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Chapter 1

Government-Wide Efforts

1 Developments in Intellectual Property Strategies

The environment surrounding intellectual property is constantly changing, and the intellectual property strategies spearheaded by the government are also building in intensity. Ever since Prime Minister Junichiro Koizumi spoke of the importance of intellectual property during his policy speech delivered in February 2002, the Basic Act on Intellectual Property was established, the Intellectual Property Strategy Headquarters was set up, the "Strategic Program for the Creation, Protection and Exploitation of Intellectual Property" (hereinafter referred to as the "Strategic Program 2003") was formulated, and the "Intellectual Property Strategic Program 2004" was formulated as a revised edition of the Strategic Program 2003. The Strategic Program is revised every year. On June 8, 2006, the "Intellectual Property Strategic Program 2006" (hereinafter referred to as the "Strategic Program 2006") was formulated. In this manner, the government has been making all-out efforts to dynamically develop measures.

The "Economic Growth Policy Outline," which the government compiled in July 2006, also mentions "technology," or in other words "skills and techniques," as one of the factors that support Japan's competitiveness, and indicates that strategies on patents and other intellectual property rights will be further promoted in order to achieve technological innovations.

2 Intellectual Property Strategic Program 2006

(1) Review by Task Forces in the Intellectual Property Strategy Headquarters

For the purpose of identifying countermeasures to important issues in intellectual property policy, task forces consisting of expert members have been organized in the Intellectual Property Strategy Headquarters. In formulating the Strategic Program 2006, issues were discussed in the Task Force on Intellectual Creation Cycle and the Task Force on Media Content Business (Digital Content Working Group).

- Task Force on Intellectual Property Enforcement
  - Dec. 2003 "Comprehensive Policies for Expeditious Patent Examination"
    "Establishment of the Intellectual Property High Court"
  - May 2004 "Reinforcing Measures against Counterfeiting and Piracy"
  - April 2005 "Measures to Promote Intellectual Property Strategies of Small and Medium-Sized Companies and Venture Companies"

- Task Force on Media Content Business
  - April 2004 "Content Business Promotion Policy" (Japan Brand Working Group)
  - February 2005 "Promotion of the Japan Brand Strategy" (Digital Content Working Group)
  - February 2006 "Digital Content Promotion Strategy"

- Task Force on Patent Protection for Medical Activities
  - November 2004 "Patent Protection for Medical Activities"

- Task Force on Intellectual Creation Cycle
  - February 2006 "Important Tasks Related to the Intellectual Property Cycle"

The Task Force on Intellectual Creation Cycle formulated the "Comprehensive Strategy for the Development of Human Resources related to Intellectual Property" and the "Policy on Promotion of Important Tasks related to the Intellectual Property Cycle" in February 2006. In the same month, the Task Force on Media Content Business formulated the "Digital Content Promotion Strategy."

(2) Achievements of the Strategic Program

Over the past three years, various measures have been promoted based on the Strategic Program, and many concrete achievements have been made.

<Chapter 1 Creation>

- University Intellectual Property Strategy Headquarters and Technology Licensing Organizations (TLO) were established nationwide, which contributed to the development of a system for transferring university research results to the private sector.
- With regards to the remuneration for employee's inventions, Article 35 of the Patent Act was amended, so as to respect the independent arrangements between the employer and the employees in regards to remuneration for employee's inventions (entry into force: April 2005).

<Chapter 2 Protection>

- The establishment of the Program for the Promotion of Expeditious Patent Examination and the recruitment of 98 fixed-term examiners every year since 2003 has contributed to the development of a system for shorter examination periods.
- The Intellectual Property High Court, which specializes in lawsuits related to intellectual property, has been established under the Act for Establishment of the Intellectual Property High Court (April 2005).
- By way of the Act for Partial Amendment to the Design Act, etc., stricter criminal punishments came to be imposed for infringement of patent, design, and trademark rights and infringement of trade secrets, and exportation was added to the acts of infringement in the Patent Act, etc. (January 2007)
- With regard to trade secrets whose property values have recently been increasing, penal provisions for wrongful acquisition, use and disclosure of a trade secret of another person have been included in the Unfair Competition Prevention Act.
- With regard to the issues of counterfeiting and piracy, border control has been strengthened through amendments of the Customs Tariff Act and the Customs Act (entry into force: 2003-2006).

<Chapter 3 Intellectual Property Exploitation>

- With the amendment of the Trust Business Act, intellectual property became subject to trust business, which made it easier to manage and use intellectual property (entry into force: December 2004).
- With the establishment of a new Bankruptcy Act, intellectual property licensees came to enjoy greater protection in the event of a bankruptcy (entry into force: March 2005).
- Support in prior art searches came to be provided to small and medium-sized companies (SMEs) and venture companies (commencement: June 2004).
- Based on the "Intellectual Property Information Disclosure Guidelines" released in April 2004 and the "Intellectual Assets Management Disclosure Guidelines" released in October 2005, intellectual property reports were prepared by 13 companies in FY2004 and by 22 companies in FY2005.
- In each Regional Bureau of Economy, Trade and Industry (nine blocs nationwide), a "regional intellectual property strategy headquarters" was jointly established by the public and private sectors of the region (FY2005). Each headquarters has formulated a "regional intellectual property strategic program" and implements intellectual property support measures in compliance with the characteristics of the individual region.

<Chapter 4 Contents>

- The Act on Promotion of Creation, Protection, and Exploitation of Content (Content Promotion Act) was enacted, requiring national and local governments and concerned parties to make concerted efforts to comprehensively and effectively promote measures for encouraging creation, protection and exploitation of content (entry into force: June 2004 [partially in September 2004]).
- Private sector participation increased, as represented by the establishment of the Entertainment Lawyers Network (May 2004) and the Visual Industry Promotion Organization (December 2004).

- The Trademark Act was amended to allow faster registration of trademarks consisting of a region's name and a product name as regional collective trademarks in order to protect regional brands more appropriately (entry into force: April 2006).

<Chapter 5 Human Resources>

- The "Comprehensive Strategy for the Development of Human Resources Related to Intellectual Property" was formulated by the Task Force on Intellectual Creation Cycle (January 2006).
- Law schools and graduate schools specializing in intellectual property have been established, allowing for enrichment of the education system.
- Human resource networks such as the Lawyers IP Network and access points of the Japan Patent Attorneys Association have also been developed.

(3) Key Points of the Intellectual Property Strategic Program 2006

1. Strengthening Measures against Counterfeiting and Piracy
- Aiming to achieve early adoption of International Legal Framework on Preventing Proliferation of Counterfeits and Pirated Goods
- Strengthening of regulations on importation of counterfeit and pirated goods by individuals

2. Promoting Innovations
- Developing the "integrated search system for information on patents and scientific papers"
- Reducing patent fees for inventors at postdoctoral, postgraduate, or undergraduate levels

3. Reforming the Structure of the Patent Application System and Realizing a Global Patent System
- Promoting foreign patent applications
- Achieving quicker granting of rights through collaboration between the JPO, USPTO and EPO (the Patent Prosecution Highway)

4. Supporting SMEs and Local Governments
- Protecting the intellectual property of SMEs and venture companies
- Supporting local governments to formulate an intellectual property strategy

5. Making Japan a Culture-creating Nation
- Making Japan a world-class content superpower
- Promoting the Japan Brand

6. Developing Human Resources Related to Intellectual Property
- Implementing the "Comprehensive Strategy for the Development of Human Resources related to Intellectual Property"
- Training international intellectual property experts
- Strengthening activities for improving public awareness of intellectual property

3 Economic Growth Policy Outline

At the meeting of the Council for Comprehensive Financial and Economic Reform (a government and ruling party conference attended by the Prime Minister, relevant ministers, and executive members of the ruling parties) held on July 6, 2006, the "Economic Growth Policy Outline" was adopted by the government and the ruling parties.

The Policy Outline, compiled through the initiative of the Minister of Economy, Trade and Industry, indicates the measures that should be taken in the next decade until FY2015 when the population is expected to start declining on a large scale. It is considered a top-priority task by the government and the ruling parties, part of an inseparable pair together with the integrated reform of expenditure and revenue, in promoting comprehensive financial and economic reform. The Policy Outline has been formulated by integrating the "New Economic Growth Strategy" and the "Global Economic Strategy" formulated by the Ministry of Economy, Trade and Industry (METI) as well as policies of other ministries and agencies that would contribute to increasing Japan's economic strength. It is also reflected in the

Basic Policies for Economic and Fiscal Management and Structural Reform 2006.

The Policy Outline sets forth that the government will engage in various measures as shown below in order to strengthen intellectual property protection.

- In order to quickly patent the results of technology development, it is necessary to expedite the patent examination procedure. The government will expedite the procedure through recruiting more examiners and expanding the outsourcing of prior art searches. It aims at achieving the world's fastest patent examination system by reducing the first action pendency from the current 26 months to 11 months by 2013, and eventually reducing the pendency to zero months.

- In order to protect intellectual property, the government needs to implement measures with an eye not only on the domestic market, but on the global market as well. Recognizing the importance of facilitating the international acquisition of patents, the government will promote the Patent Prosecution Highway among major countries, which allows an application that has been patented in one country to be examined quickly in a second.

- In terms of international measures, there are demands for anti-counterfeiting measures and the development of a system for preventing technology leakage. The government will demand the countries which are known to produce counterfeit goods to strengthen their regulations and provide assistance with enforcement. At the same time, it aims at early realization of International Legal Framework on Preventing Proliferation of Counterfeits and Pirated Goods.

The Economic Growth Policy Outline attaches a separate Progress Schedule that indicates the timeframe for achieving each item. The targets to be attained in the short term (within FY2006) include the launch of a trial run of the Patent Prosecution Highway with the United States and formulation of guidelines on prior use rights (case examples). Those to be attained in the medium term (by FY2008) include the launch of a trial run of the Patent Prosecution Highway with South Korea, and those to be attained in the long term (by FY 2015) include the reduction of the first action pendency to the world's shortest at 11 months by 2013 and establishment of a global patent system.

Chapter 2

Efforts Related to Patents

1 Action Plan for Expeditious and Efficient Patent Examinations

(1) Background

Ever since Prime Minister Junichiro Koizumi expressed a national vision of making Japan an "intellectual property-based nation" in his policy speech delivered in February 2002, the government has been making concerted efforts to take exhaustive and successive measures powerfully and speedily towards reaching this goal. In order to maintain and increase Japan's technological and industrial competitiveness today when competition has intensified in all areas, including technology development activities and economic activities, it is indispensable to create intellectual property through technology development activities and to appropriately protect and exploit this intellectual property so as to further accelerate and stimulate subsequent technology development activities.

