as part time officials: plans to employ 79 persons in FY2003)
  - Realization of rational and efficient examinations
  - Further efficiency in examinations
- Review on the standards
  - Desirable examinations (PCT related applications and separate applications)
  - Effective exploitation of existing examination results, etc.
    - Review to achieve international harmonization in the examination standards concerning the limitation on corrections and study for a new measure
  - Amendment of standards concerning the limitation on corrections
  - Further international accord on the correction system and deferment of starting time
    - Expectations on the patent attorneys for preparations of specifications and application procedure
  - Optimization of foreign nations related application specifications
  - Clear indication of the attorney in charge

#### 2.Restricturing of the examination request system

- (1) Support for strategic acquisition and management at enterprises
  - Provision of the “Intellectual Property Acquisition and Management Guideline”
  - Announcement of the guideline for evaluation of strategic effect
- (2) Correction of imbalance in allotment of cost among applicants by amendment of the patent related fees and optimization of the examination requests
  - Reduction of the total expense per patent by reducing the application handling fee and patent fee and increasing the examination request handling fee
  - Extension of support to small and medium enterprises through reduction of the fee, etc.
- (3) Promotion of the review for applications to which examination request has already been made by introducing the refund of the examination request fee
  - Introduction of the system in which part of the examination request fee is refunded as requested by the payer when the subject person has withdrawn the application during the examination waiting period
- (4) Review on desirable education for prior art search agencies
  - Supplying the data in store (excluding those with regulations by copyrights) to civilian agencies at actual cost in order to improve the environment for prior art searches by civilians (establishment of an environment to support reinforcement of the prior art searches)

(Items with a symbol) ● are on-going programs and those with a symbol ○ are those that need future reviews



## Support for strategic patent acquisitions

### 1. Execution of patent examinations that support strategic patent acquisition

- (1) Promotion of technology renovation in the state-of-art technology fields
  - Protection of regenerative medicine related inventions (amendment of the examination standards)
  - Clear description of the examination standard for the state-of-art technology fields
  - Review of the examination standards concerning the limitation for corrections
- (2) Ensuring accurate patent examinations
  - Execution of discussions for important cases (restructuring the JPO to enable more appropriate decisions)
  - Further reinforcement of collaboration between patent examiners and appeal examiners (enhancement of predictability of patent acquisition)
  - Fulfillment of studies for patent examiners and appeal examiners (reinforcement of studies on state-of-art technology fields, etc.)
- (3) Smooth communication with the system users
  - Fulfillment of interview examinations, traveling examinations, circuit trials and roles expected of patent attorneys
  - Announcement of the examination results (to announce the examination results per technical unit [data on the number of examination requests, number of primary examination cases, examination waiting period, number of patent granting, number of refusals, patent assessment rate, etc.] )
  - Dispatch of patent examiners and appeal examiners as instructors to universities, etc.

### 2. Diversified protections to meet the business strategies

- (1) ● Propagation of accelerated examination system (number of applications in 2002: 4,097)
- (2) ● Enlargement of the usage of the system for linked examinations for related applications and support to the patent portfolio strategy
- (3) ○ Review on the utility model system (expansion of the subjects for protection, extension of the rights period, etc.)

### 3. Smoother acquisition of international rights

- (1) ● Promotion of international harmonization for the patent system and examination standards (review on the requirement for unity of invention and clear explanation of the required description)
- (2) ● Promotion of international cooperation for examinations (trial for mutual exploitation of the results of priority searches and results of examinations)
- (3) ○ Early transmission of examination results for foreign nation related applications

(Items with a symbol) ● are on-going programs and those with a symbol ○ are those that need future reviews

## Special measures to solve backlog

It is necessary to take special measures to solve backlog in addition to the medium-term restructuring scheme in order to achieve the timely and high quality examinations in the world highest level after FY2006.



It is particularly necessary to review for increase of examinable cases by employing outside human resources with a limited term and other measures.

## **(4) Establishment of Timely "Patent Examination Standards" to Meet the Technological Renovation**

The JPO has conducted timely reviews on the examination standards to maintain an appropriate level of patent protection so that inventors of fundamental inventions, which are difficult to create and have high inventive steps, may earn more profit. The JPO has also prepared examination standards and collections of examination examples pertinent to high technologies because it is necessary to identify what subjects can be protected in the said technological fields as the technological renovation has been progressing rapidly. The JPO has further kept an effort on international harmonization of patent systems and examination standards by taking leadership in the discussions on the Substantial Patent Law Treaty (SPLT) negotiations at the WIPO and the amendment work of the Patent Cooperation Treaty (PCT) Guideline as well as by amending the system and the examination standards on the basis of the said trend in order to enable smoother international acquisition of patent rights with the purpose of reinforcing international competitiveness of Japan, as the globalization of the business activities has been progressing.

### **(i) Clarification on How to Deal with Technologies Medical Treatment to Regenerative, etc.**

As the technologies medical treatment to regenerative and gene therapy have been drastically progressing in recent years and new technologies such as a method of culturing skin tissue and a method of processing cells, etc. have been created, the Intellectual Property Policy Outline stipulated in July 2002 that "it is necessary to clarify how to handle with the technologies medical treatment to regenerative and gene therapy under the Patent Law". In compliance with this stipulation, the Medical Treatment Working Group was established under the Patent System Subcommittee, Intellectual Property Policy Committee, Industrial Structure Council in October 2002. The Group had discussed and compiled it into a report named "Handling of Medical Practice Related Activities in the Patent Law" that proposed "it is appropriate to promptly revise the current patent examination standards to explicitly demonstrate that the 'methods of producing pharmaceuticals or medical equipment (e.g. cultured skin sheets and artificial bones) with materials derived from human bodies' are subject matter for a patent".

The JPO amended the examination standards for "methods for surgeries, treatments or diagnoses of humans," corresponding to the above report, and announced the draft of the examination standards in July 2003.

