



Part 2

Examinations and Trials in the Age of Intellectual Creation

Examinations

1. Patent Examinations

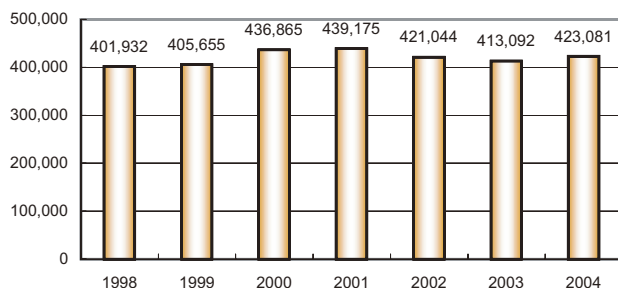
(1) Present Status of Patent Examinations

1) Trends in Filing and Request for Examination (IN)

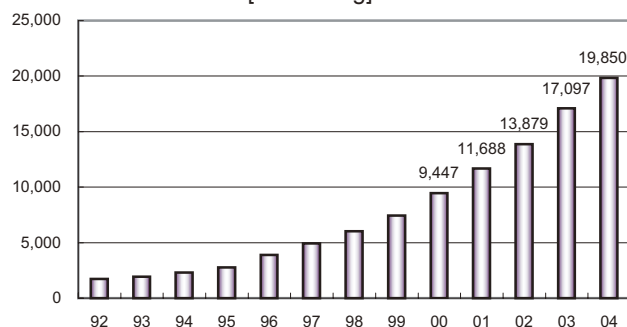
a. Trends in Filing

The number of patent applications in Japan has maintained a very high level, with over 400,000 cases since 1998. Applications based on the Patent Cooperation Treaty (PCT applications) filed to JPO in 2004 have also shown a 15% increase over the previous year and are maintaining an upward tendency. As a result, just as in the previous year, the number of PCT applications in Japan ranked 2nd in the world.

[Patent Applications]



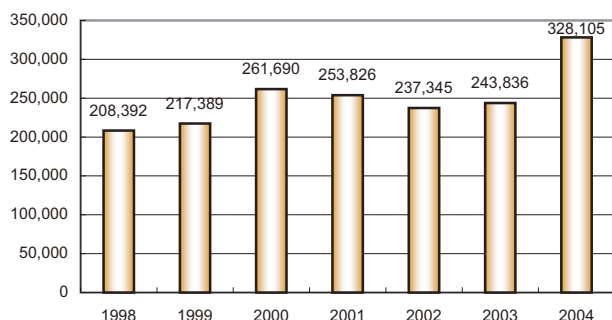
[PCT Filing]



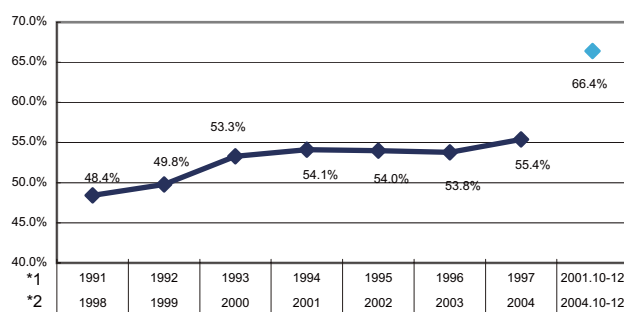
b. Trends in the Requests for Examination

The number of requests for examination, which was maintained at more or less 250,000 during the last few years showed a sharp increase in 2004 with about 330,000, which represents an increase of more than 32% over the previous year. Such sudden increase in the number of requests for examination is attributable to the fact that in October 2001, the examination request period went from 7 years from the time of filing to 3 years. In other words, after October 2004, applications whose request period for examination was 3 years reached the end of the period, and requests for examination intensively were made toward the applications during the last year to file the request for examination, which led to a huge increase in the number of requests for examinations. And this increase coincided with the inflow of requests for examination of applications whose examination request period was 7 years, which is considered to be the reason why a temporary increase in the number of requests for examination, so-called "bump of request", occurred. This phenomenon is expected to continue until 2008. In addition, while the rate of the requests for examination of applications filed in 1997 showed only a slight increase with 55%, the rate of requests for examination of applications filed between October and December 2001, which correspond to applications filed after the examination request period had been reduced to 3 years, showed a significant increase with 66%. This signifies that applicants are not sufficiently able yet to determine the real cases that require a grant of rights, and thus in the future, more appropriate requests for examination by applicants are expected.

[Number of Requests for Examination]



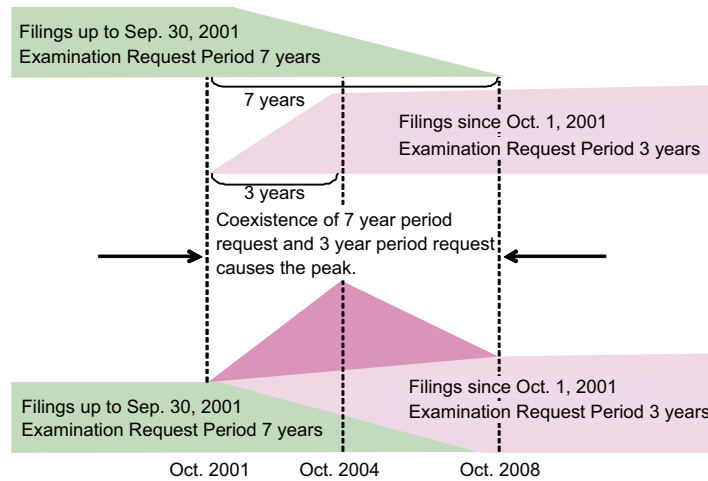
[Rate of Requests for Examination]



*1: The year when the application was filed

*2: The final year to file the request for examination

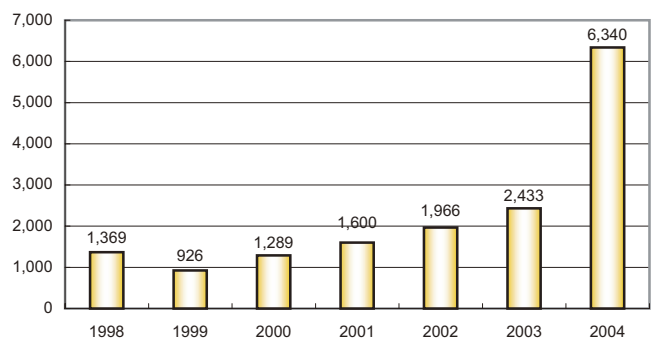
[Rapid Increase in the Examination Request Due to Coexistence of New and Old Examination Request Systems]



c. Trends in the Withdrawals and Abandonment Prior to the First Action

The number of withdrawals and abandonment prior to the first action in 2004 was 160% over the previous years, showing a sharp increase. This is considered to be attributed to the fact that a system where, if an applicant withdraws or abandons the application prior to the first action, part (50%) of the fee is refunded to the applicant when a refund of the examination request fee is requested within 6 months from withdrawals or Abandonment, went into effect, which gave applicants the incentive to reconsider about the necessity of being granted the right even after having requested for examination. As stated above, because it is considered that a fair amount of cases with relatively low necessity to have rights granted are subject to be requested for examination under circumstances of the examination request period being 3 years, it is necessary to promote the use of the withdrawal and abandonment system (system of partial refund of the examination request fee) against such cases.

[Withdrawals / Abandonment prior to First Action]

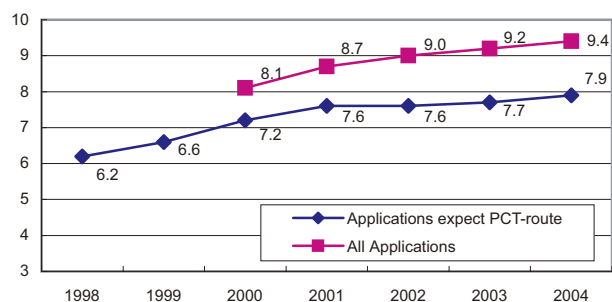


2) The Status of Patent Examinations (OUT)

a. Increasing Burden of Examination of Domestic Applications

While a series of new technologies are created in advanced fields such as nanotechnology and biotechnology, even mature technology fields are becoming increasingly complex and sophisticated for differentiation through efforts of heightening their added value. In addition, the number of inventions (claims) claimed per application is continuing to rise for the acquisition of manifold rights, which causes to increase the burden of examination each year.

[Average Number of Claims in a Patent Application]

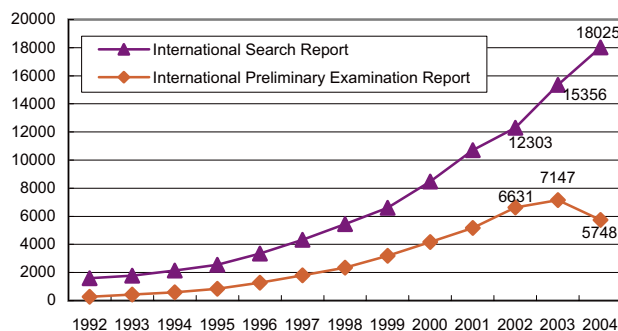


Examinations

b. Sharp Increase in the Number of International Search Reports of PCT Applications

In response to globalization of corporate activities, applicants are intensifying their efforts to obtain rights for their inventions outside as well as in Japan. Due to this fact, the number of PCT applications during the 10 years from 1994 shows a high rate of increase, with more or less 20% over the preceding year. Moreover, due to the adoption of the Enhanced International Search System, where a written opinion similar to the one which used to be created at the international preliminary examination phase is created at the same time as the international search report, the amount of work per a single case of international search for PCT applications filed after January 1, 2004 increased. Meanwhile, with the adoption of the Enhanced International Search System, the number of international preliminary examination reports decreased.