In particular, early patenting of inventions leads to improving R&D efficiency and eliminating overlapping research activities, as well as to commercializing creative inventions at an early stage. Thus, it is an essential precondition for Japanese companies to increase their international competitiveness.

Looking back at recent national measures, the "Intellectual Property Policy Outline" was formulated in July 2002, and in December of the same year, the prompting of the intellectual creation cycle was established as a basic principle by the Basic Act on Intellectual Property.

Next, the Intellectual Property Policy Headquarters, headed by Prime Minister Koizumi, was established in March 2003, and in July 2003 the Headquarters formulated the "Strategic Program for the Creation, Protection and Exploitation of Intellectual Property." Since then, the headquarters has repeatedly reviewed the Strategic Program and formulated the "Intellectual Property Strategic Program 2006" in June 2006. In this manner, the framework for an intellectual property-based nation has been developed at a rapid pace.

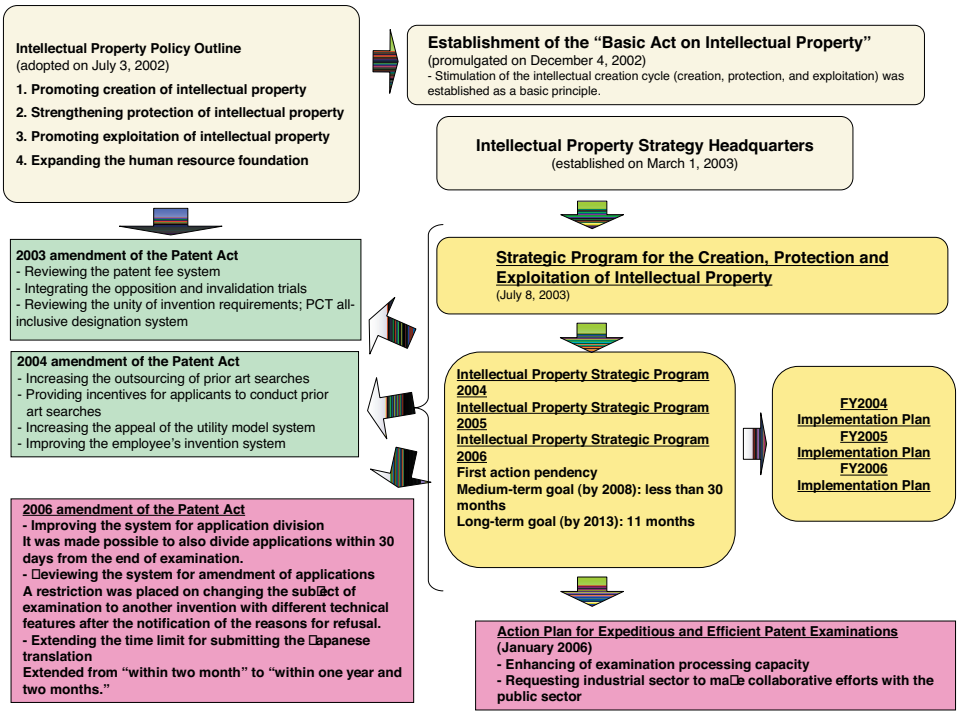
Looking back on the recent JPO measures, the JPO has made law amendments, including a review of the patent fee system, increased outsourcing of prior art searches, a review of the employee's invention system, a review of the systems for division and amendment of applications, and strengthening of criminal punishments, by 2006 in an effort to improve the patent system.

Meanwhile, patent activities are becoming extremely dynamic throughout industry in line with the national government's efforts to make Japan an intellectual property-based nation. Japanese companies' patent strategies tend to attach more importance to the number of patents and overemphasize national filings compared to those of the companies in major western countries. However, these can also be regarded as signs of dynamic R&D activities in companies and a widening awareness of the importance of intellectual property.

In order to ensure that Japan becomes an intellectual property-based nation under these circumstances, the greatest responsibility for the JPO is to strive to contribute to the industrial development of Japan as a whole and to increase the country's national wealth through increasing the speed and quality of examination and Appeals Board proceedings and granting reliable and stable rights, thereby meeting the expectations of citizens.

Meanwhile, companies are expected to build more effective intellectual property strategies by further shifting emphases from "quantity" to "quality" and from "domestic" to "foreign."

In any case, in order to create a true intellectual property-based nation, the public and private sectors must recognize the roles they are expected to play from their respective standpoints and promote stimulation of the intellectual property cycle consisting of creation, protection, and exploitation of intellectual property.



(2) Establishment of the Headquarters for Expeditious and Efficient Patent Examinations

Expeditious patent examinations are one of the most important factors in making Japan an intellectual property-based nation. With regards to achieving expeditious patent examinations, the Intellectual Property Strategic Program indicates that the government will aim to achieve first action pendency of less than 30 months in 2008 as a medium-term goal when the pendency is expected to become the longest, with the long-term goal of establishing the world's shortest first action pendency period at 11-month first action pendency by 2013 (long-term goal).

Meanwhile, since the period for requesting examination was shortened from seven years to three years for applications filed in and after October 2001, the examination requests under the old system and those under the new system have been filed in a concentrated manner. Consequently, the number of requests for examination, which was about 220,000 in FY2003, surged to about 380,000 in FY2004 and to about 390,000 in FY2005. In line with this, the backlog of patent applications also rapidly increased, reaching about 790,000 by the end of FY2005. Apart from the concentrated filing of examination requests under the old and new systems, another reason for the surge was the sharp rise in the rate of requests for examination, from around 55% under the old system to about 66% under the new system.[1] This is likely the result of a more-than-anticipated number of examination requests being filed due to reasons including applicants not screening their applications with the strictness that had been originally expected when requesting examinations.

Even under these circumstances, the government must achieve the medium- and long-term goals of expeditious patent examinations as set by the Intellectual Property Strategic Program. Therefore, there was a need to make yet additional or stronger efforts to achieve expeditious patent examinations. To this end, the Headquarters for Expeditious and Efficient Patent Examinations headed by Toshihiro Nikai, Minister of Economy, Trade and Industry, was established on December 22, 2005 for the purpose of formulating measures for expeditious patent examinations to be implemented by METI as a whole, and administered mainly by the JPO.

1 See Part 1, Chapter 1, 1. (1) 2) and 3).

(3) Formulation of the Action Plan for Expeditious and Efficient Patent Examinations

On January 17, 2006, the Headquarters for Expeditious and Efficient Patent Examinations adopted the Action Plan for Expeditious and Efficient Patent Examinations (hereinafter referred to as the "Action Plan") based on four mainstays: efforts by the examination authority; efforts by the industrial sector; support to efforts by industry and patent attorneys (and their association); and considerations to SMEs. It was decided that entire METI will promptly implement necessary measures while seeking cooperation of patent applications.

1) Goals to be Achieved

The Action Plan sets "goals for expeditious patent examinations" for achieving the medium- and long-term goals of the Intellectual Property Strategic Program.

At the same time, "goals for efficient patent examinations" were also set. These were adopted with the intention of improving the efficiency of operations so as to use limited personnel and budgets to their fullest extent and of solving issues by using the funds and initiatives of the private sector. Another reason was that the "Basic Policy for Administrative Reform" adopted by the Cabinet in December 2005 stated that, with regard to the Patent Special Account, the government will improve the efficiency of operations and increase outsourcing to the private sector while setting medium-term quantitative goals.

a. Goals for Expeditious Patent Examinations

With the recent surge in the number of requests for examinations, the backlog of patent applications is expected to swell. Additionally, the number of international applications that the JPO must process within a short period as an obligation under the treaty is also expected to increase. Therefore, temporary lengthening of the first action pendency would not be avoidable for a while (the first action period in 2005 was about 26 months). Even under such circumstances, the Intellectual Property Strategic Program aims to keep the first action pendency to less than 30 months in 2008 when the pendency is expected to become the longest, and to achieve the world's shortest first action pendency at 11 months by 2013 (and eventually achieve a zero-month pendency). In order to achieve these medium- and long-term goals amidst the unexpectedly soaring number of examination requests, it is essential for the JPO to increase its examination-processing capacity and for industry to screen the applications that truly require examination requests.

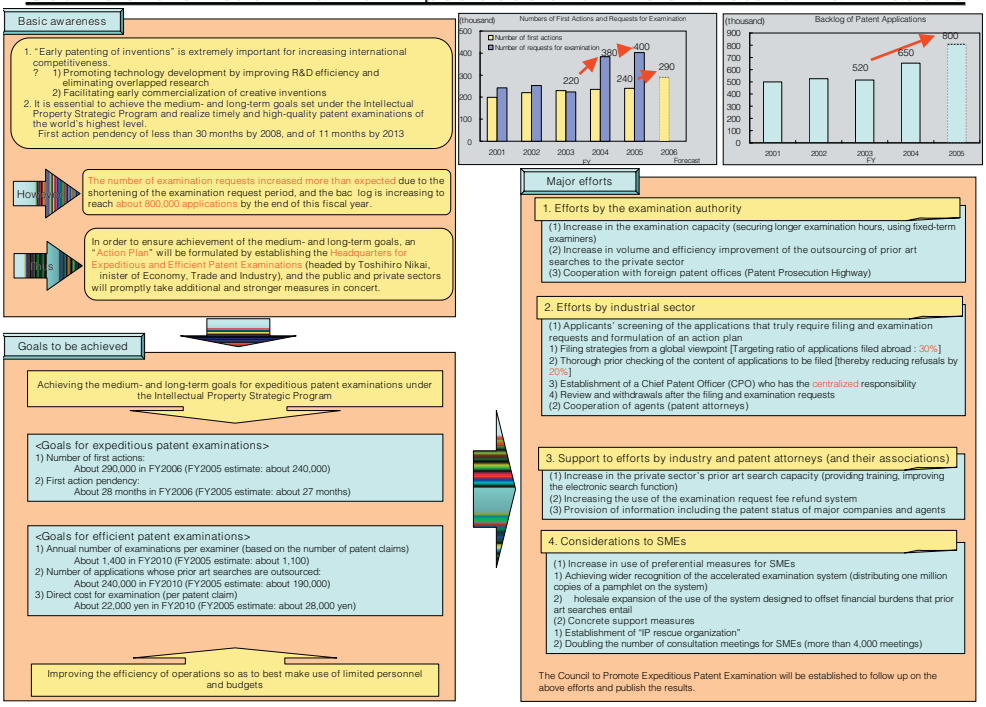
To this end, efforts will be made to minimize the prolongation of the first action pendency by using to the fullest extent the abilities of not only the regular examiners, but also those of the new fixed-term examiners hired from FY2004, by increasing the prior art searches outsourced through increasing the capacities of the registered searching organizations, and by asking applicants to review the true need for filing and requesting examination including the possibility for withdrawing their applications. Through these measures, the JPO aims to increase the number of first actions in FY2006 to about 290,000, which would be a 20% increase over the number in FY2005 (about 245,000), and to keep the first action pendency in FY2006 to about 28 months.

b. Goals for Efficient Patent Examinations

In order to achieve expeditious patent examinations by making better use of limited personnel and budgets, it is necessary to further improve the efficiency of operations and to use funds and initiatives of the private sector. To this end, the following medium-term goals have been set on the premise of a steady increase in the searching capacity of registered searching organizations, including new entrants, based on the earlier-mentioned "Basic Policy for Administrative Reform." Measures for attaining these goals will be launched promptly.