### **(ii) Preparation and Publication of Examples of Inventions Related to Protein Three-Dimensional Structure**

Genetic analyses of humans have dramatically progressed through international projects in recent years, and development of pharmaceuticals with a new approach (pharmacogenomics) is advancing wherein the data processing technology is adopted to three-dimensional structure data of a protein created based on the genetic information obtained as the result of post-genome research. The way of judgement in the examinations have not been clearly provided for the inventions related to new technologies that belong to the border range between biotechnology and computer software technology that had been widely apart from each other in the past. Japan took leadership in the comparative study on the patentability of the inventions related to protein three-dimensional structure in the patent examinations at the Trilateral Technical Meeting in May 2002, and the result was announced at the Meeting of the Commissioners of the Trilateral Patent Offices in November 2002. It was confirmed by this Trilateral report that the three Patent Offices virtually reached the same opinion as a whole on patentable subject matter, industrial applicability, enablement requirement, support requirement, clarity, novelty and inventive step, especially that "the protein three-dimensional structure itself is not considered as an 'invention'".

The "Intellectual Property Policy Outline" and the "Biotechnology Strategy Outline" (December 2002) presented by the BT Strategy Council proposed that collections of examination examples pertaining to protein three-dimensional structure be prepared and published, and that the examination standards must consider what should be done for the inventions to provide with appropriate protection for the results of the

post-genome researches as patent rights". On the basis of this result of the comparative study, the JPO had prepared and published the collection of examination examples indicating specific judgment standards for the patentability of the inventions pertaining to protein three-dimensional structure in March 2003.

### (iii) Amendment of the Examination Standards for More Precise Patent Granting

The JPO is undertaking reviews of the examination standards regarding limitation of amendments, description requirement for a description and claims and requirement for unity of invention in view of more precise patent protection and international harmonization, while taking into consideration of discussion in the Patent System Subcommittee. It plans to announce the revised examination standards within 2003.

#### a. Review on limitation of amendments

As there is a case where a complete application may not be prepared at the filing date under the First-to-File System, it is allowed to make amendments to the application within a certain range after filing. It has been, however, pointed out that if the requirement for amendments is too strict, it is likely that the scope of patents for fundamental inventions would excessively be narrowed. In response to this indication, the JPO is reviewing on the examination standards in the following directions.

- While the current examination standards allow amendments for "a matter that is directly and unambiguously derivable from a description, claims and drawings (hereinafter 'description etc.') in the initial application", the amendment shall be made within "a matter that is inherently described in a description, etc. in the initial application".
- It shall be clarified that an amendment may be allowed when the applicant explains sufficiently that the subject matter of the amendment is within the scope of the matters described in a description, etc. at a filing date.

#### b. Description requirement for a description and claims

While description of "claims" is allowed in a flexible manner to meet diversification of technologies in recent years, which contributes to ensure "broad patents", it has been indicated that it may be causing a problem that the scope of a patent would be larger than the intended one of the applicant. In response to this apprehension, the JPO is reviewing on the examination standards in the following directions.

- In reference to the provisions of the PCT, etc., the JPO shall amend the examination standards regarding the Patent Law Section 36-6-1 to ensure substantially correspondent relationship between claims and a "detailed explanation of the invention" in a description.
- Upon amendment of the examination standards, the JPO shall pay due consideration to avoid narrowing a scope of patents that in fact should be granted as a "broader one" through formal implementation of the standards.

#### c. Unity of invention

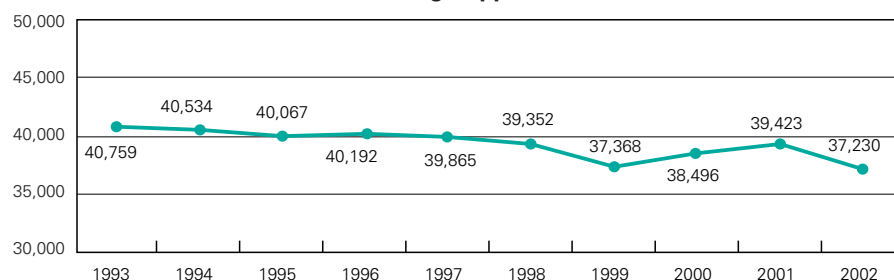
It has been indicated that since the provision on unity of invention in the current Patent Law and the examination standards is different from those of the PCT, etc., applicants sometimes need to prepare another application that conforms with the requirement for unity of invention in the PCT, etc. when they file a patent application overseas. Since the way of judging unity of invention is complicated, which creates an extra burden for an applicant. To respond to those concerns, the JPO has decided to amend the Patent Law Section 37 that stipulates the requirement for unity of invention and to amend the examination standards with reference to the provisions of the PCT, etc..

## 2. Design Examinations

### (1) Trend of Design Applications

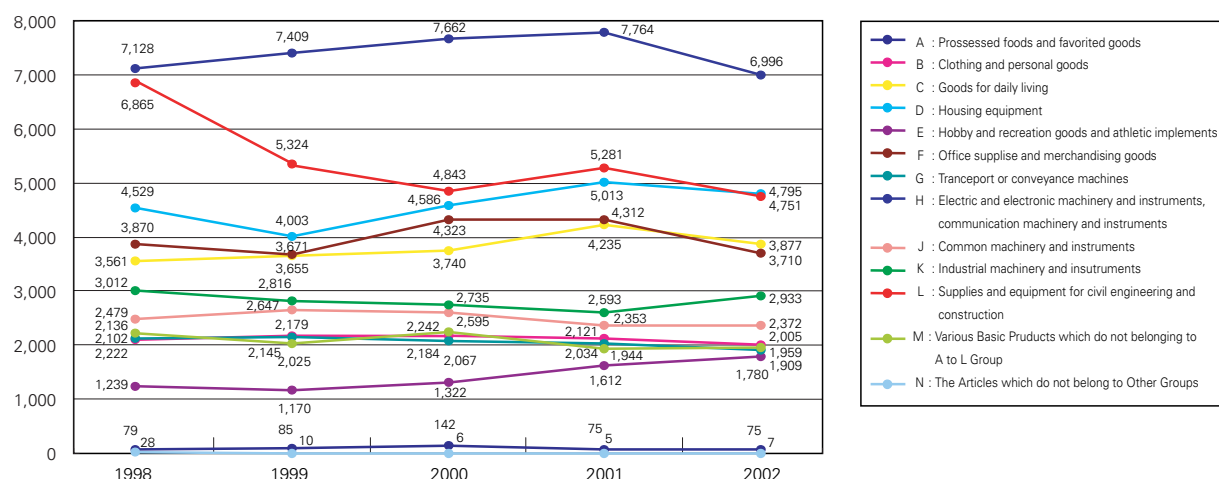
The number of design applications remains around a little less than 40,000 a year in recent years. The number of applications in 2002 was 37,230 (5.6% less compared to the previous year), and in the year-to-year base, the trend has changed to slight decrease from the continued trend of slight increase since the start of the receipts of applications under the amended Design Law in 1998 (1999~).