[Number of International Search Reports]



c. The Status of Examinations

As stated above, the number of international search reports whose deadline is determined by the treaty is sharply increasing and the Enhanced International Examination System was adopted, which lead to the increase of the burden of examination for each PCT application filed. So the energy expended on tasks related to general patent examinations is shrinking. Under such circumstances, efforts are made toward the strengthening of the examination system as well as maximum efficiency of examination tasks through steady performance of various concrete activities stated in Part 1, Chapter 1, 1. "Timely and High Quality Patent Examinations". As a result, the number of first actions against general patent applications is continuing to rise (22% increase from 191,000 to 234,000 cases between 2000 and 2004).

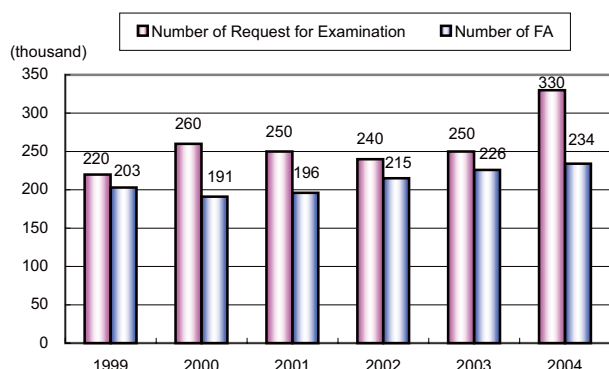
[Record on Examinations (patent including PCT + utility model: calendar years)]

Record	2000	2001	2002	2003	2004	Year-on-year
Number of First Actions	191,131	196,288	215,288	226,420	234,109	103%
Number of Subsequent Examinations	145,279	149,693	158,721	165,564	173,830	105%
Number of International Search Reports of PCT	8,468	10,716	12,303	15,356	18,025	117%
Number of Written Opinions by ISA	—	—	—	—	13,777	—
Number of Written Opinions by IPEA	3,300	4,669	5,996	6,138	3,604	59%
Number of International Preliminary Examination Reports of PCT	4,162	5,163	6,631	7,147	5,748	80%
Number of Reconsideration by Examiner before Appeal	12,604	18,663	18,499	18,186	19,888	109%
Number of Reports of Expert Opinion on Registerability of the Utility Model	1,822	1,337	1,533	1,286	1,014	79%
Total	367,879	386,657	418,971	440,097	469,995	107%

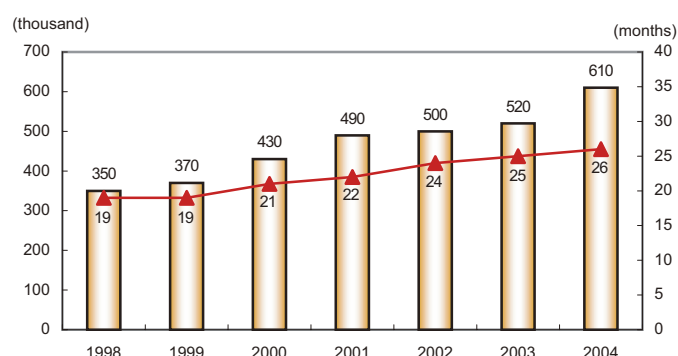
Note: "Year-on-year" is a comparison between 2004 and 2003.

However, because the amount of requests for examination exceeds that of the first actions, the number of applications waiting for patent examination continues to increase. In particular, the number of requests for examination in 2004 drastically increased to 330,000 with the effect of the "bump of request", and as a result, the number of applications waiting for patent examination exceeded 600,000, and the waiting period for patent examination reached to be 26 months. The "bump of request" is expected to continue until 2008, and further extension of the waiting period is inevitable until then.

[The number of the request for examination and the number of the applications examined (First Action)]



[The number of backlog of examinations and the period of waiting for examination]



d. Decreased Rate of Decision to Grant a Patent, and Increased Rate of No reaction against Office Actions

A patent is a set of exclusive rights granted to an inventor or applicant to use the patented invention (Article 68 of the Patent Law), and in the case where another person infringes these rights, in addition to civil remedies with rights such as the right to require an injunction or the right to demand compensation for damage (Articles 100 to 106 of the same Law), criminal remedies with the claim of an offense of infringement of patent right (Article 196 of the same Law) are available. It is therefore a powerful right that has great influence on society. When a patent right is used, the patent right owner has a monopoly on the business, or can make profits by granting a license to another person in return of a license fee, which is also convenient for the third party as it allows for smooth adoption of technologies of others. However, a patent right that is unstable with grounds for invalidation interferes with smooth business activities between the patent right owner and third party, or the cost for adjust a patent dispute is increasing, thus the existence of such patent right actually turns out to have significantly negative effects. Therefore, it is crucial to ensure not only timeliness of patent examinations but also their accuracy.

Under such circumstances, the JPO has been renewing efforts to increase examination accuracy through measures such as improving the system related to checking the contents of examination and improving the computer systems used for prior art search. The results of such efforts toward increasing examination accuracy explain the fact that the rate of decisions to grant a patent is showing a downward trend year after year, or that the rate of final decision of rejection without any reaction from the applicant ("rate of no reaction against office action") is increasing. In other words, this indicates that, although the environment for prior art search is improving for the applicants¹, because the applicants still do not perform satisfactory prior art search, there are many requests for examination of applications with no elements of novelty or inventive step. In addition, the fact that there are still few applicants who, regarding cases for which they no longer need to acquire patent rights, for example due to cancel setting up business, withdraw or abandon the application prior to the first action and request for partial refund of the examination request fees can be stated as a factor of the high "rate of no reaction against the first action".

¹ See Part 3, Chapter 4, 2. Promotion of Industrial Property Right Information Provision.

[Record on Examinations (patent only: calendar years, date of dispatch)]

Record	2000	2001	2002	2003	2004
Number of Decisions to Grant Patents	116,279	107,581	109,720	111,276	112,221
Number of Decisions of Refusal	75,347	82,540	99,383	106,024	110,630
(Number of Decisions of Refusal Without any Reaction from Applicant)	41,535	43,123	55,346	60,129	62,013
Withdrawals / Abandonment After the First Action	2,745	2,483	2,430	3,050	3,930
Rate of Decision of Grant	59.8%	55.9%	51.9%	50.5%	49.5%
Rate of Decision of Refusal	40.2%	44.1%	48.1%	49.5%	50.5%
Rate of No Reactions Against the First Action	20.6%	21.4%	24.9%	26.3%	26.5%

Note 1: Withdrawals / abandonment after FA refer to withdrawals / abandonment of applications after the start of the primary examination

Note 2: Number of final decisions = number of decisions to grant a patent + number of decisions of rejection + number of withdrawals / abandonment after FA

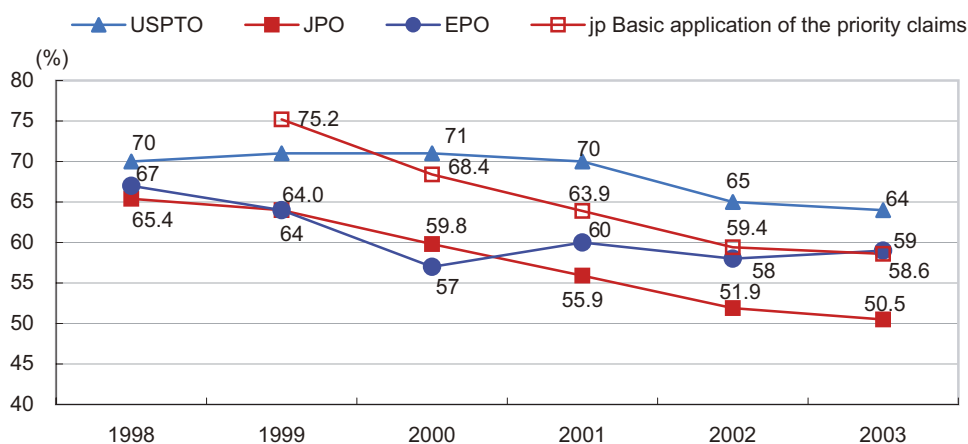
Note 3: Rate of decisions to grant a patent = number of decisions to grant a patent / number of final decisions

Note 4: Rate of decisions of rejection = (number of decisions of rejection + number of withdrawals / abandonment after FA) / number of final decisions

Note 5: Rate of no reaction against the first action = ("number of decisions of refusal without any reaction from applicant + number of withdrawals / abandonment" against the first notice of rejection) / number of final decisions

Meanwhile, of the domestic applications, the rate of decisions to grant a patent for basic application of the priority claims¹ that aim for acquisition of rights outside Japan show a high value of close to 10 percent over the rate of decisions to grant a patent for all applications. Applications filed outside Japan are costly compared to domestic applications, as these involve other considerable expenses such as for translation services. Therefore, with regards to basic application of the priority claims, applicants most likely carefully studies whether there was a necessity to obtain rights and files only applications for important cases that truly required the grant of rights. This indicates that applicants possess the potential ability to judge whether an application really needs to be requested for examination or not. There is therefore a need to ask users to cooperate in doing with domestic applications as they would do with basic application of the priority claims, which is to file applications or request for examination only after having carefully assessed the necessity of receiving patent rights.