- The annual number of examinations per examiner (based on the number of patent claims) will be increased by about 30% in the next 5 years from about 1,100 in FY2005 to about 1,400 in FY2010.
- The number of applications whose prior art searches are outsourced will be increased by about 25% in the next 5 years from about 190,000 in FY2005 to about 240,000 in FY2010.
- The direct cost for examination (per patent claim; excluding indirect costs) will be reduced by about 20% in the next 5 years from about 28,000 yen in FY2005 to about 22,000 yen in FY2010.

Outline of the Action Plan for Expeditious and Efficient Patent Examinations

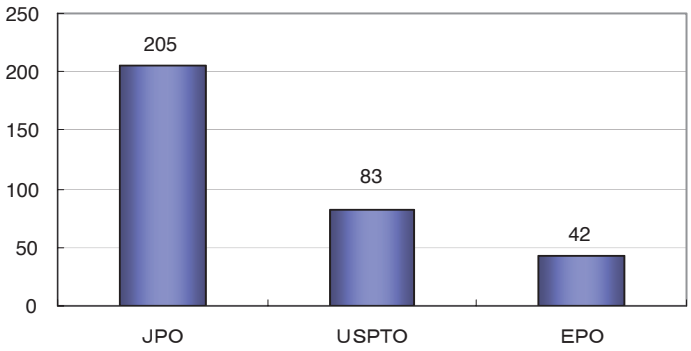


2) Toward Further Increasing the Examination Capacity

As a result of actively promoting the establishment of an electronic filing and examination system and making the world's first-ever attempt to outsource prior art searches to the private sector, the JPO's examination capacity is twice-to-five times higher than major western patent offices, and the JPO is often considered a model of a "small government" by the rest of the world. Thus, the examination capacity of individual JPO examiners is already at the world's highest level. Accordingly, in order to drastically increase the JPO's examination capacity, an increase in the number of examiners is essential.

However, as it is currently not easy to increase the number of examiners due to the strong trend to reduce the number of public officers, the JPO will re-examine these measures to increase the examination capacity of each individual examiner. Additionally, while maintaining a basic policy of increasing the number of examiners in order to increase the overall examination capacity, it will further increase the outsourcing of prior art searches, which is already in extensive use, and further improve the efficiency of examination operations and streamline training, on the condition that examination quality standards are not sacrificed.

[Number of Applications Examined per Examiner]



Note: Number of applications examined is equal to the number of first actions plus the number of international search reports.
Sources: Calculated from the Trilateral Statistical Report and the respective offices' annual reports. Data for USPTO and EPO are based on the 2004 data. Data for JPO are based on the FY2004 data.

3) Cooperation with Industry

Based on the above-mentioned need to further increase the JPO's examination capacity and the current status of applicants' patent activities, the measures to be sought from industry and agents were formulated with an emphasis on the development of filing strategies from a global perspective and the screening of applications prior to the filing and examination requests. At the same time, METI's support measures to encourage such efforts on the part of industry and agents were also formulated. Both of these measures were incorporated into the "Action Plan for Expeditious and Efficient Patent Examinations."

The JPO makes these requests and provides these support measures for the following purpose. If industry and agents narrow down the filing and examination requests to only the applications that truly need to be patented, industry can prevent unintentional technology leakages, acquire patents overseas based on international strategies, and improve the R&D efficiency by conducting sufficient prior art searches at the R&D phase, and consequently increase international competitiveness. Furthermore, if the JPO can allocate its limited examination resources to applications that truly need to be patented, expeditious patent examinations will be promoted as a whole.

In any case, it is indispensable for industry, agents and METI to share the common awareness and play their respective roles toward achieving expeditious patent examinations and for making Japan an intellectual property-based nation.

As intellectual property also plays an extremely important role in SMEs, sufficient considerations will be given to SMEs, particularly those with little experience in intellectual property, through bolstering support measures for them.

4) Follow-up by Holding Meetings of the Patent Strategy Committee

Meetings of the Patent Strategy Committee will be held with the wide range of participants from the industrial sector as an arena for following up on the public and private sectors' efforts for expeditious patent examinations and for discussing the measures for strategically acquiring and exploiting intellectual property in industry that vary depending on the type of industry.

2 Concrete Efforts in Patent Examination

To date, the JPO has made various efforts in order to achieve the medium- and long-term goals for expeditious patent examinations set under the "Intellectual Property Strategic Program" and to realize the eventual goal of a "zero-month first action pendency." These efforts included revision of the examination guidelines based on the trends of technology innovations, support for smooth patent acquisition provided in the examination phase tailored to the applicants' needs, and promotion of international cooperation in line with the advancement of economic globalization. The JPO will continue to make efforts with focus on the following.

(1) Efforts for Timely and High-quality Examination

1) Increase in the examination capacity

- Increasing the examination efficiency of examiners

In order to allow examiners to dedicate their limited capacity to patent examination as much as possible, the JPO will review and streamline their examination-related operations to maximize their examination-dedicated hours in their total working hours. The JPO will also allow for more flexible working hours for examiners in order to allow individual examiners to maximize their performance. Additionally, the JPO will streamline and allow flexibility in the training for examiners and assistant examiners.

- Significantly increasing the number of examiners

In order to cope with the increasing backlog of patent applications[1] and significantly increase the examination capacity, the JPO will continue to make efforts to sufficiently secure the necessary number of examiners, with a view to hiring a total of 500 fixed-term examiners by FY2008 by hiring about 100 fixed-term examiners every year, in addition to increasing the number of regular examiners. In FY2006, the JPO achieved a drastic increase in the number of examiners by a total of 110 regular and fixed-term examiners (fixed-term examiners: 98 persons).

[Increase in the Number of Patent Examiners]

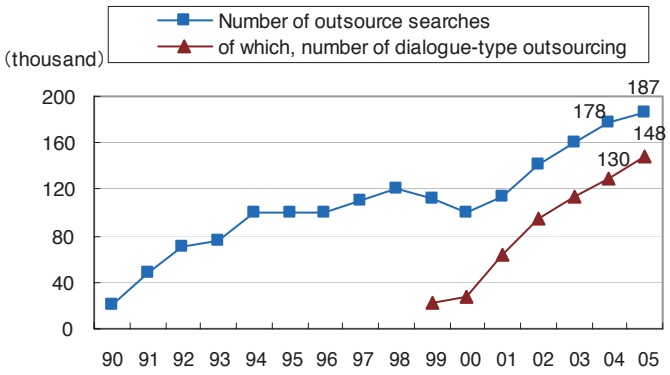
FY	2004	2005	2006
Regular examiners	1145 (+ 19)	1162 (+ 17)	1174 (+ 12)
Fixed-term examiners	98 (+ 98)	196 (+ 98)	294 (+ 98)
Total	1243 (+117)	1358 (+115)	1468 (+110)

2) Increasing the Outsourcing of Prior Art Searches

- Promoting new registered search organizations

Improved examination efficiency is indispensable for achieving timely and high-quality examinations. Therefore, the JPO has outsourced part of the prior art searches necessary for examination (hereinafter referred to as the "outsource searches"), gradually increasing the number of outsource searches.

[Trends in the Number of Outsource Searches]



In 2004, the JPO took a measure to broaden the range of search organizations by introducing a system to allow organizations that satisfy certain requirements to become registered search organizations. As a result, three organizations, including a private company, were registered as registered search organizations by March 2005.

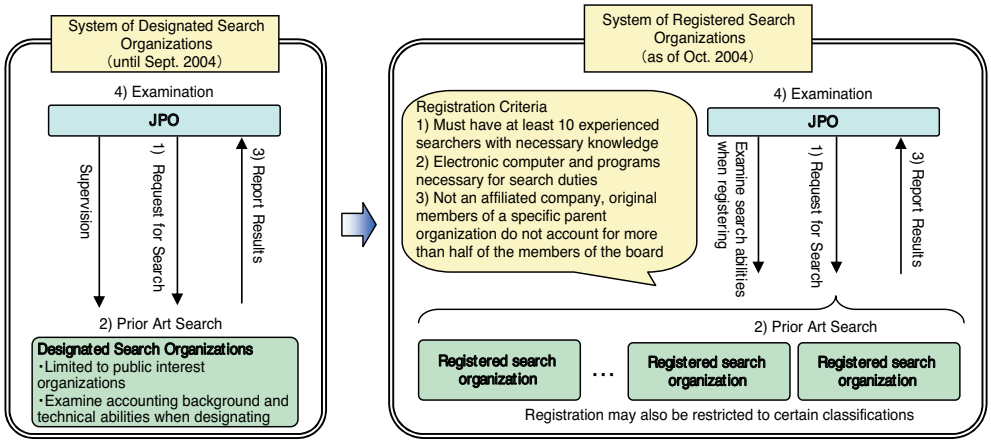
After that, the JPO continued efforts to make the system widely known, such as holding explanatory

1 See Part 1, Chapter 1, 1. (2) 3).

meetings, as a result, another private company had registered as a registered search organization in July 2006.

- Improving examination efficiency through dialog-type outsourcing

The JPO will ensure the quality of prior art searches and improve the examination efficiency by further promoting a shift from the "paper-type outsourcing," where the search organization prepares a report of its search result and submits it to the JPO, to the "dialog-type outsourcing," where the person who conducted the search explains the results to directly to examiners and receive advices, such as the need for additional searches, in the face-to-face meeting (percentage of interactive outsourcing in the total outsourced searches: 73% in FY2004 → 79% in FY2005).



(2) Revision and Implementation of Examination Guidelines for More Appropriate Patenting

The JPO made and released the following revisions of examination standards recently from the viewpoint of extending more appropriate patent protection.

1) Revision of the Examination Guidelines for "Industrially Applicable Inventions" (April 2005)

The examination guidelines were revised to clarify matters, including the fact that a "medical equipment operating process," which represents the functions of the medical equipment itself in the form of a process, is patentable subject matter.