[Design Applications]



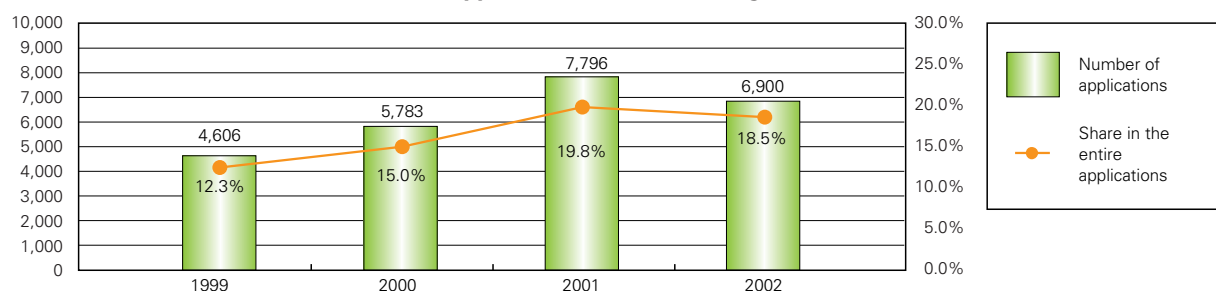
Among the proportion of the design applications in 2002, that of the Japanese Design Classification H Group (Electric and electronic machinery and instruments, communication machinery and instruments), L Group (Supplies and equipment for civil engineering and construction) and D Group (Housing equipment) remain high, but the number of applications itself is on a decline. Although the entire applications are on the decline, applications for the K Group (Industrial machinery and insutruments) and E Group (Hobby and recreation goods and athletic implements) are on the increase. Specifically, significant growth in applications is apparent in sharp edged tools and machine tools in the Design Classification K1 and the entertainment equipment in the Design Classification E2, and increase is remarkable in the applications for partial design.

[Design Applications by Area of Articles]



The number of applications for partial design<sup>5</sup> and related design<sup>6</sup> have been increasing as a whole since the start of receipts of the applications in 1999. While the number of applications for partial design turned to decline in 2002 compared to the previous year, it remains at a high level that exceeds the figure in 2000. When the share of applications for partial design in the entire applications in 2002 is compared per article, the E Group (Hobby and recreation goods and athletic implements) is the largest at around 29%, and in the related designs, the L Group (Supplies and equipment for civil engineering and construction) is the largest at around 25%.

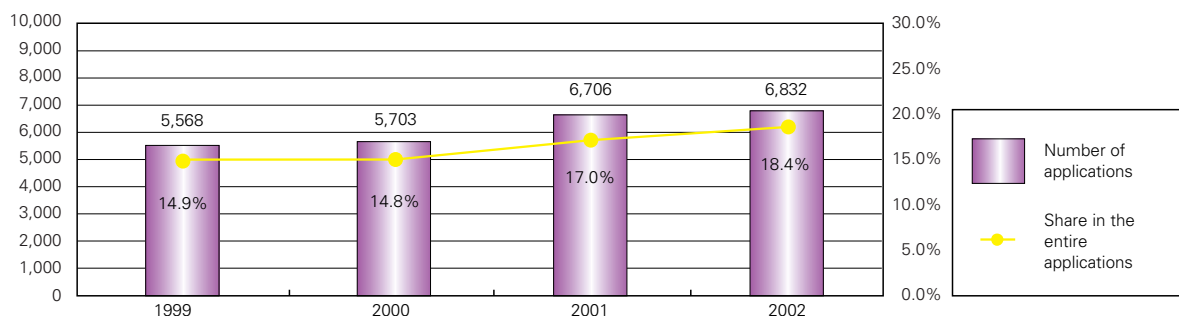
[Number and Share of Applications for Partial Design]



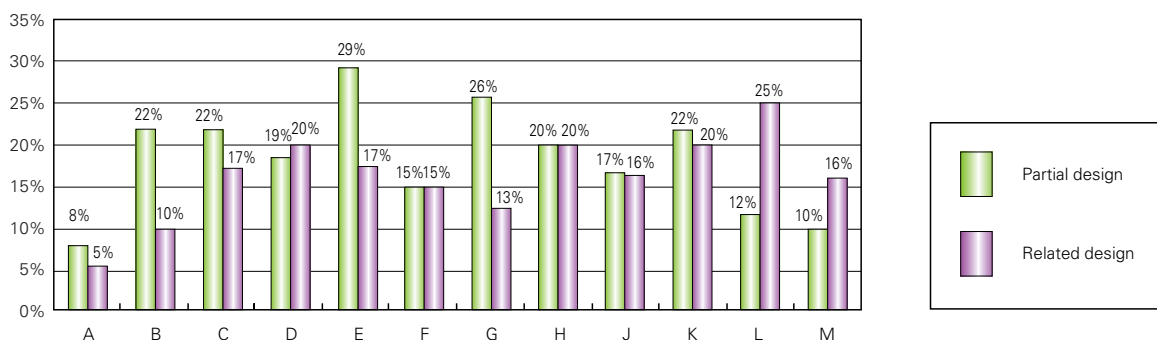
<sup>5</sup> Design with "a part of article". Since the amendment of the Design Law in 1998, designs containing a part that cannot be physically separated from the entire article may be registered.