[Trends in the rates of decisions to grant a patent among the Trilateral Offices]



Note: The rates of decisions to grant a patent by the USPTO and EPO were obtained from the trilateral statistical report

¹ Under the Paris Convention, based on the first application filed in one of the member countries, even if the application has been filed in another country afterwards, when the filing date falls within 12 months from the first application, special rights (priority rights) are granted where the same benefits as those filed at the same time as the first applications are applied. When exercising these rights, the application which serves as the base is called the "basic application of the priority claims".

(2) Patent Examination Process

In order to achieve the medium and long-term objectives for expeditious examination, various activities stated in the implementation plan were steadily carried out in 2004. For details, refer to Part 1, Chapter 1, 1. "Timely and High Quality Patent Examinations." Other important measures that need to be worked on with regards to patent examination include the followings: 1) Revision of the examination guidelines based on amendments to laws and trends in technical innovations, 2) Support of the acquisition of rights at the examination phase that meets the needs of the applicants, and 3) Promotion of international cooperation in the context of economic globalization.

1) Revision and Deployment of Examination Guidelines to Facilitate Accurate Right Acquisition

From the perspective of higher quality patent protection, the JPO conducted the following revisions regarding examination guidelines:

(i) Establishment of the examination guidelines for the "right of priority" (July 2004)

With regards to the right of priority (priority under the Paris Convention, internal priority) there were no organized examination guidelines in the past and the necessity for such guidelines was gradually increasing in the last few years. For such reason, examination guidelines regarding the "right of priority" was established, which clarified the manner of judging the benefits of the priority and dealing the priority in terms of examination.

(ii) Revision of the examination guidelines for the "establishing a report of a technical opinion as to a registerability of the utility model" (July 2004)

Based on the report established by the Working Group on Utility Model System of the Patent System Subcommittee, Intellectual Property Policy Committee, Industrial Structure Council, the examination guidelines were revised so that the report includes issues such as a statement of reasons when judging lack of a novelty or an inventive step.

(iii) Revision of the examination guidelines for the "examination procedures" (September 2004)

More than 10 years having passed since the former the guidelines were first published in November 1993, in order to reflect the other revisions of examination guidelines, to clarify the overall guidelines, and to ensure reasonable operation in line with the objectives of the system, the examination guidelines for the "examination procedures" were revised.

(iv) Update of the examination guidelines for "biological inventions" (January 2005)

The examination guidelines for "biological inventions" were updated in order to reflect the changes in procedures such as changes in the internal deposit procedures that have already been announced or implemented.

(v) Establishment of the examination guidelines for "conversion of application" (March 2005)

The examination guidelines for "conversion of application" were established to make clear the substantive requirements for proving that the conversion of application is deemed to be filed at the time the original application was filed.

(vi) Establishment of the examination guidelines for "patent applications based on utility model registration" (March 2005)

Along with the revisions to the Patent Law and Utility Model Law, the examination guidelines for "patent applications based on utility model registration" were established to make clear the substantive requirements for proving that the patent application based on utility model registration is deemed to be filed at the time the application for utility model registration related to that registration was filed.

Furthermore, on November 22, 2004, the following examination guidelines were established or revised in response to the remarks regarding the "Protection of Patents of Medical-Related Act (arrangement)" summarized by the "Task Forces on the Protection of Patents of Medical-Related Acts" of the Intellectual Property Strategy Headquarters.

(vii) Revision of the examination guidelines for "industrially applicable inventions" (April 2005)

Regarding "a method for controlling the operation of a medical device" where the function of the medical device is represented as a method, the examination guidelines were revised in order to clearly specify that these methods are patentable subject matters.

Examinations

(viii) Establishment of the examination guidelines for "medicinal inventions" (April 2005)

Even if a medicinal invention is defined by a combination of two or more medicinal components or by a mode of medical treatment such as dosing interval, given dose or the like, they are "inventions of products" and thus they do not come under the category of "a method for treatment of the human body by surgery or therapy and diagnostic methods practiced on the human body", and thus the examination guidelines were established to clearly specify that they are dealt with as "industrially applicable inventions".

2) Efforts Toward Realization of Patent Examinations that Meet the Needs of Applicants

In the environment where the requirements of applicants for patent examination are becoming diversified, the JPO has been implementing the following measures to assist them in IP strategies to obtain patent rights in a strategic manner.

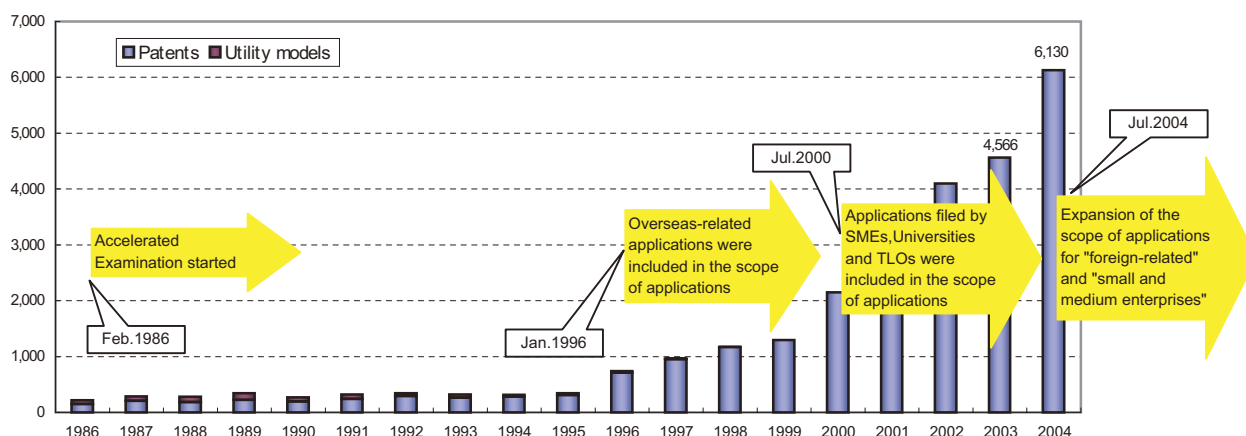
a. Implementation of Accelerated Examination

In order to support early exploitation of results of research and development, as well as global economic activities, the JPO conducts accelerated examination for applicants with specified objectives who are required submission of a written explanation of the need of the accelerated examination. The acceptable circumstances include working related applications concerning inventions that have already been, or expected to be worked within the next 2 years, applications filed also with a foreign patent office, and applications filed by small and medium-sized enterprises and venture enterprises with limited funding, and universities, technology licensing organizations (TLOs) or public research institutions that are expected to contribute their research results to the society.

Due to the simplification of procedures and the promotion, the number of requests for accelerated application has been increasing in recent years. Since July 2004, 1) the availability of this program has been extended to the "overseas-related application" including PCT-related domestic applications (even if PCT applications hasn't entered national phase) and 2) the scope of the "small and medium-sized enterprise" is the same as that specified in the "Program to Support Prior Art Search with Respect to Patent Application"¹.

The JPO will further promote the use of this system by increasing its convenience, and will continue to support the applicants who require timely examination of their applications. Meanwhile, the average waiting period for the accelerated examination in 2004 was around 2.6 months.

[Number of Requests for Accelerated Examination]



b. Clarification of the Operation of Simultaneous Processing of an International Application and Its Prior Domestic Application

The JPO has clarified the procedure of simultaneous start of the processing of a PCT international application and an earlier domestic application which is used as the basis for a priority claim in the PCT application in order

¹ See Part 3, Chapter 3 Support for Small and Medium Enterprises and Venture Companies.

to meet applicants' needs for timely acquisition of a patent right for the domestic application. The JPO began full-scale operation of the program in October 2003. In this program, the prior domestic application would be taken up for examination at an early time without filing a request for an accelerated examination if the applicant make a request to use the result of earlier search by filling in the request form of the international application. In the case of an international application which claims a priority of the domestic application, the applicant has to withdraw the designation of Japan. The applicant would be eligible for partial refund of the international search fee in this program. In 2004, simultaneous processing of international and domestic applications was performed for about 190 applications.

c. Promotion of Circuit Office for Examination with Applicants and Representatives

In order to fully and accurately understand the viewpoints of applicants and representatives, in addition to meetings in the JPO facility since FY 1996, the JPO has been conducting circuit examinations for small and medium-sized enterprises, universities, TLOs, and other organizations which locate local region and have fewer opportunities to exchange opinions directly with patent examiners. In FY 2004, the JPO planned to carry out circuit examinations to deal with over 1,400 applications and actually performed circuit examinations of a total of 1,699 applications in 21 prefectures. In FY 2005, the JPO plans to carry out circuit examinations for over 1,500 applications.

d. Steady Implementation of a Consolidated Examination Program for Relevant Applications

With regards to a series of applications concerning particular technologies (relevant applications), the JPO systematically identifies technical matters through technical interviews and meetings, and collectively examines them. The JPO will continue with this program to assist applicants in the strategic acquisition of patent rights based on the steady implementation thereof.