2) Creation of Examination Guidelines for "Pharmaceutical Inventions" (April 2005)

The examination guidelines were created to clarify matters including the following: a pharmaceutical invention defined by a method of treatment, such as a specific combination of multiple pharmaceuticals or an amount of or interval between dosages, is not a "method of treatment of human body by therapy and diagnostic method practiced on the human body," but a "product invention," so it should be handled as an "industrially applicable invention."

3) Revision of the Examination Guidelines for the "Novelty and Inventive Step Requirements" (June 2006)

The examination guidelines were revised to clarify the approach to inventions comprising use limitations in their claims, specifically, how to identify an invention comprising use limitations and the definition of a use invention.

(3) Efforts for Achieving Patent Examinations that Meet the Applicants' Needs

The applicants' needs have become more and more diversified, such as acquiring several patents for various aspects of their technology, quick acquisition of patents, and patent strategies with a global perspective. In order to support the applicants' intellectual property strategies in such a situation, the JPO implements the following measures in patent examinations.

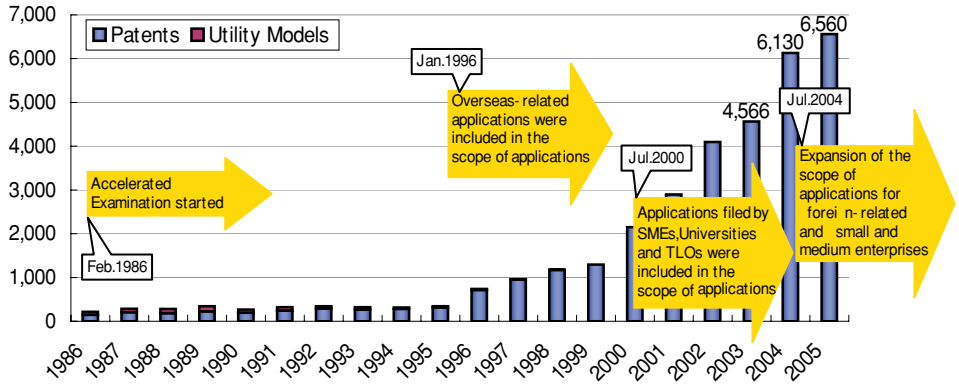
1) Promoting Use of an Accelerated Examination System

For the purpose of allowing quick use of the R&D results and supporting the applicants' global economic activities, the JPO is conducting accelerated examinations for the following types of applications from the past, on the condition that the applicant submits an explanation of circumstances concerning accelerated examination: applications for inventions that are already being exploited (or is planned to be exploited within two years); applications that are also being filed overseas; and applications filed by SMEs and venture companies that lack in funds and universities, technology licensing organizations (TLOs), and public research institutions that are expected to return the benefits of the research results to society.

The system has been made even more convenient for use. In 2004, the guidelines were revised to expand the scope of the "internationally-filed applications" and the scope of "SMEs." Furthermore, in July 2006, revisions were made to reduce the workload of prior art searches for SMEs seeking to use this system and to review the requirements for prior art searches for joint applications between SMEs and large companies.

By continuing to make the system more convenient as the need arises, the JPO will further promote the use of the system and appropriately deal with applications that require expeditious patenting. In 2005, the average first action pendency for accelerated examinations was about 2.4 months from the time of request for the accelerated examination.

[Number of Requests for Accelerated Examination]



2) Promoting Use of International Applications under the PCT

The JPO has encouraged applicants to actively use the PCT system in filing international applications, because it enables quick patentability evaluation of the important key technology to be placed on overseas markets, allowing the applicant to use the evaluation results in its global business strategy, and it is also an extremely effective strategy for quickly acquiring patents overseas.

As part of the efforts to promote use of international applications, the JPO revised its examination system and the accelerated examination guidelines so that the JPO can start accelerated examination of PCT international applications that designated Japan and have entered the national phase quickly, without waiting for the international publication, starting in April 2006. With the request for early shift to the national phase and an accelerated examination, the JPO can now conduct the international search and the national-phase examination at the same time or within short time period and provide the examination results earlier than before.

In the case of a PCT application without self-designation, through requesting the use of search result of a prior national application, such as the basic application, an examination of the prior national application and the international search for the international application are commenced almost simultaneously, and the applicant can receive a partial refund of the international search fee.[1] The use of this conventional scheme has also increased steadily. In 2005, this scheme was used for about 400 applications (on a drafting date basis).

1 Of the 97,000 yen international search fee, 41,000 yen is refunded under this scheme for international applications whose international filing date is January 1, 2004 or later.

3) Promoting Circuit Examinations in Rural Areas

In order to sufficiently and appropriately understand the views of applicants and agents, the JPO has since FY1996 conducted, in addition to the interviews at the JPO, circuit examinations for SMEs, venture companies, universities, and TLOs in rural areas that lack opportunities to directly exchange opinions with the examiners. In FY2005, the JPO aimed at conducting circuit examinations for more than 1,500 applications, and managed to conduct circuit examinations for a total of 2,212 applications in 16 prefectures nationwide. The JPO will strive to conduct circuit examinations for all applications for which such examination is sought in the future.

4) Steady Implementation of Consolidated Examinations for Relevant Applications

The JPO conducts consolidated examinations for relevant applications, which is a system in which the examiner examines a series of applications that are closely related with each other technically (relevant applications) in one lot by systematically gaining an understanding of the technical details through technical explanations from the applicant or interviews with the applicant. The JPO will continue to support the applicants' strategic patenting by reviewing the system as required to make it more adapted to the applicants' needs.

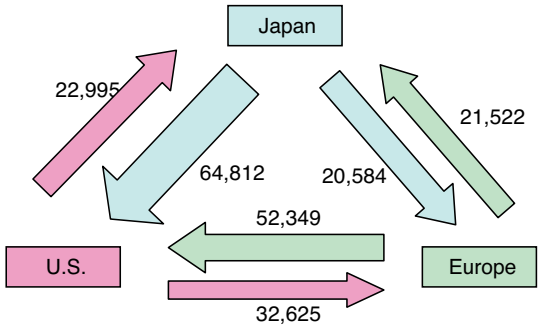
(4) Promoting International Cooperation in Patent Examinations

With the growing awareness of the importance of patents and the progress of economic globalization, there has been increasing needs for acquiring patents in multiple countries and a surge in the number of patent applications worldwide. The major challenge for patent offices worldwide is how to deal with the ever-increasing backlog of patent applications. When one patent application is filed in several countries, prior art searches and examinations for the same application would be duplicated. Among the Trilateral Offices (JPO, USPTO, and EPO), the annual number of such overlapping applications reaches about 210,000, so how the offices can efficiently examine these applications, it has become a shared issue. From this perspective, the JPO, together with other national patent offices, promotes cooperation in patent examination where the patent offices use the prior art search results and examination results of other patent offices in order to reduce their examination workload. Particularly, in the Trilateral Office framework, the JPO has implemented a "mutual exploitation project"[1] for evaluating the usability of prior art search results of other patent offices.

[Trends in Applications Between the Trilateral Offices]

Between the Trilateral Offices (EPO, JPO, and USPTO), the number of applications filed redundantly with other offices came to 210,000.
→International cooperation is essential for efficiency improvement in patent examination.

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.

1 The Trilateral Offices conducted a project from 2003 to 2004 to mutually exchange their search results with the other two offices and evaluate them. As a result, they confirmed that use of the search results of other national patent offices has the effect of reducing the examination workload and increasing the examination quality, and that it is important to sufficiently search patent documents in the Japanese language in order to grant high-quality patents.

1) Establishment of the Dossier Access System

Based on the results of the "mutual exploitation project," the respective Trilateral Offices established a Dossier Access System to allow the other offices to view their dossiers (file wrappers including examination-related documents) via the Internet, and launched the operation of the system by October 2004. With regard to the "Next-Generation Dossier Access System," which allows easier access to the dossiers among the Trilateral Offices, a system that allows the JPO to access the USPTO and the EPO documents went into operation in March 2006. After that, a system that allows the USPTO to access the JPO documents also went into operation in July 2006.

The Dossier Access System offered by the JPO is equipped with a Japanese-to-English machine translation function, so the dossiers for individual Japanese applications can be viewed in English. Currently, the Trilateral Offices are striving to further improve the usability of the Dossier Access System in cooperation with each other.

2) Efforts for Promoting Mutual Exploitation

The JPO has proposed a "Patent Prosecution Highway" concept as a framework for promoting mutual exploitation of prior art search results and examination results with other patent offices. Under the Patent Prosecution Highway, when a patent has been granted in the home country, the applicant can request accelerated examination in a foreign patent office through a simple procedure by submitting the examination results of the home country's patent office to the foreign patent office.

It makes it easier for the applicants to quickly acquire patents overseas, as well as reduces the workload and increases the quality of examination of the patent offices through use of prior art search results of the other patent offices. The JPO and the USPTO agreed to conduct a pilot program prior to the full-fledged launch, and started the pilot program in July 2006.

The Patent Prosecution Highway is listed as one of the priority tasks in a "Joint DOC-METI Initiative for Enhanced U.S.-JAPAN Cooperation on IPR Protection and Enforcement and Other Global Issues" agreed between Toshihiro Nikai, Minister of Economy, Trade and Industry of Japan and Carlos M. Gutierrez, Secretary of Commerce of the United States on March 30, 2006.

In 2005, the JPO also conducted a pilot project to evaluate the usability of search history information in order to maximize mutual exploitation of prior search results.