<sup>6</sup> Variations of designs that are similar to a selected design (main design) among the group of designs in the same application. The related design system enables execution of the rights independently for designs similar to the main design (related design) only when it is filed by the same person on the same day and it was introduced at the amendment of the Design Law in 1998.

[Number and Share of Applications for Related Design]



[Share of Applications for Partial Design and Related Design in the Entire Applications Filed in 2001(by area of articles)]

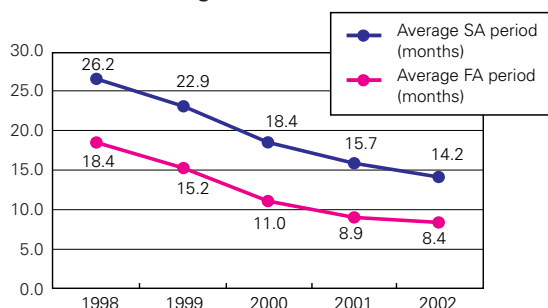


## (2) Examination Process

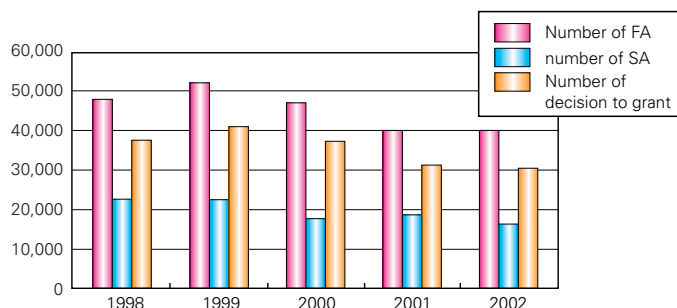
In the design examinations, the examination period has steadily been shortened by the attempts for higher efficiency of examinations through introduction of the twice-a-year cycle examinations<sup>7</sup> and exploitation of part-time searchers (the average first action (FA) period for 2002 was 8.4 months and the second action (SA) period was 14.2 months). The end of the FY2002 was the expiration time for the DR1 Project<sup>8</sup> which targeted to shorten the period from application to registration for all faultless applications to less than one year, and the JPO achieved this target of design registration within 1 year from the applications for over 90% of the cases as a result of the efforts for the relevant policies that lasted over 10 years.

At present when the number of unattended examinations has considerably decreased in accordance with the execution of the DR1 Project, the number of examinations has shrunk to the almost equivalent number of applications, and the balance between the applications and examinations has been achieved.

[Average FA and SA Period]



[Number of FA, SA and Decision to Grant]



(Note) FA period : Period from the filing date to the date when the first notice of examination is dispatched

SA period : Period from the filing date to the dispatch of the final decision following the first action

<sup>7</sup>In examination of design application, the multi-affair examination (batch examination) system which summarizes the application about the design of a certain goods field (example : motorcycle) by fixed period, and examines it is adopted. Based on this system, it calls it year 2-cycle examination to examine the same field twice in one year.

<sup>8</sup>The abbreviation for a registration-of-a-design one-year-izing plan. It will decide upon a plan in November 1989, and is an execution start from following 2 fiscal years. A plan to make the period from application to registration into less than one year by the end of the 2002 fiscal year at the time of planned decision about all the application affairs that do not have flaws, such as a reason for refusal, in the examination period which had taken in two years or more from the application to the primary examination end.

### (3) Accelerated Examination

For design applications that satisfy specific requirements such as applications licensing related that require urgency for granting of a design right, the examiners are expected to start examinations immediately and proceed with the examinations to complete the processing without delay.

The number of accelerated examination requests in 2002 was 54, and it was 28 cases (around 52%) that were selected as subjects for accelerated examination. For the cases selected as the subject for the accelerated examination, notification of the result of the primary examination is given within an average of 2 months from the requests for the accelerated examination.

#### -Reference-

(Subjects for accelerated examination)

The design applications that satisfy the following condition (i) or (ii) are the subjects for accelerated examinations.

#### (i) Application Related Licensing with Urgency for Granting of a Design Right

Design application for a design which the applicants themselves or their licensees of the filed design are working or have prepared for working to a considerable degree, which apply to the following and which have urgency for granting of a design right .

- ☐ It is apparent that a third party is working or has prepared for working to a considerable degree the design that is the same or similar to the filed design without approval
- ☐ The applicant has been warned on working (working preparation) of the filed design from a third party
- ☐ The applicant has been requested permission for working of the filed design from a third party

#### (ii) Application to Foreign Countries

Design applications which have been filed to a patent office or government agency other than the JPO.

### (4) Amendment of Design Classification

The design classification is the index for the systematic management of the design applications and together with the D Term<sup>9</sup> it is an indispensable, important key for efficient retrievals from a huge volume of examination materials for the design examinations. These are widely exploited as the retrieval keys for the design right searches before filing applications using the design gazettes and the IPDL and management of applications and the design rights by the design system users.

The current design classification system was established in 1983 and partially amended in 1989, but over ten years have passed since the last amendment. The JPO is currently conducting amendments on the design classification system and the D Term in order to meet the significant changes in the mainstream of the industrial product market and products and in the design trend during this period as well as to conduct design examinations that precisely correspond to the partial designs, increased items for designs of set of articles and raising the level of the difficulty in creation introduced at the amendment of the Design Law in 1998, and plans to conduct invitations for public comments in the amended design classification plan and start to re-classify in accordance with the amended design classification from January 2005.