3) Promotion of International Cooperation in Patent Examination

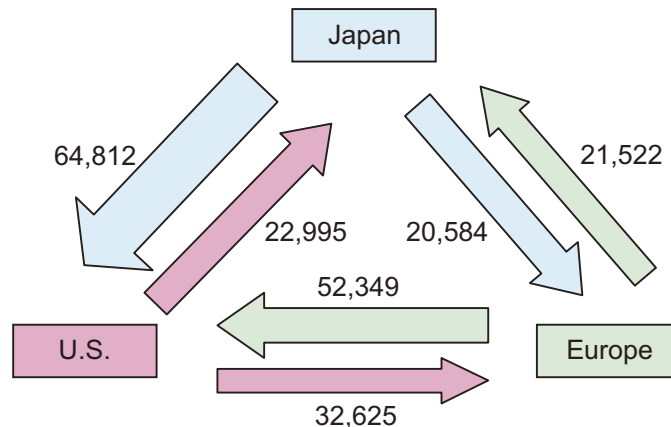
In conjunction with rising public awareness in importance of patent rights and economic globalization, demand for securing patent right in a number of countries is leading to rapid increase in the number of patent applications throughout the world. How to reduce continuously increasing backlogs is a common issue for patent offices world wide. When a patent application is filed with multiple countries, prior art search and examination for the application would be duplicated. Among the Trilateral Offices (EPO-JPO-USPTO), the number of those multiple applications counts no less than 210,000 per year. Thus, how to effectively examine multiple patent applications is one of the keys in reducing the backlogs. The JPO is working to promote mutual exploitation of the search/examination results in cooperation with patent offices of other nations.

[Trends in Applications among the Trilateral Offices]

Every year, there are some 210,000 applications filed between the Trilateral Offices (EPO-JPO-USPTO) that are redundantly filed in other regions.

→ **International cooperation is essential** for efficiency improvement of protection of IP.

Number of Applications Filed Between the Trilateral Offices (EPO-JPO-USPTO)(2004)



The numbers of patent applications filed in the U.S. and Europe are figures obtained from reports of the United States Patent and Trademark Office (2004) and from the 2004 Annual Report of the European Patent Office. Meanwhile, the number of applications from Europe was obtained by compiling the data of 30 member countries of the EPC. In addition, the numbers of applications filed in Europe include only data from the European Patent Office, not those from each patent office of the EPC member countries.

(a) Mutual Exploitation Project

The Trilateral Offices (EPO-JPO-USPTO) have been conducting "mutual exploitation projects" to evaluate the usability of the results of prior art searches performed by the other offices. In the Trilateral Conference held in November 2003, the Trilateral Offices confirmed that exploitation of search results of the other offices would reduce the examination workload in each office. On the basis of the results of the project, the Trilateral Offices agreed to develop the Dossier Access System that would allow for mutual access to examination documents of the other offices. Furthermore, the analysis of mutual exploitation project indicates that the sufficient search for Japanese language documents is essential to make an accurate determination of novelty and inventive step and set up high quality patent rights. Since March 2005, Trilateral Offices is conducting a pilot project to evaluate the usability of search history information towards the maximization of mutual exploitation of prior art search results.

(b) Development of the Dossier Access System

On the basis of the results of the mutual exploitation project, the Trilateral Offices developed the dossier access systems that make examination documents accessible online among the offices, and all of the systems went into operation by October 2004. Among the systems, the Advanced Industrial Property Network (AIPN) provided by the JPO is equipped with a Japanese-to-English machine translation, which enables other patent offices to access examination documents of each application filed with the JPO, in English. Currently, the Trilateral Offices are cooperating to further enhance the machine translation function and are working toward developing a "Next Generation Dossier Access System" to allow for efficient access of examination documents of other countries.

(c) Examiner Exchange Program

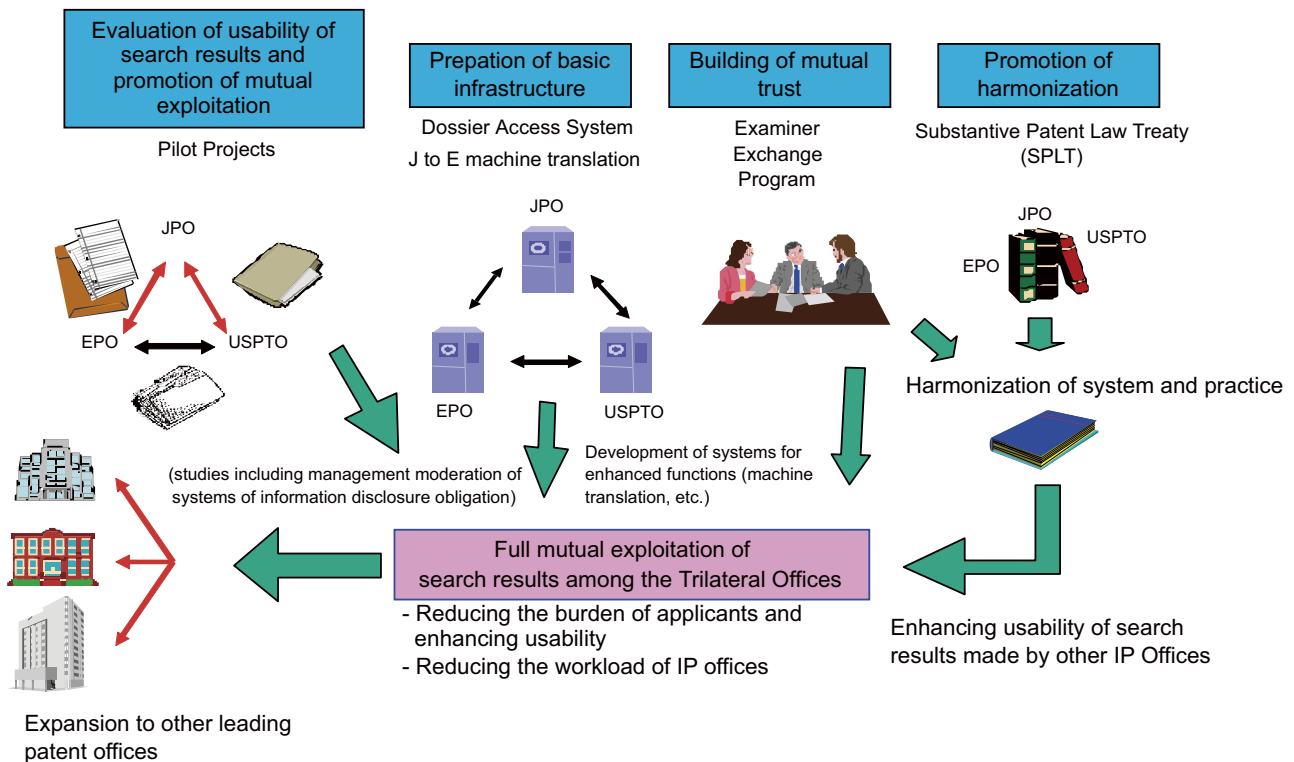
The practices of patent examination in patent offices are different among technical fields. In order to promote mutual exploitation of prior art search results, it is necessary to deepen the understanding of these differences in each technical field, to further raise the quality of prior art search by sharing the best practice among patent offices, and to foster mutual trust among the examiners of each patent office. From these perspectives, the JPO promotes Examiner Exchange Program in which examiners are reciprocally sent to another patent office. Since April 2004,

Trilateral Examiner Exchange has been held as an opportunity for examiners of the Trilateral Offices to meet together and discuss examination-related issues. In April 2005, the 3rd Trilateral Examiner Exchange was held in Tokyo.

(d) System Harmonization

Six conferences have been held since the 4th WIPO Standing Committee on the Law of Patents (SCP) was held in November 2000 to deliberate the harmonization of the substantive aspect of Patent Law, but the discussions are not proceeding smoothly. In order to break through this situation, the Trilateral Offices (EPO-JPO-USPTO) presented at the 10th SCP Conference in May 2004 and WIPO General Assembly in September of the same year a package proposal that prioritizes the realization of system harmonization regarding four items which are important for promotion of examination cooperation, namely the definition of prior art, grace period, novelty, and inventive step. In addition, in February 2005, discussions were also held at the forum among developed countries organized in the U.S. and at the WIPO's unofficial conference. Later, concrete discussions regarding the provisions of the four items were took place at the forum among developed countries held in April.