3) Examiner Exchange Program

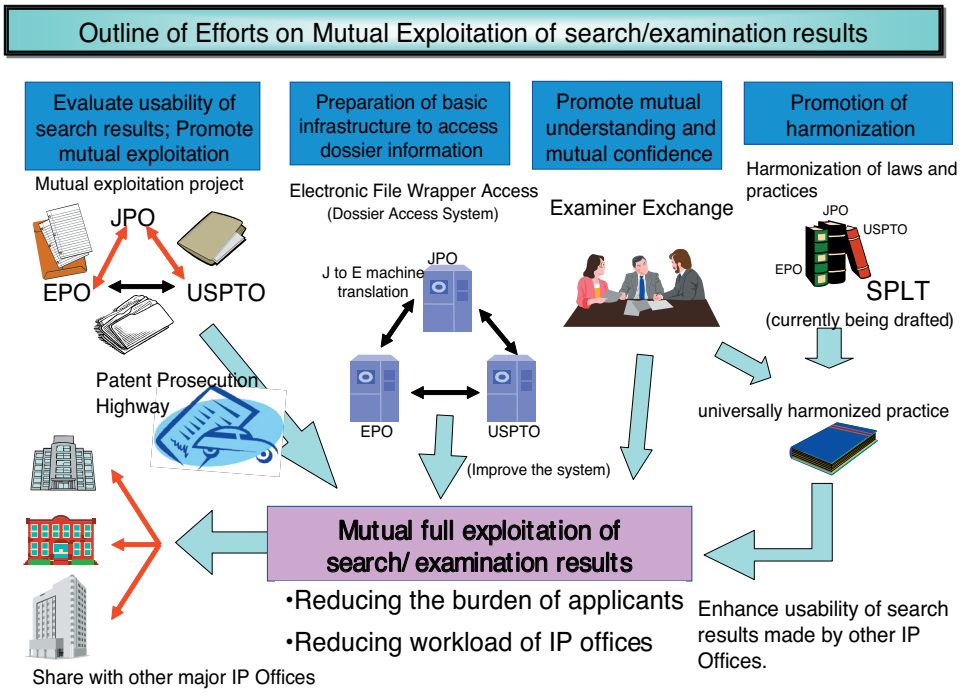
The systems and practices of patent examination in patent offices are different among technical fields. In order to promote mutual exploitation of prior art search results, it is necessary to deepen the understanding of these differences in each technical field, to further raise the quality of prior art searches by sharing the best practice among patent offices, and to foster mutual trust among examiners of each patent office. From these perspectives, the Examiner Exchange Program is being promoted. It is a program in which patent offices mutually dispatch their examiners to the other patent offices. 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. The next meeting is scheduled to be held at the EPO in October 2006.

Additionally, in FY2005, examination exchanges specializing in harmonization of the patent classification systems were launched in the trilateral framework and in the bilateral framework between the JPO and the EPO. Through intensive discussions on the harmonization of the classification systems, agreements were reached on many classification harmonization projects.

4) Developments toward a Global Patent System

The issue of harmonization of the substantive aspect of patent laws with view to concluding the Substantive Patent Law Treaty has been discussed in eight sessions since the 4th session of the WIPO Standing Committee on the Law of Patents (SCP) held in November 2000. However, the discussions are not proceeding smoothly due to the confrontation between the developed and developing countries. The SCP held an informal session in February 2005 and a statement was adopted indicated that 4 items related to prior art (definition of prior art, grace period, novelty, and inventive step) will be addressed in the SCP and two items, including genetic resources, will be addressed in the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC),

in parallel and in an accelerated manner. However, the SCP failed to gain a consensus in its 11th session held in June of the same year. In the informal session in April 2006, the SCP failed to agree on the work program for its 12th session. As a result, the 12th session of the SCP has been postponed. Meanwhile, in a meeting of developed countries held in the United States in February 2005, full-fledged discussions were conducted on draft text for the 4 items related to prior art. In the Tokyo meeting hosted by Japan in March 2006, the members agreed to aim at adopting the draft text for the 4 items in their meeting in September 2006.



3 Efforts of Companies and the JPO through Opinion Exchanges

In order to achieve the goals for expeditious patent examinations set forth in the "Intellectual Property Strategic Program 2005" and to use the limited personnel and budgets to the fullest extent and improve the efficiency of operations, METI established the Headquarters for Expeditious and Efficient Patent Examinations headed by Toshihiro Nikai, Minister of Economy, Trade and Industry. In January 2006, the Headquarters formulated the "Action Plan for Expeditious and Efficient Patent Examinations" that the public and private sectors should promptly and collaboratively engage in.

Due to the need to seek further understanding and cooperation of industry in these METI's efforts while considering the individual circumstances and needs of companies and industries, the JPO Commissioner and the Deputy Commissioner visit individual companies or participate in industrial association meetings and actively exchange opinions on intellectual property-related efforts with the top management (e.g., president, chairman) of the companies.

(1) Status of Implementation

In FY2005, the JPO Commissioner, the Deputy Commissioner, and Directors-General of Patent Examination Departments exchanged opinions with a total of 150 companies and 11 industrial associations in the manufacturing field, targeting the top management of companies filing large numbers of patent applications.

The JPO conducted, in total, meetings with more than 250 companies in FY2005 in which exchanges of views with staff in charge of patent affairs were also conducted.

(2) Major Opinions Exchanged

1) Outline of Explanations by METI and the JPO

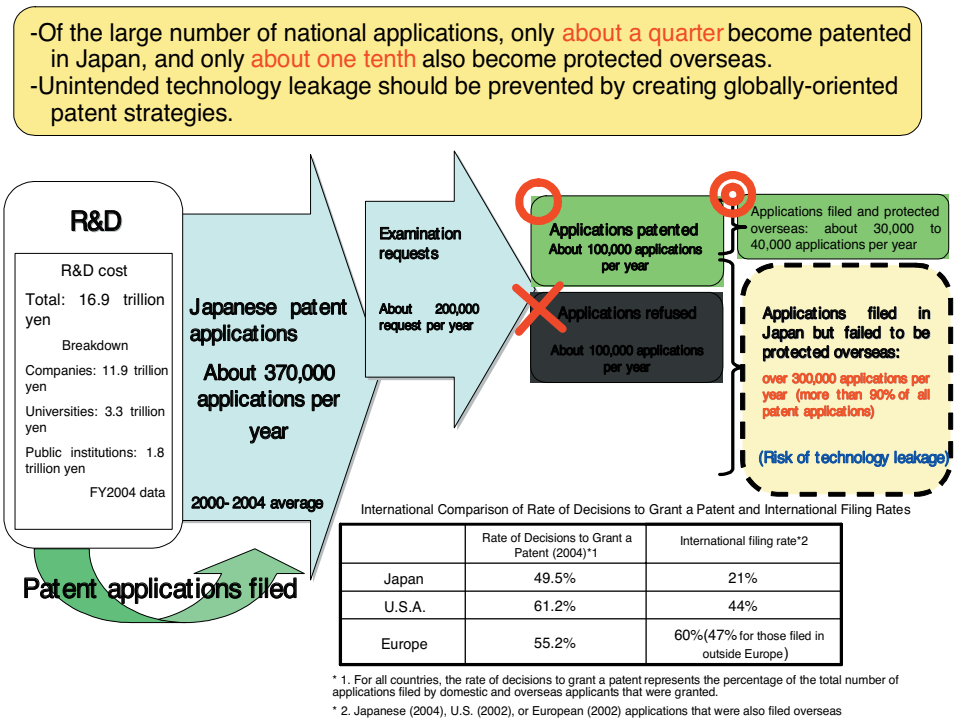
The JPO explained the government-wide efforts for making Japan an intellectual property-based nation and requested the cooperation of the industry sector in achieving expeditious patent examinations along the follows lines:

a. In order to increase the JPO's examination capacity, the government will secure the necessary number of examiners, increase the outsourcing of prior art searches, cooperate with foreign patent offices, and provide various support measures for conducting a structural reform of patent filings and examination requests in industry.

b. Japanese companies overly emphasize patent filings in their home country, compared to western companies. At the same time, half of the patent applications for which examination has been requested are refused. Because of this, there are concerns that unintended technology leakages to overseas and overlapping research are reducing the efficiency of R&D investment. Therefore, the government requests that industry promote the establishment of solid and consistent patent strategies for both domestic and foreign patents from a global perspective and seeks the understanding and cooperation of industry in regards to the conducting of structural reform of patent filings and examination requests, such as screening the applications that truly require filings and examination requests and withdrawing no-longer-required applications (Figure 1).

c. The government requests industry to encourage companies to develop an in-house organizational structure for promoting strategic acquisition and management and to clarify the responsibilities inherent in such a structure by further raising the intellectual property awareness of company managers.

[Patent Filings and Patent Acquisition by Japanese Companies (Figure 1)]



International Comparison of Rate of Decisions to Grant a Patent and International Filing Rates

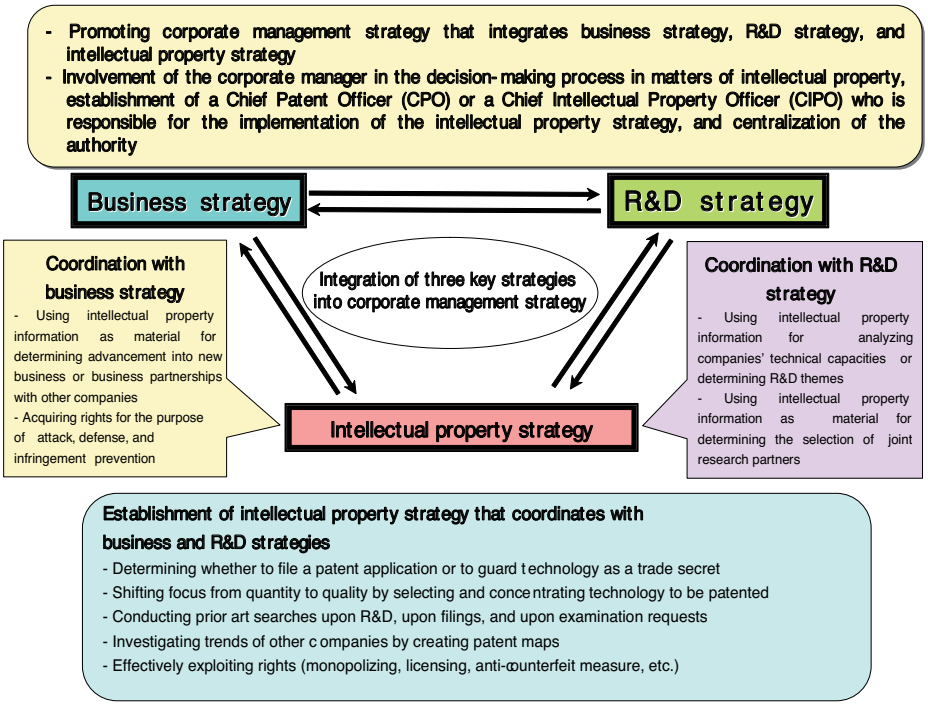
	Rate of Decisions to Grant a Patent (2004)*1	International filing rate*2
Japan	49.5%	21%
U.S.A.	61.2%	44%
Europe	55.2%	60%(47% for those filed in outside Europe)

* 1. For all countries, the rate of decisions to grant a patent represents the percentage of the total number of applications filed by domestic and overseas applicants that were granted.

* 2. Japanese (2004), U.S. (2002), or European (2002) applications that were also filed overseas

Note:
The number of filings by applicants in Japan, the number of examination requests, and the number of refusals indicate the regular average numbers, excluding the influence of the temporary surge in the number of examination requests caused by the shortening of the examination period from seven years to three years.
Source: R&D cost - "Report on the Survey of Research and Development," Statistics Bureau, Ministry of Internal Affairs and Communications.