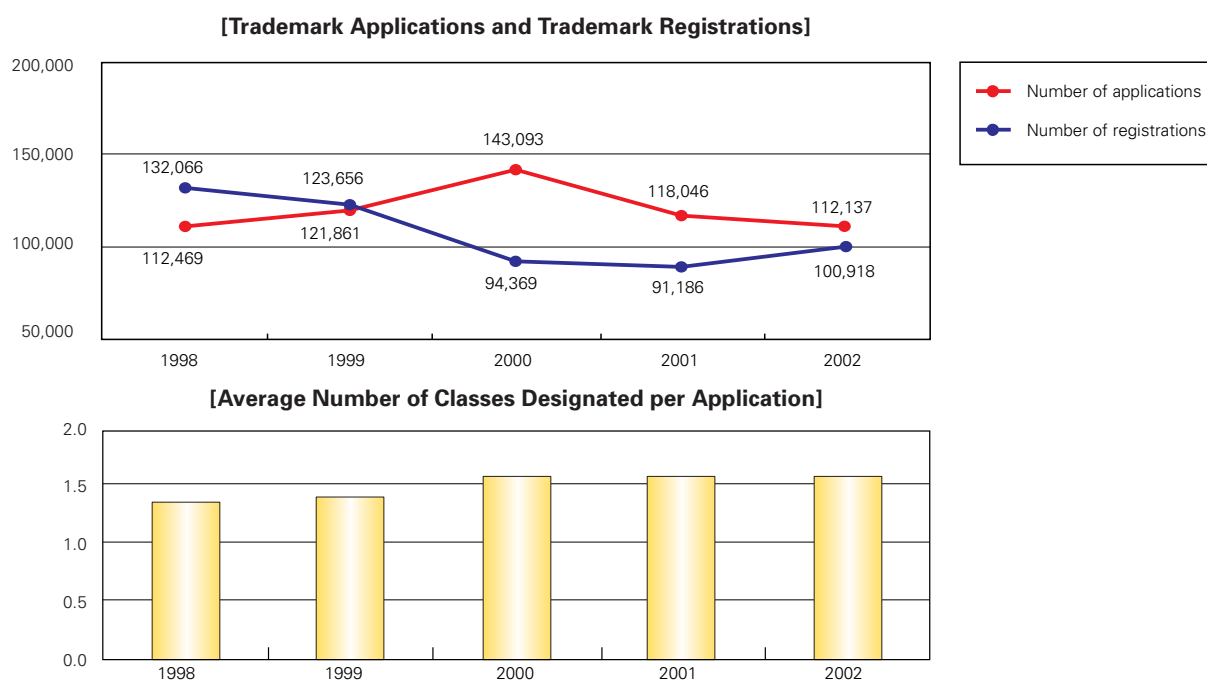
<sup>9</sup>Abbreviation for design facet term classification. Computer searching keys which divide design classifications and categorizations from a different viewpoint than the division used by design classification employed for enhancement of computer searches. D-term takes into account features of each design from multiple viewpoints and categorizes materials for examination from a viewpoint different from design classification

### 3. Trademark Examinations

#### (1) Trend of Trademark Applications

The number of trademark applications (excluding the international trademark applications designating Japan) decreased for two consecutive years after 2000 when the maximum number had been recorded in recent years, and the number of applications in 2002 was around 112,000, a 5% decrease from the previous year. Since the number of applications in 2001 had decreased by 17% from the preceding year, the decrease rate for 2002 was smaller.

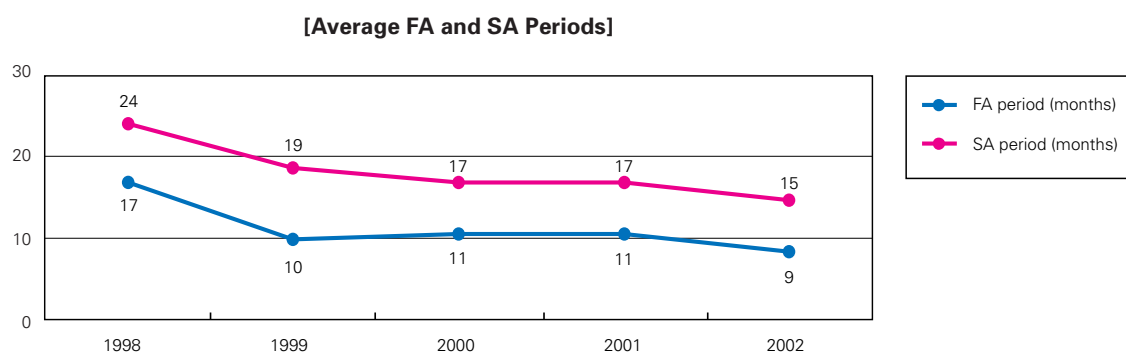
The number of registrations had shown a gradual decreasing trend as the classes increased after introduction of the multi-class application system in April 1997, but the number in 2002 was around 101,000 showing an increase of about 10.7% compared to the preceding year.



#### (2) Examination Process

##### (i) Examination Processing Period

The JPO has been endeavoring to steadily reduce the trademark examination processing period through promoting computerization and utilizing private organizations by outsourcing searches. Specifically, the FA period at the end of 2002 was around 9 months, which is 2 months shorter than that in the end of 2001.