[Outline of the Efforts Regarding Mutual Exploitation of Prior Art Search]

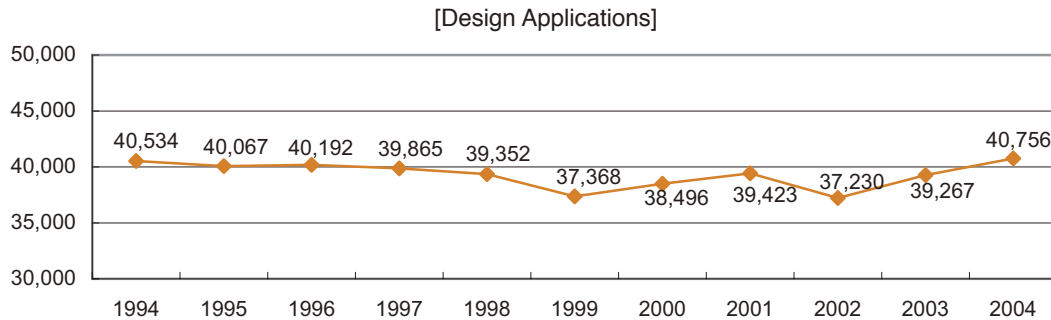


2. Design Examinations

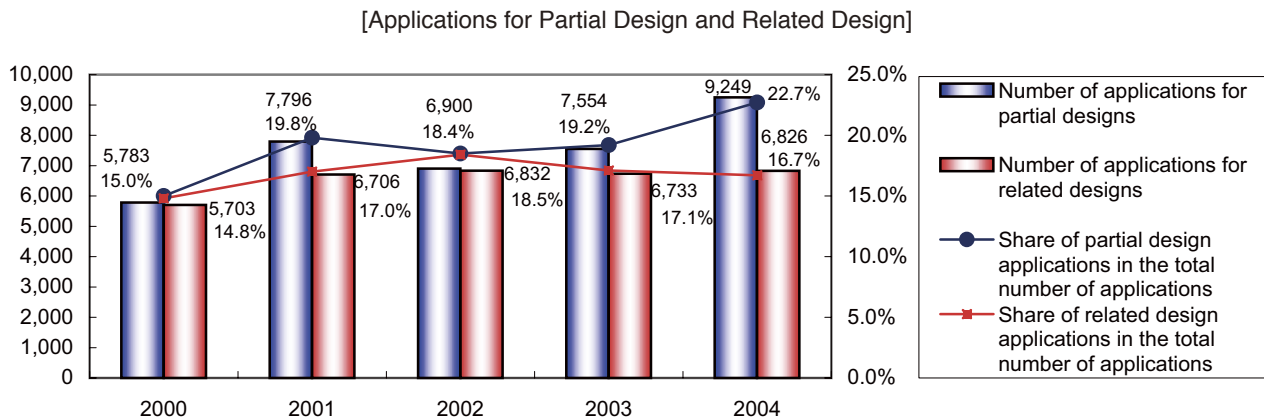
(1) Trends in Design Applications

1) Overview

In general, the number of design applications has in recent years been maintaining a stable annual rate of about 40,000. However, it has been showing a slight upward trend since 1999 when the revised Design Law became effective. In 2004, the number of design applications was 40,756, exceeding 40,000 applications for the first time in recent 8 years.



The partial design¹ system introduced in 1999 has been increasing in popularity every year, and the share of applications for partial designs in the total number of design applications exceeded 20% in 2004. Meanwhile, with regards to the related design² system introduced concurrently with the partial design system, the share of applications in the total number of design applications was 16.7%, and it has been showing a gradual decrease in utilization since last year.



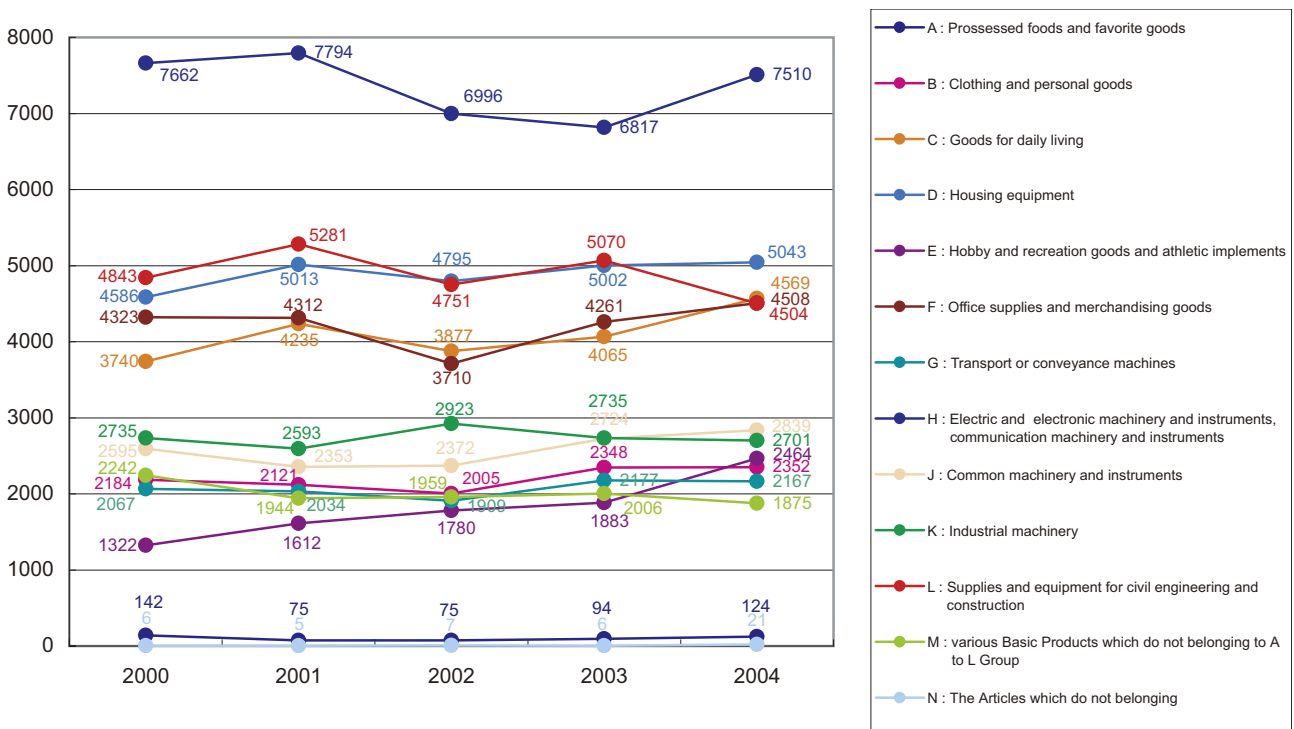
¹ Design of a part of an article. Since the introduction of partial design system in 1999 on the basis of the Design Law revised in 1998, designs containing a part that cannot be physically separated from the entire article may be registered.

² Design that is similar to a design of a selected application (principal design) among the group of applications filed by the same applicant on the same day. The related design system enables enforcement of the design rights for designs similar to the principal design and it was introduced in 1999 on the basis of the Design Law revised in 1998.

2) Number of Design Applications by Area of Articles

With regards to design applications by area of articles in 2004, the number of design applications filed for the Japanese Design Classification H Group (Electric and electronic machinery and instruments, communication machinery and instruments) remains high. Meanwhile, the number of applications filed for L Group (Supplies and equipment for civil engineering and construction), which used to be high next to the H Group in recent years, decreased, despite that the number of applications in most of the areas shows an upward trend.

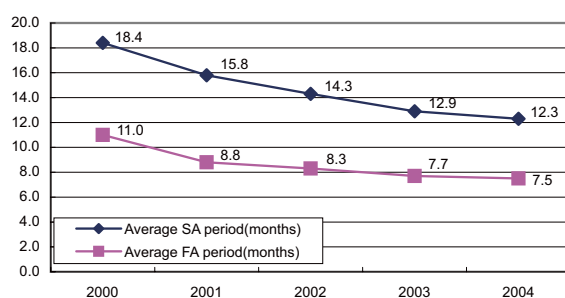
[Design Applications by Area of Articles]



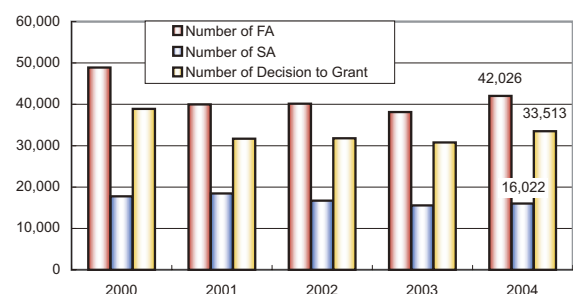
(2) The Status of Design Examination

In response to increasing demand for timely protection of designs caused by shortening product development cycle, robust technical innovation, heightening consumer demand for good product design, increasing inflow of counterfeit goods from Asian countries, the JPO has been implementing acceleration of the design examination process. The average FA period¹ has just been shortened to 7.5 months in 2004. The average SA period² has also been reduced to 12.3 months in 2004.

[Average FA and SA Period]



[Number of FA, SA and Decision to Grant]



¹ FA period: Period from the filing date to the date when the first notice of examination is dispatched.

² SA period: Period from the filing date to the date when the first decision following the first action is dispatched.

(3) Clarification of Design Examination

The JPO began as of October 1, 2004, a trial system of adding specific reasons for decision to a notification of reasons for refusal on Article 9, Paragraph 1 (prior application) of the Design Law.

The JPO has been organizing company hearings, etc. regarding the operation of the above system and will study about more effective operation.