[Encouraging Establishment of In-House Structure for Promoting Strategic Acquisition and Management of Intellectual Property (Figure 2)]



2) Outline of Explanations by Companies

The companies explained the relationship between their corporate policy and intellectual property strategy, as well as their concrete intellectual property-related efforts. The following were some of the frequently mentioned matters.

a. Promotion of a Corporate Strategy that Integrates Business Strategy, R&D Strategy, and Intellectual Property Strategy
- Integrating intellectual property activities with corporate management by establishing a director in charge of intellectual property or a section directly under the president's control that manages the intellectual property rights of several departments
- Building a powerful patent portfolio suitable for the company's core business and its characteristics
- Actively outlining the company's intellectual property strategy as an aspect of investor relations

b. Shift of Patent Filings from Quantity to Quality, Distinction between Know-how Management and Patent Filings, and Establishment of an Intellectual Property Portfolio
- Establishing an in-house patent database, and enhancing the search structure by using a patent searching subsidiary
- Setting concrete goals for the patent registration rate
- Establishing an incentive system for know-how (e.g. manufacturing technology) that is strategically managed in the form of trade secrets instead of being filed for patents, and using the notarization system for securing prior use rights
- Managing external patent attorneys based on their performance, and implementing mutual evaluation between the patent attorney's firm and the company's intellectual property division

c. International Intellectual Property Activities
- Strengthening foreign filings with the United States and China, and actively enforcing patents overseas
- Actively using PCT applications (a measure for filing with multiple countries and a measure against erroneous translations)
- Establishing a branch office in China for engaging in intellectual property affairs, and promoting anti-counterfeiting measures in coordination with government authorities

d. Human Resources Development and Employee's Inventions
- Introducing a multifaceted evaluation system and strengthening and obligating intellectual property training for researchers, considering the respective qualities sought in the personnel in charge of intellectual property and researchers
- Further raising the upper limit of the reward or making available multiple reward calculation methods in order for the system to better correspond with the circumstances of individual researchers, in response to the new employee's invention system that was introduced in April 2005

3) Major Opinions and Requests from Companies

The major opinions and requests concerning Japan's industrial property rights policy expressed by the companies in the opinion exchanges were as follows:

a. Achieving consistency in decisions between courts and the JPO, and granting stable patents
b. Achieving more expeditious patent examinations
c. Promoting mutual exploitation of examination results by national patent offices (Patent Prosecution Highway) with a view to establishing a global patent system
d. Having the patent examiners actively visit and inspect the R&D and production sites
e. Importance of implementing corporate management that optimizes the company's intellectual property and human resources as valuable assets, since engineers of the baby-boom generation are reaching the age of retirement
f. Need for the public and private sectors' collaborative efforts in the area of technical standards, while also considering trends in China, since technical standards strategies are also important, in addition to business, R&D, and intellectual property strategies

g. Implementing intellectual property policies that consider the autonomous patent management efforts of individual business categories or companies according to their specific circumstances, rather than uniform efforts in the entire industrial or business sectors

4) JPO's Efforts Based on the Opinion Exchanges

In response to the companies' opinions and requests, the JPO has explained to companies the efforts it has already made in these areas. In addition, the relevant divisions of the JPO have discussed the issues to be addressed and incorporated the results into the JPO's policy as needed. The JPO aims to gain an understanding of the diverse needs and build a better industrial property rights system by continuing to actively engage in exchanges of opinions with the users of the system.

Chapter 3

Efforts Related to Designs

1 Clarification of the Details of the Determination in Design Examinations

Currently, there are strong calls for clarification of the details of the determination in design examinations. Such strong demands were also noted in the deliberation process of the Design System Subcommittee of the Intellectual Property Policy Committee of the Industrial Structure Council, which worked on the recent amendment of the Design Act. In the subcommittee, there were also opinions supporting the reasonableness of a measure to outline, in a detailed fashion, the minutiae of the determination in the notification of reasons for refusal and attach thereto the designs referenced for making the determination.[1]

In order to respond to such demands by design system users, the JPO has conducted a trial run of the practice to additionally describe the determinations made in the examination in a text form to the "notification of reasons for refusal based on Article 9(1) (prior application) of the Design Act" since October 2004. The JPO will consider expanding the scope of this practice to notifications of reasons for refusal based on other provisions as well as providing useful information that would contribute to clarifying the details of the examination.

2 Concrete Efforts Related to Designs

In FY2006, the JPO, while paying attention to the entry into force of the amended Design Act,[2] will strive to improve its examination practices and examination environment and will continue to implement measures such as improving services for users, in order to allow users to create attractive designs and provide higher-value products. Additionally, with the aim to strengthen appropriate protection of designs from a global perspective, the JPO will continue to actively engage in anti-counterfeiting measures and international responses, and take concrete measures on the following matters:

(1) Preparations for the Entry into Force of the Amended Design Act

In January 2006, the Design System Subcommittee of the Intellectual Property Policy Committee of the Industrial Structure Council submitted a report on its desired design system, and the Design Act was amended during the recent ordinary session of the Diet.

In FY2006, the JPO will make the necessary preparations so as to allow smooth examination and related operations from the time of entry into force of the amended Design Act.

With respect to the image designs, which became protectable subject matter with this amendment, the JPO will revise the design classification, sufficiently collect the information required for examinations, prepare design examination standards, a design examination manual, and various guidelines that comply with the amended Design Act, and work to make the new system widely known among design system users.

(2) Support for Anti-counterfeiting Measures through the Design System

Counterfeit products are causing enormous damage to Japanese industry. In such a situation, design rights have come to play an important role as a means to counter such counterfeiting. In order to further enhance the effectiveness of design rights, in FY2006, the JPO will continue with the full-fledged implementation of the "accelerated examination for responding to anti-counterfeiting measures," which was introduced in FY2005, and provide various forms of support for examinations and related operations so as to allow examiners to take the first action within one month from the request for the accelerated examination.

As for international efforts, the JPO will work toward harmonizing design systems with China, the country of the greatest concern to the industrial sector, and South Korea, the Asian country with the most extensively developed substantive examination system outside Japan. In addition, Japan will continue to cooperate with developing countries by dispatching experts to and receiving trainees from countries seeking active cooperation with Japan. While working toward achieving appropriate design protection from an international perspective through these efforts, the JPO will also pay close attention to the development of an international design registration system.

1 See Part 2, Chapter 6, 1. (2).
2 See Part 2, Chapter 6, 1.

(3) Increased Provision of Design-related Information

In order to maintain the design system users' trust in design examinations, it is important to provide them with information related to the details of these examinations. Therefore, the JPO has begun providing the following information to users in FY2006:

1) Improved Access to References Listed in the Design Gazette

The JPO lists the documents referenced in determining the novelty and creativity of a submitted design in the Design Gazette as "references," as part of its service to clarify the determination on the design. However, when such references consist of old domestic or overseas books or magazines, catalogs, or overseas design gazettes, it is difficult for the public to access such materials.

The original copies of such documents are kept at the JPO or the National Center for Industrial Property Information and Training (NCIPI). Thus, in order to allow applicants to view these documents based on the serial number of the publicly known design, the JPO began to publish the serial numbers of publicly known designs in addition to bibliographic data such as the document name, volume number, and page numbers, in the references column of the Design Gazette for the gazettes published in and after April 2006.

2) New Function of the Industrial Property Digital Library (IPDL) Concerning Design Information

As part of the disclosure of the design-related information owned by the JPO, on March 27, 2006, the JPO launched the "publicly known design inquiry" service by which a user can view the bibliographic data of the publicly known design based on its serial number, and the "similar design information" service by which a user can easily search the relationship between a principal design and similar or related designs.

In order to facilitate access to such information, the "publicly known design inquiry" allows a user to see detailed information (e.g., the document name, the publisher, and the date of publication) of a document that has been cited as a publicly known design in a notification of reasons for refusal or a document that is listed in the references column of a Design Gazette as a publicly known design.

The "similar design information" allows a user to readily check the relationship between a principal design and similar or related designs, which can enlighten user as to existing designs that are similar in certain respects and enable them to find out whether their design is similar to any of them.

Chapter 4

Efforts Related to Trademarks

1 Implementation of Accelerated Examination Based on Applicant Needs

In response to the needs for accelerated examination of applications which are involved in counterfeiting and infringement cases and to the globalization of economic activities, the JPO has implemented an accelerated examination system in which the examination process is accelerated when there is an urgent need to register a trademark, such as in cases where the applicant has already started to use or has made preparations for using the trademark in an application and a third party is using the trademark without the applicant's consent.

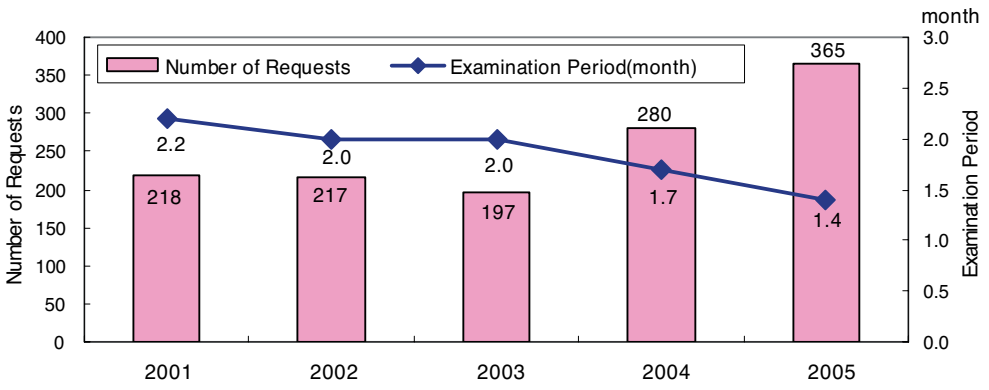
(Reference: Applications subject to the accelerated examination)
The accelerated examination applies to trademark applications that satisfy the following two requirements:

- The applicant himself/herself or a licensee has already started to use the trademark in the application or made preparations for using it to a significant degree for the designated goods or services (or some of the designated goods or services).
- There is an "urgent need for registering the trademark."

The "urgent need for registering a trademark" refers to any of the following situations:

- A third party is apparently using or is making preparations to a significant degree to use, without the consent of the applicant or a licensee, a mark identical or similar to the trademark in question in respect to goods or services identical or similar to those of the applicant or the licensee using or making preparations to use the trademark.
- The applicant has received a warning from a third party in regards to the use of the trademark in the application.
- The applicant has been sought a license for the trademark in the application from a third party.
- Trademark applications have also been filed with patent offices or intergovernmental agencies other then the JPO.
- Other cases where urgency is recognized.