(Note) FA period : Period from the filing date to the date when the first notice of examination is dispatched  
SA period : Period from the filing date to the dispatch of the final decision following the first action



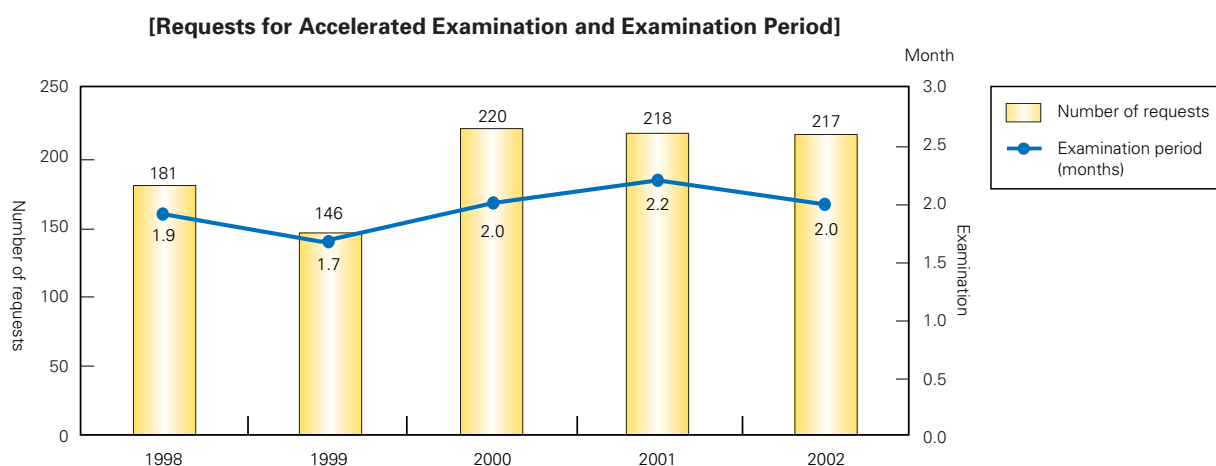
## (ii) Accelerated Examination

In response to the needs for accelerated examination of applications which are involved in counterfeit and infringement cases and along with the globalization of economic activities, the JPO implements the accelerated examination system in which the examination process is accelerated when there is an urgent need for registering a trademark because the applicant has already started to use or has made preparation for using the trademark in the application and a third party uses the trademark without the applicant's consent.

### -Reference-

Accelerated examination shall apply to trademark applications that satisfy the following two requirements.

- a. The applicant himself/herself or licensee has already started to use the trademark in the application or made preparation for using it to a significant degree for the designated goods or services (or some goods or services thereof)
- b. There is an urgent need for registering a trademark because
  - ☐ It is obvious that a third party uses or has made preparation to a significant degree for using, without the consent of the applicant or licensee, the trademark in the application or a trademark that is similar to it, in respect of the designated goods or services for which the applicant or licensee uses or has made preparation for using the trademark or goods or services similar to those;
  - ☐ The applicant has received a warning from a third party on the use of the trademark in the application;
  - ☐ The applicant has been requested to license the trademark in the application by a third party;
  - ☐ Trademark applications have also been filed with patent offices or governmental agencies other than the JPO;
  - ☐ Other cases where urgency is recognized.



(Note) Examination period : Period from the date of request to the first notice of examination results was dispatched

## Chapter 2

# Appeals and Trials

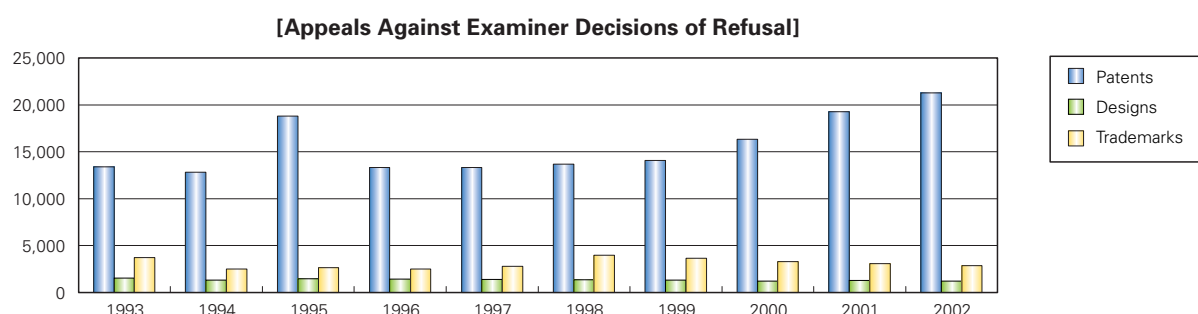
## 1. Current Conditions of Trials

### (1) Trend of Demands for Trials

The trial system has two functions, i.e. the function as the higher court for examinations and the other for settlement of disputes concerning the effectiveness of patents, etc.. The trend of demands for trials that have the former as the major function, such as appeals against examiner's decision of refusal before the granting of the rights, is more deeply related to the trend of trials, and the trend of demands for decision that have the latter as the major function, such as the trials for invalidation after granting of the rights, is more deeply related to the trend of infringement cases and other disputes concerning the industrial property.

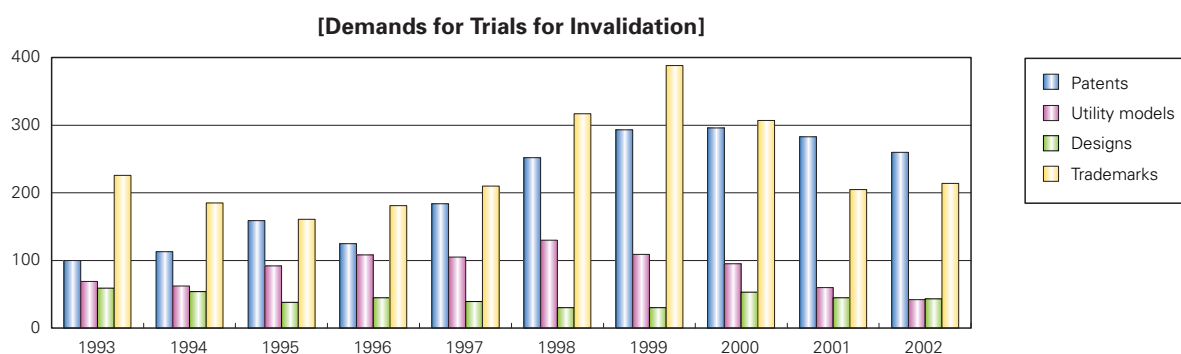
#### (i) Appeal against Examiner's Decision of Refusals

The number of appeals against examiner's decision of refusal has been leveling out in the past several years for the designs and slightly decreasing for trademarks, but the appeals for patents show a rapid increase. This is likely to be caused by the increase of refusals and refusal decision rate at the patent examinations.