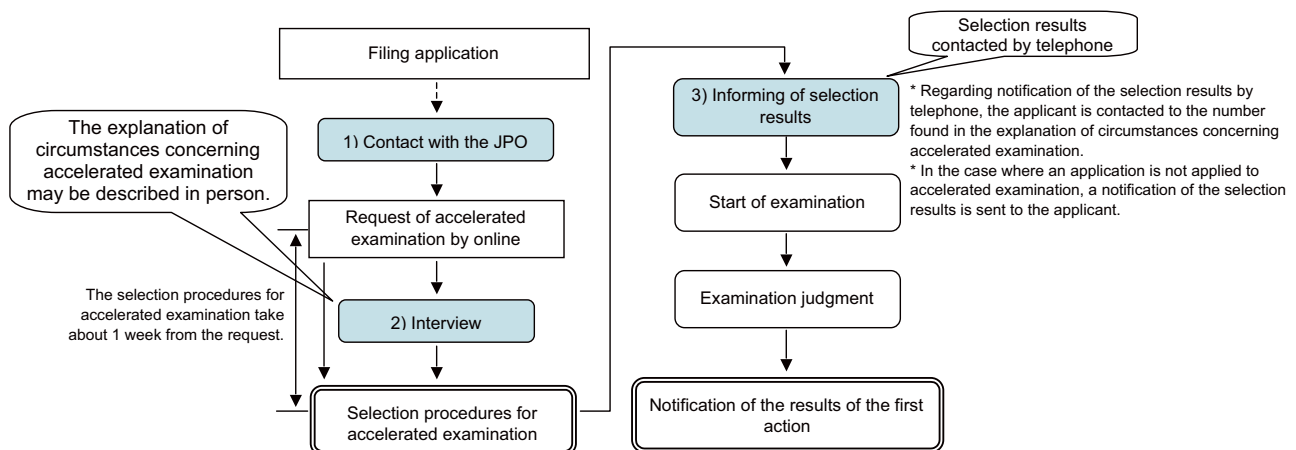
(4) New System of Accelerated Examination Responds to Measures against Counterfeit Goods

The JPO has operated an accelerated examination system, which the JPO notifies an applicant of the examination results earlier than under normal circumstances for working related applications to be needed an urgent establishment of a right and applications for a design that has filed at other countries. The examination period under the accelerated examination is usually on average about 2 months from the request for accelerated examination until notification of the results of the first action, and at most about 6 months.

However, due to advanced communication methods and manufacturing technologies of recent years, the period from commercialization of a product until counterfeit goods become available has significantly shrunk, and there are increasing cases in which such damages caused by counterfeit goods cannot be dealt with immediately with the existing accelerated examination system.

In response to such circumstances, the JPO renewed its accelerated examination system as of April 2005, in accordance with the statement included in the 2004 IP Promotion Program, which declared that "from 2005, in case a counterfeit goods where found which is similar to a design in an application, the JPO would be to immediately begin examination on design applications, and with regards to applications without any defects in the procedures, the results of the first action would be to be notified within 1 month."

In order to be examined under the new accelerated examination system, among all the requirements for the accelerated examination on design applications, it is needed to be satisfied with the requirement that the design application is a working related application which is, without the consent of the applicant, being worked or being prepared for the work to a considerable degree the design which is identical or similar to the design in the design application by a third party."



Where the requirement for the request of the accelerated examination is that a case of counterfeit goods arised, results of the first action are notified within 1 month from the date of the request.

(5) Amendment of the Japanese Design Classification

The Japanese Design Classification plays an important role in the realization of accurate examination and effective search by classifying the examination materials such as applications for design registration by use of articles, and is used only in Japan.

However, over 20 years have passed since the Japanese Design Classification which was applied until last year was developed in 1983, and during that time, designs became diversified because products that matched people's lifestyles and environment were created, and the revised Design Law was introduced in 1998. The time had come to review the Japanese Design Classification.

In addition, although the FA period has been reduced to an average of 7.5 months (2004), further reduction of the examination period is required by industrial fields that manufacture products that are easily counterfeited or whose life cycle is short. To remedy this situation, it is crucial to streamline the search process of the expanding examination materials.

Meanwhile, the JPO worked on revising the Japanese Design Classification, and has begun the application of the revised Japanese Design Classification to applications for design registration filed after January 1, 2005.

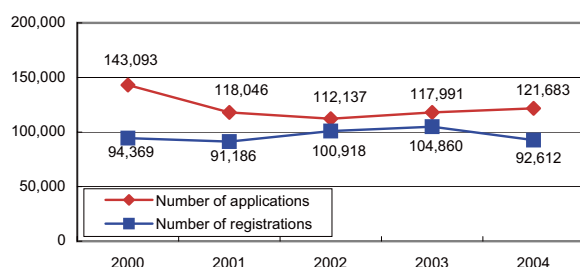
3. Trademark Examinations

(1) Trends in Trademark Applications

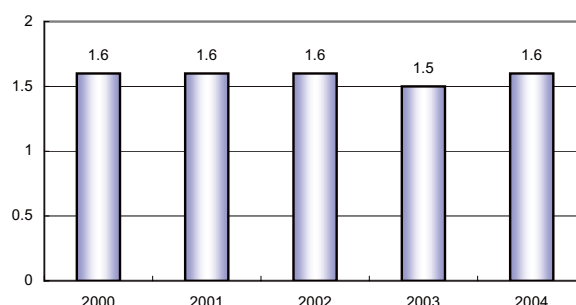
The number of trademark applications (excluding international applications for trademark registration) has declined two consecutive years following the year 2000, which recorded the maximum number in recent years. However the number of applications in 2004 was approximately 122,000 cases with a gain of 3% from the previous year.

On the other hand, the number of trademark registrations in 2003 was about 93,000 cases with a reduction of approximately 12% from the previous year.

[Trademark Applications and Trademark Registrations]



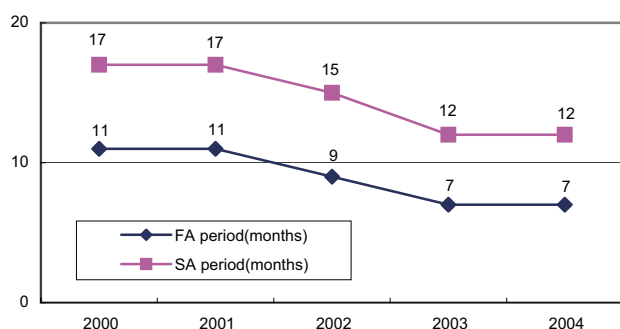
[Average Number of Classes Designated per Application (multi-class rate)]



(2) Status of the Trademark Examination Process

The JPO has been endeavoring to steadily reduce the trademark examination processing period through promoting computerization and utilizing private organizations by outsourcing searches. More specifically, the average first action period (FA period) for 2004 was around 7 months, maintaining the same level as the previous year despite the increase in the number of applications.

[Average FA and SA periods]



(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 date when the final decision following the first action is dispatched.

(3) Efforts in Trademark Examination

In response to the needs for accelerated examination of applications which are involved in counterfeit and infringement cases and to the globalization of economic activities, the JPO implements the accelerated examination system where the examination process is accelerated when there is an urgent need to register 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: Application subject to the accelerated examination)

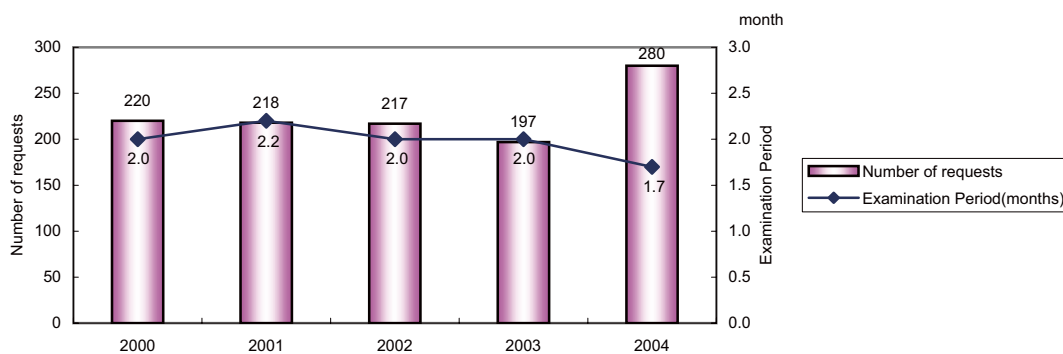
Accelerated examination shall apply to trademark applications that satisfy the following two requirements:

- 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

The reasons for the "urgent need for registering a trademark" are the followings:

- A third party clearly 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.

[Requests for Accelerated Examination and Examination Period]



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

Appeals and Trials

1. Current Conditions of Trials

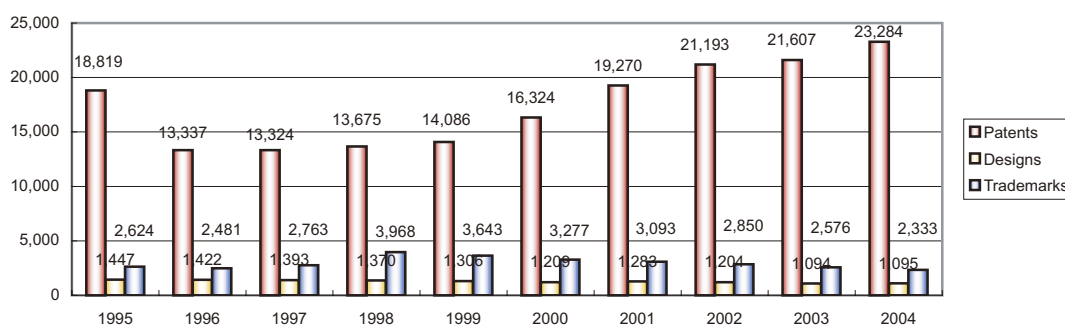
(1) Trends in Requests for Trials

The system of appeals and trials possesses 2 functions; namely, that of functioning as the higher court for examinations and that of resolving disputes over the validity of patent and other applications. The trends in requests for trials that have the former as the major function, such as appeals against the examiner's decision of refusal before the granting of the rights, is more deeply related to the trends in examinations and the trends in requests for decision that have the latter as a major function, such as the trials for invalidation after the granting of the rights, is more deeply related to the trends in infringement cases and other disputes concerning industrial property.