[Requests for Accelerated Examination and Examination Period]



Note: Examination period: Period from the date of request for the accelerated examination until the first action.

2 Efforts Related to Regional Collective Trademarks

(1) Background

In recent years, there have been active moves nationwide to develop regional brands that differentiate local specialty products from those of other regions, as part of regional development efforts.

These regional brands often attach trademarks that combine the region name and the product name, such as adding the name of the production area or the sale area of the local specialty product. Under the Trademark Act before amendment, a trademark that combines a region's name and a product name could not be registered due to a lack of distinctiveness and not being fit to be monopolized by a specific party.

(2) Amended Trademark Act (the regional collective trademark system)

In order to provide thorough protection for regional brands that combine the region's name and the product name, the JPO partially amended the Trademark Act in 2005, and the regional collective trademark system was introduced in April 2006.

This system supports regional efforts to stimulate local economies. It is hoped that local trade associations that plan to make use of regional brands will actively use this system and engage in regional development.

The regional collective trademark system allows a trademark consisting solely of a region's name and a product name to be registered as a regional collective trademark, if the trademark has become known to a certain extent as a mark used by a member of an association, such as a business cooperative or an agricultural cooperative, through being applied to products that are closely related to the region (e.g., the production area) by the association.

This system will: (i) allow a trademark that combines a region's name and a product name to be registered more quickly and eliminate free riding of the mark; (ii) provide an incentive for business operators intending to conduct regional branding activities to register their trademarks, and lead to invigorating the region.

(3) Publicity Activities for the Regional Collective Trademark System and the Status of Applications

As an effort to publicize the regional collective trademark system, the JPO held explanatory meetings to outline the legal amendment at 21 locations nationwide from June to July 2005, and held explanatory meetings on the regional collective trademark system at 49 locations nationwide from January to March 2006.

In the autumn of 2005, it also created 50,000 copies of an easy-to-understand pamphlet on filing procedures and registration requirements for regional collective trademarks, and distributed them at explanatory meetings and at related organizations.

Reflecting the high level of interest in the new system, 528 applications were filed, mainly in relation to agricultural products and craft products, by the end of July.

(4) Establishment of the Regional Collective Trademark Promotion Office

The JPO will carefully examine applications for regional collective trademarks as to whether the applicant association meets the requirements for eligibility, whether the filed trademark is well known to a certain extent, and other matters, in coordination with other relevant ministries.

With the aim to develop a framework for managing all filed applications in an organized manner and for conducting efficient investigations so as to properly and smoothly process the large number of applications filed in the initial year of introduction, the JPO established the Regional Collective Trademark Promotion Office in the Trademark Division on July 1, 2006.

Chapter 5

Efforts Related to Appeals and Trials

1 Concrete Efforts by the Appeals Department

(1) Efforts to Improve the Quality of Appeal/Trial Examination

One of the major missions of the JPO is to grant stable industrial property rights. Since precise examination is required in the appeal/trial proceedings, the JPO makes efforts to further improve the quality of the appeal/trial examinations by reviewing the court judgments in lawsuits against the JPO Appeals Department's decisions and those related to the validity of rights in infringement lawsuits, ensuring better communications with the demandants through active use of appeal/trial examination through interviews and circuit appeals/trials, actively conducting oral proceedings, and exchanging information with courts.

There are also indications from industry that international harmonization is required regarding determination on the inventive step of an invention and that the JPO and courts have come to determine the inventive step more strictly than before. Therefore, the JPO will commence a case study based on the individual cases and examine the problems involved in the determination of the inventive step, including existence of the problems, and sort out the issues as required so as to improve the quality of examination and appeal/trial examination.

(2) Efforts to Reform the Structure of Appeals and Demands for Trials

It is an urgent task for the Appeals Department to respond to the expected increase in the number of appeals and demands for trials in accordance with the increase in the number of applications examined. Through the following efforts, the Appeals Department intends to reduce the number of cases transferred from the Examination Department, and to maintain timely and high quality appeals and trials.

1) Appeal/Trial Examinations Compliant with the Judgments of the Intellectual Property High Court

In order to increase the credibility of appeals and trials and the foreseeability of the results of the appeal or trial, the Appeals Department will aim to conduct stricter and higher-quality appeal/trial examination based on court rulings relating to patentability, such as the level of inventive step required, in lawsuits against the JPO Appeals Department's decisions.

2) Strict Appeal/Trial Procedures

In order to reduce the number of cases subject to appeal/trial examinations, there is an urgent need to establish practices that would fix the granting of rights or the issuing of refusals as much as possible in the examination phase. With regards to patentable inventions, it is important to make them patented through adequate counterarguments and amendments by the phase of reconsideration by the examiner before appeal proceedings. Thus, in order to encourage applicants to make adequate counterarguments and amendments in the examination phase, the JPO imposes strict rules on the appeal and trial proceeding, such as imposing restrictions on the applicant's opportunity to make amendments in the appeal phase, so that appeals and trials become an occasion for serious confrontation between the examiner's decision of refusal and the appellant's counterargument, and aims to achieve fair and productive appeal/trial examinations.

Such practices would promote the granting of rights for patentable inventions as well as registrable designs and trademarks in the examination phase, reducing both the burden and costs to the applicants and the JPO.

(3) Measures for Realization of Timely Trials

The JPO preferentially examines post-grant trials, such as trials for invalidation, as there is a social demand to ensure the effectiveness of the protection by quickly settling disputes over the validity of patents, etc.

The JPO will also aim to achieve efficient appeal/trial examinations in pre-grant appeals and trials, such as appeals against the examiner's decision to refuse a patent, by paying attention to the appeal/trial pendency and implementing "consolidated appeal examination" of related cases of the same appellant. The JPO will also try to use appeal researchers and other assistants to appeal examiners more efficiently.

With regard to appeals against the examiner's decision of refusal that satisfy specific requirements,[1] the JPO implements an accelerated appeal examination system in which it conducts the appeal examination of the case in an accelerated manner upon request. In 2005, 210 requests were made for accelerated appeal examination.

(4) Promotion of a Paperless Appeal/Trial Environment

With regards to appeals against the examiner's decision of refusal (including reconsiderations by the examiner before appeal proceedings), the JPO has launched and has been operating a paperless appeal system for all four industrial property laws since January 2000 in response to a strong demand from both in and outside the JPO. It also conducts operations related to drafting and approval in a paperless form for inter-partes trials.

In response to the Patent Office Operation and System Optimization Program formulated in October 2004, the JPO will support the aspects of the program related to the computer system, including the sharing of information between examination and appeals/trials and information exchanges with courts, thus achieving further digitization of the appeal/trial process and promoting timely and high-quality appeal/trial examinations.

(5) Efforts in Line with Amendments of the System

The JPO started the operation of a new system of trial for invalidation in January 2004, in an effort to streamline the dispute settlement system for disputes over the validity of patent rights. The features of the new system of invalidation trials include the integration and unification of oppositions and trials for invalidation, and the optimization of the opportunities for corrections during lawsuits against the JPO Appeals Department's decisions.

In addition, amended provisions on infringement lawsuits relating to patents, etc. (Article 168(5) and (6) of the Patent Act) entered into force in April 2005. Specifically, in a patent infringement lawsuit, if it has been recognized that the patent should be invalidated through a trial for invalidation, the enforcement of the patent will be restricted, and if a document stating such a method of challenge or defense has been submitted, the court must notify the JPO, and the JPO may demand the court to send a copy of the necessary documents from the litigation records, in order to prevent differences in determinations between the court's infringement lawsuit and the JPO's invalidation trial.

The JPO will continue to publicize these amended practices to existing and potential appellants and trial demandants by holding explanatory meetings nationwide in an effort to achieve precise operation of the system.

Meanwhile, the JPO will continue to conduct practices that give consideration to the purpose of the system amendment, such as conducting an accelerated trial examination for invalidation trials during infringement lawsuits.

1 With regard to patents, appeals against the examiner's decision relating to patent applications that satisfy any of the following requirements are subject to accelerated appeal examination: (i) an application for an invention that is already being exploited by the appellant; (ii) an application that is also being filed overseas; (iii) an application filed by an SME, individual, university, TLO, or public research institution; or (iv) an application for an invention that has been commercially exploited by a party other than the appellant (a third party) during the period after the laying open of the application and before the appeal decision.

Column: Intellectual Property High Court

The Intellectual Property High Court was established in April 2005 with the purpose of clearly outlining Japan's intellectual property-oriented national strategy both inside and outside Japan, to ensure timely dispute settlements, to increase the foreseeability of the court decisions, and to better respond to the necessary technical expertise. It has been created as a special branch of the Tokyo High Court, and has four regular divisions, as well as a special division with a five-member collegial system (Grand Panel) that was introduced in April 2004 through an amendment to the Code of Civil Procedure so as to achieve early unanimity of decisions. The special division did not conduct any proceedings in 2004, but in 2005 it examined the Ichitaro case and the parameter patent case and contributed to establishing leading cases. In January 2006, the court rendered a judgment in the ink cartridge case.

The cases handled by the Intellectual Property High Court are similar to those previously handled by the Intellectual Property Division of the Tokyo High Court. Appeals against the JPO Appeals Department's decisions and appeals against the first-instance decisions of patent and utility model infringement lawsuits nationwide are handled by the Intellectual Property High Court.

The Intellectual Property High Court has a framework for appropriately processing intellectual property-related lawsuits that require a high level of expertise, with an expert commissioner system introduced in April 2004 according to the amended Code of Civil Procedure and use of judicial research officials who investigate intellectual property-related cases and whose authority was expanded and clarified in April 2005.

Chapter 6

Legal Amendment in 2006

1 Amendment of the Design Act, etc.

Necessary amendments were made to the four industrial property acts (Design Act, Patent Act, Utility Model Act, and Trademark Act) and the Unfair Competition Prevention Act with the following aims: to strengthen the protection of industrial property rights (design rights, patent rights, utility model rights, and trademark rights) and to facilitate the acquisition of these rights in order to increase the international competitiveness of Japanese industry through the creation of designs, the establishment of brands (trademarks), and the creation of innovative inventions (patents), while also giving consideration to international harmonization of these systems, as well as to strengthen measures to prevent distribution and import/export of counterfeit products since damage incurred by such products is spreading internationally.