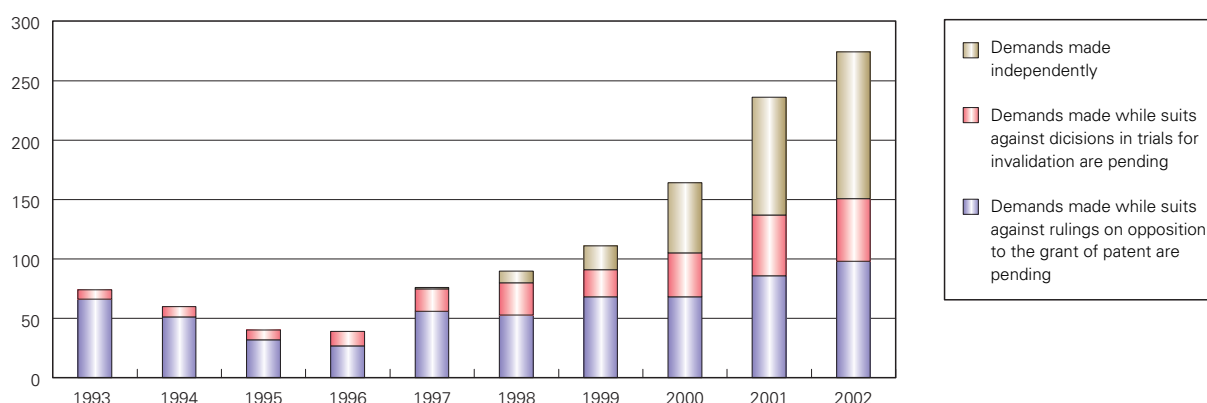
#### (ii) Trials for Invalidation and Trials for Correction

The number of trials for invalidation for patents, utility models, designs and trademarks had been increasing since the 1990s reflecting the increase of infringement suits and other disputes concerning industrial property, but it has been decreasing in the past several years.



The number of demands for correction trials for patent has increased rapidly in the past several years, but most of the increase was for the cases demanded during the suits against trial decisions, indicating the situation where demands for trials for correction are constantly occurring at the appeal stage.

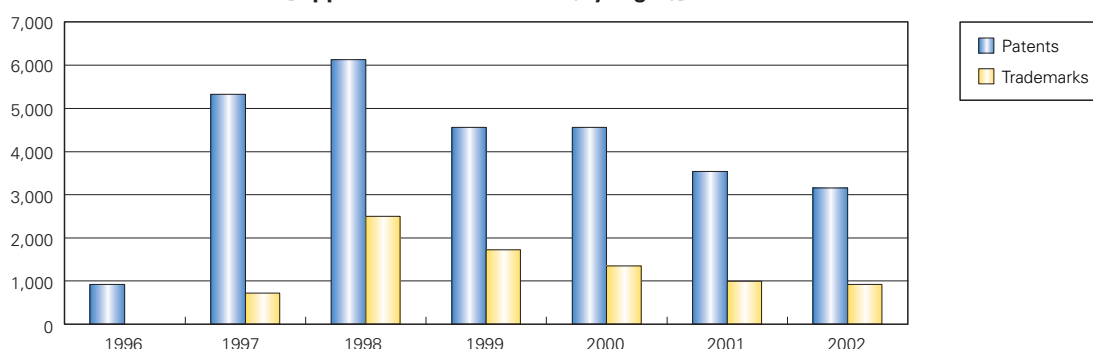
[Demands for Trials for Correction (Patents/Utility models)]



### (iii) Oppositions to Grant of Rights

The number of oppositions to grant of rights peaked out in 1998 and is on the decline. This trend may be said to show that appropriate examinations for stable granting of rights without subsequent invalidation are in progress.

[Oppositions to the Grant (by Right)]



(Note) The opposition system was revised to the post-grant opposition in January 1996 for patents and April 1997 for trademarks. Due to the publication of Gazettes and the time limit for filing oppositions. Oppositions started to be filed on a full-fledged scale in the current system after the end of the year of revision and proceedings began in the year following the year revision.

## (2) Improvement of Trial Proceeding (Stricter Trial Proceeding)

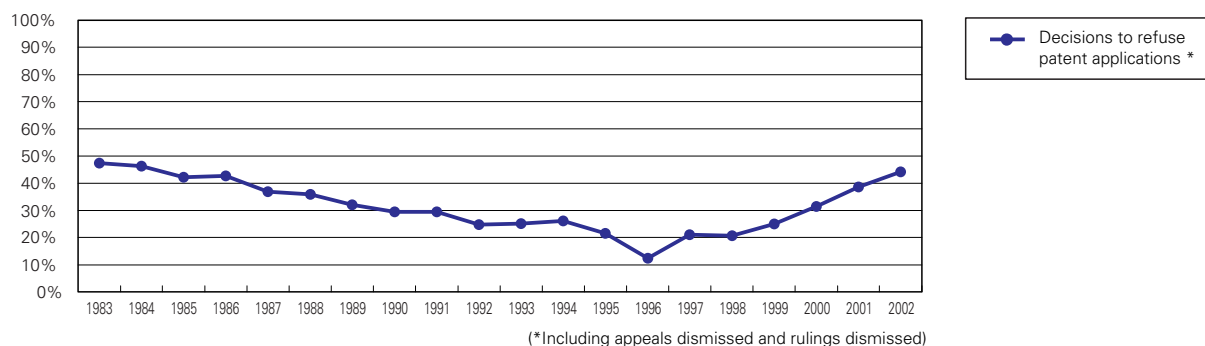
The Pro-patent policy aims to provide strong protection to patents, but it is necessary in appropriate execution of this policy to establish an operation system that allows granting of a patent to inventions with patentability and ensures prevention of granting of a patent to inventions lacking patentability. Review on the results of patent granting decisions indicates the recent trend of more exact (strict) decisions.