1) Appeal against Examiner's Decision of Refusals

The number of appeals against the examiner's decision of refusal has been stable in the past several years for designs and slightly decreasing for trademarks, while the appeals for patents are growing at a significant rate. This is thought to be caused by the increase in refusals and refusal decision rate of patent examinations.

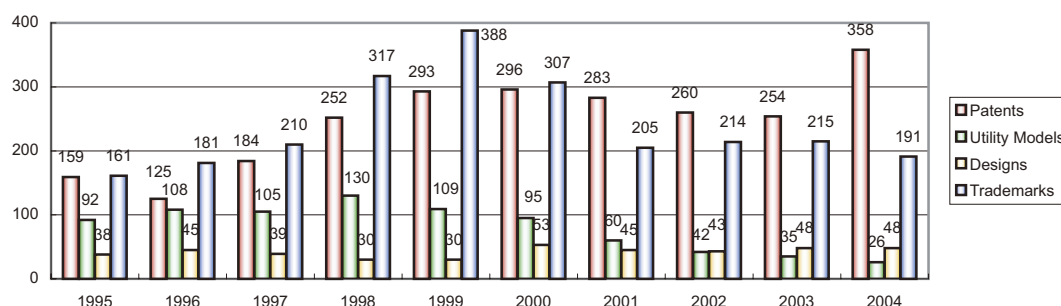
[Appeals against Examiner's Decision of Refusal]



2) Trials for Invalidation

The numbers of demands for trials for invalidation in all areas, namely patents, utility models, designs, and trademark showed peaks in 1999, and although they were showing downward trends during the last few years, in 2004, the number of requests in the fields of patents and utility models increased by about 30% over the previous year due to the abolishment of the opposition system and its integration into the trial for invalidation system.

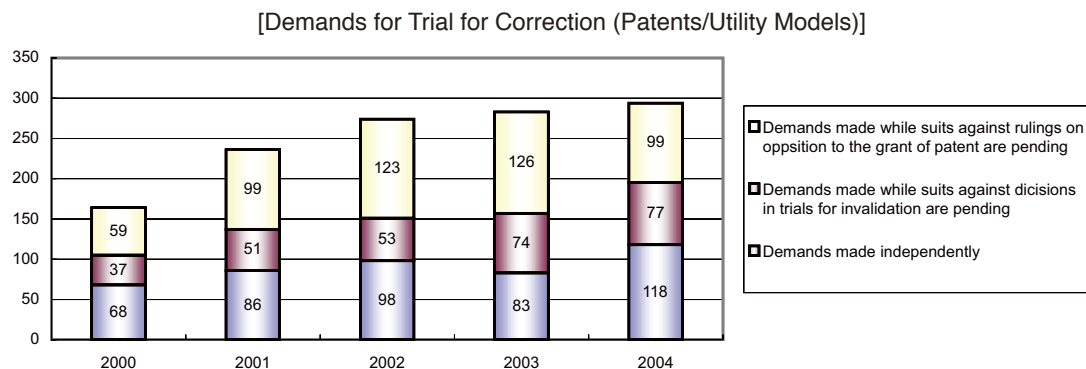
[Demands for Trials for Invalidation]



3) Trial of Correction (Patent / Utility Model)

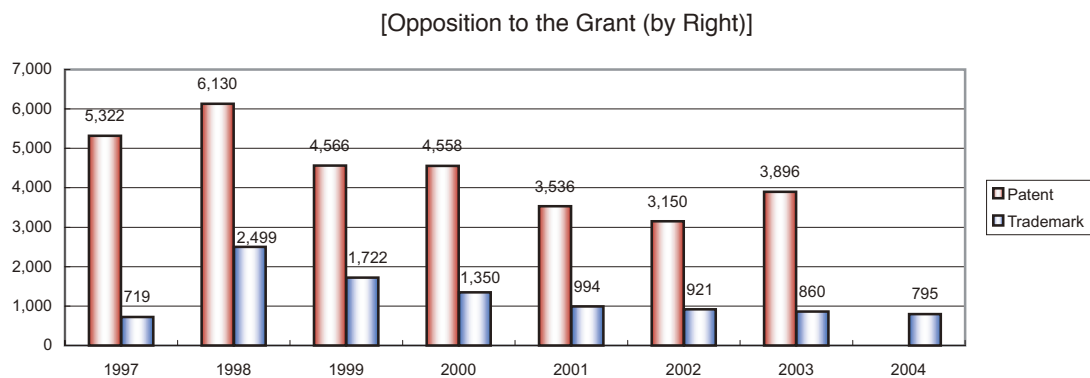
The number of demands for trials for correction for patent and utility model has been rapidly increasing over the past few years. However, a majority of the increase consisted of requests made during the suits against trial decisions and other judgments, indicating that demands for trials for correction are constantly occurring at the suits stage.

Appeals and Trials



4) Opposition to Grant Rights

The number of oppositions to grant rights has been on the decline since it attained a peak in 1998. Such downward trend may indicate that appropriate examinations for stable granting of rights without subsequent invalidation are in progress. The system of opposition to the grant of a patent was rescinded in the amendments to the law in 2003 and was integrated into the system of trial for invalidation, which became effective as of January 1, 2004.

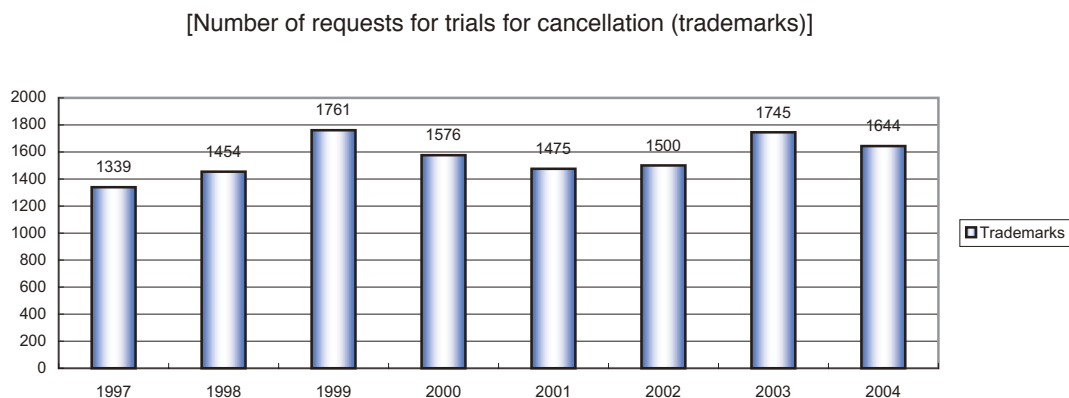


(Note) The opposition system was revised to the post-grant opposition in January 1996 for patents and April 1997 for trademarks.

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 of revision.

5) Trial for Cancellation (Trademark)

The number of trials for cancellation remains virtually unchanged throughout the years.



(2) Trends in Examination of Appeals and Trials

<Patent / Utility Model>

While the number of requests for appeal against the examiner's decision of refusals has been increasing in recent years, the average waiting period for examination was 24 months in 2004. Depending on the trends in the number of requests accompanied by the increasing number of examination processing cases at the Examining Division, the appeal and trial examination period may be further extended.

With regards to trials for invalidation, in order to contribute to early resolution of disputes surrounding rights, the average examination period in 2004 was 12 months as a result of having conducted examinations on a priority basis. In addition, oral trial and appeal examinations were willingly used to enhance trial and appeal examinations (140 cases in 2004)

With regards to trials for correction, due to the frequent cases of applications pending simultaneously with infringement lawsuits, the average trial and appeal period was 4 months as a result of accelerated examination.

With regards to oppositions, the average trial and appeal examination period was 15 months. In addition, the opposition system has been abolished as of January 1, 2004, and the JPO plans to complete the trial and appeal examinations of all applications by the end of fiscal year 2005.

<Design>

The number of requests for appeal against the examiner's decision of refusals has remained virtually unchanged during in recent years, and the average waiting period for examination was 15 months in 2004.

With regards to trials for invalidation, just as with patents and utility models, in order to contribute to early resolution of disputes surrounding rights, the average examination period in 2004 was 8 months as a result of having conducted examinations on a priority basis.

<Trademark>

The number of requests for appeal against the examiner's decision of refusals was on a slight downward trend in recent years, and the average waiting period for examination was 26 months in 2004. Due to the facts that in 2004, the number of primary examinations exceeded that of requests and that the number of requests is on a slight downward trend, future reduction in the waiting period for examination can be expected.

With regards to trials for invalidation, just as with patents and utility models, in order to contribute to early resolution of disputes surrounding rights, the average examination period in 2004 was 12 months as a result of having conducted examinations on a priority basis.

With regards to oppositions, the average examination period in 2004 was 14 months.

With regards to trials for cancellation, the average examination period in 2004 was 7 months.

Appeals and Trials

[Status of appeal and trial examination processing in 2004]

	Appeals against the examiner's decision of rejection		Trials for invalidation		Trials for Correction	
	Number of FA	Average FA period	Number of cases processed	Average examination period	Number of cases processed	Average examination period
Patent / Utility Model	11,298	24 months	331	12 months	284	4 months
Design	1,206	15 months	45	8 months		
Trademark	2,816	26 months	306	12 months		

	Oppositions		Trials for Cancellation	
	Number of cases processed	Average examination period	Number of cases processed	Average examination period
Patent / Utility Model	2,586	15 months		
Design				
Trademark	721	14 months	1,910	7 months

(Remarks)

- Number of FA: Number of cases in which the first examination results from the date of request were notified (number of primary examinations)
- Average FA period: Average period from the date of request until the date the notification of the first examination results is dispatched (average waiting period for examination)
- Average examination period: Average period from the date of request until the date of final decision.
- Number of cases processed: including withdrawals

(3) Improvement of the Trial Proceeding

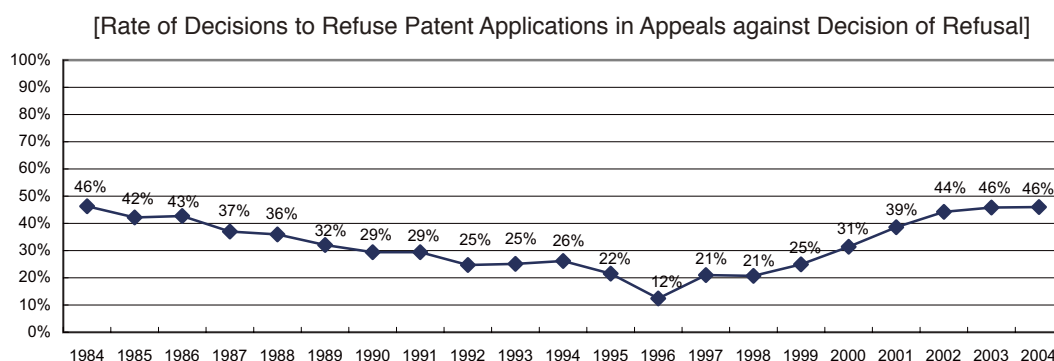
In order to promote healthy competitiveness through protection of industrial property rights, develop industries, and reinforce industrial competitiveness, the establishment of reliable and stable industrial property rights along with their effective utilization is required. Based on this perspective, the JPO aims for appeal and trial decisions that are trusted by those demanding for trials and persons concerned, as well as for decisions that are supported even in cases of suits against these decisions, and makes every effort to ensure strict and accurate examinations. As a result, if we look at the recent examination results of appeals and trials related to patent, we could clearly see that trial proceedings have improved and become stricter in recent years.

The breakdown of the decisions for appeals against the examiner's decision of refusals shows that the rate of disapproved demands (decisions to support the examiner's decision of refusals*) more than doubled from around 21% in 1997 to around 46% in 2004. This fact indicates that examinations and decisions are more exact and strict to allow the 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 the development of the industry. The results of suits against trial decisions related to the examiner's decision of refusals show that the ratio of decisions to cancel the trial decisions made by JPO is around 24% in 1999, and decreased to around 10% in 2004, which indicates that the court is supporting more exact trial decisions.

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

As the increase of the dismissals of demands for appeals against the examiner's decision of refusal indicates an increase in the cases where inventions that had not been granted a patent during examinations were also rejected at

the trials, the predictability of a patent to be granted may be said to have improved.



(Note) 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. (Including dismissal of a request and rejection of an appeal as inadmissible)

(4) Process by the Appeal/Trial Examination Department

1) Measures for more exact Trials

One of the major missions of the Patent Office is granting of stable industrial property rights. Exact decisions are required in the trials, so the Appeal/Trial Examination Department will endeavor for more exact trials by reviewing of court decisions of suits against appeal/trial decisions and decisions regarding the efficacy of rights for infringement lawsuits, enhanced communication with those demanding for trials through active exploitation of oral proceedings and circuit trials, and information exchange with the Court.

2) Measures for the Reform of Appeal/Trial System

The Appeal/Trial Examination Department addressed the urgent issues of responding to the expected increase in the number of demand for trials in accordance with the remarkable increase in the number of examinations being processed. By exploiting the following steps, the Appeal/Trial Examination Department intends to reduce the number of cases from the Examination Department, and to maintain timely and high quality trials.

a. Trials following to the decisions of the Intellectual Property High Court

In order to increase credibility of appeals and trials and to boost the predictability of approval or dismissal of demands for trial, measures will be made for more strict and exact trials based on the court decisions relating to the patentability such as the level of inventive step in court decisions of suits against appeal/trial decisions.

b. Execution of Strict Trial Procedures

In order to reduce the number of cases of appeal and trial examinations, there is an urgent need to conduct management which, whenever possible, leads to confirmation of the establishment of rights or decisions of rejection at the examination phase. With regards to inventions eligible for patent, it is important to make them patentable with adequate objections and revisions at the phase of reconsideration by the examiner before appeal.

To this end, applicants abide by the system to promote adequate objections and revisions at the examination phase, and a strict appeal and trial examination approach was put into place so that appeals and trials become a serious issue between the examiner who made the decision of rejection and the person demanding for trial objecting to this, in order to realize fair and productive appeal and trial examinations.

The operation of such a system promotes the granting of patent at the examination phase to applicants for inventions that are eligible for patent, allowing at the same time for burden and cost reductions for both the applicants and the JPO.

3) Measures for Realization of Timely Trials

The Appeal/Trial Examination 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 setting disputes on validity of patents, etc promptly.

Appeals and Trials

The Appeal/Trial Examination Department will pay attention to the trial period for the appeal against the 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 Appeal/Trial Examination Department shall also aim for more effective exploitation of the appeal investigators and other assistants to appeal examiners.

The Appeal/Trial Examination Department conducts the early decision system for appeals against the examiner's decision of refusal that satisfy specific requirements. The Appeal/Trial Examination Department alleviated the requirements to be subjects for the accelerated decision, and simplified the explanations on the accelerated decision for the patent and utility model cases to make it easier for the users as of July 2000. Starting July 2004, further expansion of the range of application is intended.

4) Improvement of the Trial Environment

With regards to appeals against the examiner's decision of refusal (including reconsiderations by the examiner before appeal), the JPO has launched and has been operating a trial paperless system for all four laws since January 2000 in response to strong demand from both in and out of the Patent Office.

In addition, in response to the Patent Office Business and System Optimization Program developed in October 2004, efforts are made to 1) improve the system in order to support information sharing between examination and appeals / trials as well as information exchanges with the Court, 2) further enhance computerization of the appeal and trial environment, and 3) promote timely and high quality appeal and trial examinations.

5) Efforts Associated with the Amended System

The JPO started the operation of a new system of trial for invalidation in January 2004, in an effort to promote rationalization of the dispute resolution system over validity of patent rights. Contents of the new system of trial for invalidation include integration and unification of opposition to grant a patent and the trials for invalidation, and optimization of the opportunities for corrections during the suits against trial decisions. This new system has been promoted through explanatory meetings held nationwide to inform those demanding for trial of its contents. The JPO will continue to publicly promote the new system of trial for invalidation as well as its proper operation.

Furthermore, regarding infringement lawsuits pertaining to patent rights, if it has been recognized that the patent rights should be subject to invalidation, in addition to restricting the use of the patent rights, in the case where such offense and defense methods are submitted, not only does the Court notify the Patent Office to that effect, the Patent Office may request the Court to deliver a copy of necessary documents from the litigation records. Such revised regulations have been effective as of April 2005. When operating the regulations, specific procedures of appeals and trials are established based on the results of public comments and announced in conjunction with the implementation of the revised regulations. Furthermore, continued efforts will be made toward operation based on the intent of the system revision, such as having trials for invalidation during infringement lawsuits become subject to accelerated appeal and trial examination.

2. Status of Actions against Appeal and Trial Decisions

The number of actions against appeal and trial decisions in 2004 overall declined compared with the previous year. However, the numbers increased for suits against appeal / trial decisions regarding appeals in which no defendants exist for patents, designs, and trademarks, and for suits against appeal / trial decisions regarding trials for invalidation of trademarks.

If we look at the rates of appeal and trial decisions and of rulings of suits against appeal / trial decisions for appeal and trial decisions and rulings in general (action rate), the action rate of suits against appeal / trial decisions regarding appeals against the examiner's decision of refusal of patent and utility models was about 3% in 2004.

[Action Rates in 2004]

	Patent	Utility Model	Design	Trademark
Appeals *1	134 (138%)	0 (0%)	11 (138%)	22 (105%)
Trials for invalidation	130 (90%)	10 (59%)	1 (11%)	69 (128%)
Trials for correction	19 (68%)	1 (50%)		
Opposition	105 (77%)	0 (0%)		2 (40%)

(over the previous year)

(Note)*1: appeals against the examiner's decision of refusal, appeals against the examiner's decision to dismiss an amendment

– Regarding the Intellectual Property High Court –

The Intellectual Property High Court was established in April 2005 with the purpose to reveal about the intellectual property-oriented national strategy both internally and to the public, to ensure timely dispute resolutions, and to increase predictability of court decisions and response to technical expertise. It has been positioned as a special affiliate of the Tokyo High Court, and has 4 regular divisions, if necessary the Grand Panel has been set up, which consists of a collegial system with 5 members which has been introduced in April 2004 according to the revised Civil Procedure Code to ensure early unification of decisions.

Moreover, adequate response to intellectual property litigations which require high expertise can be expected due to the expert commissioner system introduced in April 2004 according to the revised Civil Procedure Code, as well as to the utilization of judicial research officials as of April 2005 to ensure expansion and clarification of rights.

Meanwhile, cases dealt by the Intellectual Property High Court are almost identical to those previously dealt by the Intellectual Property Division of the Tokyo High Court, dealing mainly with appeals against decisions of the first hearing of infringement suits as well as with suits against appeal and trial decisions of the JPO.