The breakdown of the decisions for appeals against examiner's decision of refusal shows that the ratio of the dismissals more than doubled from around 20% in 1997 to around 45% in 2002. This fact indicates that examinations and decisions are more exact and strict to allow granting of a patent to inventions with patentability and prevent granting of a patent to inventions lacking patentability and appropriate protection is provided to inventions that will contribute to development of the industry. The results of suits against trial decisions in the oppositions to grant of a patent show that the invalidation ratio of around 24% in 1999 decreased to around 19% in 2002, which indicates that the court is supporting the more exact decisions.

Stricter requirements for granting a patent such as inventive steps have been demanded by the industries and the recent trend of the decisions may be said to respond to such demand.

As the increase of the disapprovals of demands<sup>10</sup> in the appeals against examiner's decision to refusal indicates an increase of the cases where inventions that had not been granted a patent at examinations were refused granting of a patent at the trials as well, the predictability of granting of a patent may be said to have improved.

**[Rate of Decisions to Refuse Patent Applications in Appeals against Decision of Refusal]**



### (3) Efforts by the Trial Department

#### (i) Efforts for more Exact Trials

One of the major missions of the Patent Office is granting of stable industrial property rights. Exact decisions are also required in the trials, and concerning the issue pertaining to exact trials, such as "exact judgment in consideration to the argument of the parties concerned", the Trial Department will continue to conduct consistent operations based on the standards, etc. including the emphasis (more strictness) on the requirement of inventive steps, improvement of the proceeding system for law suits after granting of the rights, collaboration between the Examination and Trial Departments, exploitation of technical advisors, legal advisors and other wide variety of the learned persons and improvement of the decision analysis and feedback to the judges. The Trial Department will also proactively exploit the interview proceedings and circuit trials and endeavor for further promotion of exact decisions through dialogues with the claimants, etc..

It is expected that by the above measures understanding of the decision criteria for patentability of inventions will be shared and the number of demands for trials concerning inventions lacking patentability will decrease.

#### (ii) Efforts to Realize Speedy Appeal/Trial Examinations

The Trial Department is placing priority on the trials for invalidation and other trial cases after granting of rights because it is a demand of the society to make protection effective by settling disputes on effectiveness of patents, etc. promptly.

The Trial Department will pay attention to the trial period for the appeal against examiner's decision of refusals, etc. and execute the "comprehensive examinations" that comprehensively deliberate relevant cases of the same demandants as an effort for effective examinations. The Trial Department shall also aim for more effective exploitation of the appeal investigators and other assistants to appeal examiners.

○The Trial Department has introduced the so-called "planned examinations" in which a schedule until the delivery of the decision is determined on the basis of the agreement of the parties concerned and conducts the examinations in accordance with the schedule. This method was thoroughly introduced for the cases that are complicated and difficult to schedule among the trials for invalidation demanded after January 2003 based on the results of the trial cases conducted since July 2001.

<sup>10</sup>The rate of disapproved demands indicates the rate of demands disapproved by the decision that the demand is not established or demands that are dismissed by the decision or judgment among those decisions at appeals and trials.

- The Trial Department conducts the early decision system for the appeals against examiner's decision to refusal that satisfy specific requirements. The Trial Department alleviated the requirements to be the subjects for the accelerated decision, simplified the explanation on the accelerated decision for the patent and utility model cases to make it easier for the users.

### (iii) Improvement of Dispute Settlement Function

The priority is placed on the trials for invalidation and for correction that are often related to infringement suits and other intellectual property disputes (see above item (ii)).

The Trial Department grasps those trials, etc. related to infringement suits through promotion of information exchange with the court and utilizes the knowledge for faster decision of infringement suit related cases.

### (iv) Improvement of the Trial Environment

The Trial Department shall aim for improvement of the administrative service by establishing the trial environment based on the information oriented trend in the trial system as the entire Patent Office is becoming increasingly information oriented.

As for the appeals against examiner's decision to refusal (including preliminary examinations), since the continuity of the procedure from the application stage is strong and the needs for consistent paperless procedures from the application stage are high both in and out of the Patent Office, the JPO has started and is operating the trial paperless system for all four laws (Patent, Utility model, Design and Trademark Laws) since January 2000.

### (v) Efforts for Amendment of the System

The JPO has amended the trial system by abolition of the system for opposition to grant of a patent, integration and unification with the trials for invalidation and optimization of the opportunities for corrections during the suits against trial decisions. The JPO shall aim for exact operation of the system by preparing the operation manual and making the claimants thoroughly familiar with the content by the enactment in January 2004.

The Intellectual Property Suit Review Committee at the Legal System Renovation Promotion Headquarters has been reviewing the relations between the decision of invalidation at infringement suits and the trials for invalidation with broad viewpoint including the desirable court procedures in order to enable rational settlement of disputes, such as settlement of dispute in a single trial, and the JPO is proactively participating in the review.

## 2. Status of Appeals for Suits Against Trial Decision

The number of the suits against trial decision in 2002 decreased for designs, but increased in the patents and trademarks. The increase is particularly apparent in the appeals against examiner's decision of refusal, suits against trial decision for patents, and trials for invalidation and suits against trial decision for trademarks.

[Suits (CY2002)]

	Patent	Utility model (*Under Old Law)	Design	Trademark
Appeals against examiner decisions of refusal	102 (170%)	0 (0%)	9 (50%)	29(85%)
Trials for invalidation's and trials for cancellation	131 (83%)	21 (54%)	9 (82%)	110(183%)
Oppositions to the grant patent	159 (99%) *		-	3 (20%)

(Note) Total number of suits concerning patents and utility models (Figures in parentheses are year-on-year rates)

The rates of appeals for revocation in the entire appeals/decisions (appeal rate) indicate that the rates against decisions remain virtually in the same level for the appeals against examiner's decision of refusals and suits against trial decision in particular, and therefore the increase in the number of suits may be said to have been caused by the increase of the decision to dismiss the appeals as the trial system improves.