(1) Background to the amendment of the Act

The Design System Subcommittee and other subcommittees established under the Intellectual Property Policy Committee of the Industrial Structure Council have studied legal amendments based on the "Intellectual Property Strategic Program 2005" that was formulated in June 2005, with the aim of achieving the "promotion of flexible patent examinations," "improvement of the design system," "improvement of the trademark system," and "improvement of the systems for stronger protection of intellectual property." The Design Subcommittee report "Desirable Design System," the Patent Subcommittee report "Desirable Patent System," and the Trademark Subcommittee report "Desirable Trademark System" were submitted to the Intellectual Property Policy Committee of the Industrial Structure Council in February 2006 and were approved.

The Bill for the Partial Amendment of the Design Act, etc. was drafted based on the above reports, and after it was adopted by the Cabinet on March 7, 2006, it was presented to the 164th ordinary session of the Diet on the same day. After the explanation of the reason for the proposal in the Committee on Economy and Industry of the House of Councilors on April 4 and a question session and vote on April 6, the bill was passed in a plenary session on April 7. Then, after the explanation of the reason for the proposal in the Committee on Economy and Industry of the House of Representatives on May 17, a question session on May 26, and a vote on May 31, the bill was passed and enacted in the plenary session of June 1. The bill was promulgated as the Act for Partial Amendment of the Design Act, etc. on June 7.

(2) Study of the Intellectual Property Policy Committee of the Industrial Structure Council

In order to further strengthen the protection of Japanese industrial property rights (design rights, patent rights, utility model rights, and trademark rights) and to reinforce anti-counterfeiting measures, three subcommittees on industrial property systems were established under the Intellectual Property Policy Committee of the Industrial Structure Council: the Patent System Subcommittee in August 2002, the Trademark System Subcommittee in June 2003, and the Design System Subcommittee in July 2004. These subcommittees deliberated respectively over what would constitute an ideal design system, an ideal patent system, and an ideal trademark system. As a result, three reports were compiled: "Improved Design System" and "Improved Trademark System" in January 2006 and "Improved Patent System" in February 2006.

1) Design System Subcommittee: "Improved Design System"

Due to the increased competitiveness of industry in developing countries in terms of technology, quality, and price, it has become important to increase the added value of products through applying attractive designs and to differentiate these from rival products, so as to strengthen the competitiveness of Japanese industry. Also, many companies have come to emphasize development of products that appeal to consumers' tastes and senses and those that evoke new lifestyles, and attach importance to design activities as the means to express such product philosophy, in their corporate strategy. On the other hand, as design has become an important element of product differentiation, the problem of counterfeit products came to impede corporate activity in Japan, with an inflow of products imitating the designs of Japanese companies from abroad. Since there is also an indication that such counterfeits serve as financial sources for antisocial forces, this is an issue that must be addressed urgently.

Due to such circumstances, the Design System Subcommittee deliberated on an improved design system from September 2004, and compiled the report "Improved Design System," indicating the following concrete directions:

- Attractive designs sometimes serve as a source of additional value over a long time, so the term of the design right should be extended from "15 years from the date of registration" to "20 years from the date of registration."

- The concept of "similarity of design" defines the registrability of designs and the scope of effect of designs, which form the basis of the design system. However, the method and the standards by which similarity is determined are not necessarily clear. Thus, it should be clarified that the "similarity of design" is the "similarity of the aesthetic impression of the design in the eye of consumers" as decreed by the Supreme Court.

- With the progress of information technology in recent years, there has been a growing importance attached to the screen designs of electronic interfaces used in home electronic appliances and information equipment as opposed to conventional physical components such as operation buttons. Therefore, the screen designs displayed to realize the use or function of articles should be protected as a part of an article (a partial design).

- Companies often take the product development strategy of additionally developping design variations while watching the demand trend after placing the product on the market. Therefore, the time limitation for filing a related design, which is currently restricted to the filing date of the principal design, should be eased so as to allow the same applicant to file an application for a related design until the publication of the Design Gazette for the principal design.

- In the actual process of product development, the detailed designs of the individual components are decided after the completion of the appearance design of the entire product. Therefore, the time limitation for filing a design identical or similar to a part of an earlier filed design should also be eased so as to allow the same applicant to file an application for such a design until the publication of the Design Gazette for the earlier filed design.

- In order to strengthen anti-counterfeiting measures, "exportation" and "possession for the purpose of assignment, etc." should be added to acts of infringement of design rights. In addition, criminal penalties for design infringement should be strengthened, such as raising the upper limit of the term of imprisonment with hard labor and the size of fines imposed on the corporation in dual liability.

- With regard to providing a double-track system by introducing a non-examination registration system, the current environment places greater importance on establishment of stable rights rather than a quick and simple protection system, and does not require immediate introduction of a non-examination registration system. Therefore, the appropriateness of introducing such a system should be considered once again should a strong need for quick protection arise in the future.

2) Patent System Subcommittee: "Improved Patent System"

In order for Japanese industry to increase its international competitiveness amidst economic globalization, it is indispensable to appropriately protect the R&D results of Japanese companies, particularly innovative inventions of venture companies that lead the world as frontrunners, as patent rights. Thus, the patent system is becoming more and more important. Also, due to the rapid increase in the technical capabilities of Asian countries, there is a need to adequately deal with patent infringement.

Due to these circumstances, the Patent System Subcommittee deliberated over an ideal patent system from October 2005, and compiled the report "Improved Patent System," indicating as the following concrete plan:

- Under the current divisional application system, there is no way to divide an examined application with a view to acquiring a patent for a more precise scope of claims, which is making it difficult to acquire

effective patents. Therefore, applicants should be allowed to divide an application for a certain period (within 30 days) from the decision to grant a patent or the decision to refuse one.

- The current system allows amendments that greatly change the invention to be examined (shift amendment). This allows an applicant to practically receive examination for two applications by making a shift amendment after the notification of the reason for refusal, causing impartiality in the handling of applications. Therefore, shift amendments should be prohibited after the first action.

- In order to strengthen anti-counterfeiting measures, "exportation" and "possession for the purpose of assignment, etc." should be added to acts of infringement of a patent right and a utility model right. In addition, criminal penalties for patent and utility model infringement should be strengthened, such as raising the upper limit of the amount of fine imposed on the corporation in dual liability.

- With regard to the prior use rights system, it has been pointed out that the cases in which prior use rights are found to exist are ambiguous under the current act. The system should be clarified by creating guidelines (case examples) rather than through legal amendments. While the difficulty and the burden of proving a prior use rights have also been pointed out, the method for establishing these should also be clarified in the guidelines (case examples).

3) Trademark System Subcommittee: "Improved Trademark System"

Trademarks are considered as important intellectual property rights that realize companies' ability to distinguish the source, ability to attract customers, and ability to send out information. The "Intellectual Property Strategic Program 2005" also indicates that the trademark system should be improved by, for example, amendments to the Trademark Act as required in order to establish an environment for providing products and services of higher values by using attractive brands.

The Trademark System Subcommittee deliberated on an improved trademark system from June 2003, and compiled the report "Improved Trademark System," indicating the following concrete directions:

- Service activities by retailers and wholesalers such as selecting goods and displaying them are not recognized as "services" under the Trademark Act, but trademarks used by retailers in retail service activities are used to indicate the source of such service activities, and the brand value is also attached to such service activities. Therefore, trademarks used for services provided by retailers and wholesalers should be protected as trademarks for "services" under the Trademark Act.

- In order to strengthen anti-counterfeiting measures, "exportation" should be added to acts of infringement of trademark rights. In addition, criminal penalties for trademark infringement should be strengthened, such as raising the upper limit of fines imposed on the corporation in cases of dual liability.

- There has been an indication of a need to introduce a consent system in which, even if a prior registered trademark identical or similar to the filed trademark in examination of a trademark application exists, the prior registered trademark does not become a reason for refusal of trademark rights if its owner gives consent. However, as this would allow registration of multiple trademarks that could cause confusion, further review is necessary from the perspective of consumer protection.

(3) Outline of the amendment of the Act

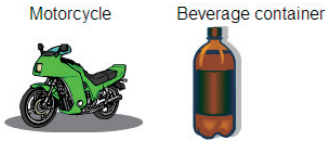
From the viewpoint of strengthening protection of rights and reinforcing anti-counterfeiting measures, the following measures were taken in the four industrial property acts (the Design Act, the Patent Act, the Utility Model Act, and the Trademark Act) and the Unfair Competition Prevention Act.

1) Protection of Designs (Amendment to the Design Act)

a. Extending the Term of Design Rights (Article 21 of the Design Act)

The term of design rights, previously 15 years from the date of registration, has been extended to 20 years.

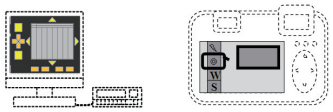
●Example of long-term usable products



b. Enhancing the Protection of Screen Designs (Article 2(2) of the Design Act)

The decision was made to protect screen designs that are necessary to enable the products' intrinsic functions, whether initial or not, admitting that those screen designs are included in the definition of the design: "a shape, pattern or color or any combination thereof in an article." It was further decided to give protection not only to the screen design which is displayed on the article itself, but also to one which is displayed on separate display unit as well.

●Example of screen designs to be newly protected



Operation screen of video recording / play back devices

Settings screen of digital camera

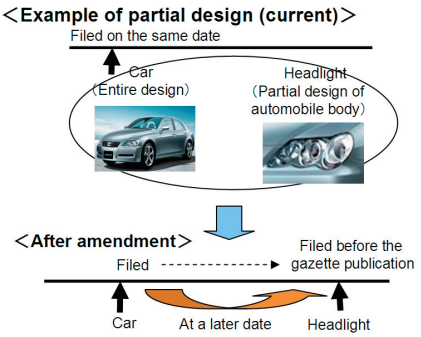
c. Clarifying the Scope of Similarity of Designs (Article 24(2) of the Design Act)

The basis of judgement on whether or not designs are similar is made clear to be a sense of aesthetic of the consumers and industrial buyers.

d. Enhancing the Protection of Related Designs and Partial Designs (Articles 10 and 3-2 of the Design Act)

Article 10(1), which recognized the registration of related designs only if the application was filed on the same day, was amended so that registration of related designs is recognized until the issuing date of the Design Gazette of the principal design.

Under the amended Design Act, when the same applicant files a design application for a whole article first and one for a part/portion of an article later, the later filed partial design can be registered if the application is filed during the period from the filing of the prior design application for a whole article until the day before the Design Gazette of the whole design is issued.



e. Enhancing the protection of Secret Designs (Article 14(2) of the Design Act)

The Amended Act provides the additional occasion for the request of using the secret design registration system. Under the current act, a request can be filed only at the filing date. But under the amended act, the request is also possible at the time of payment of the first year's registration fee.

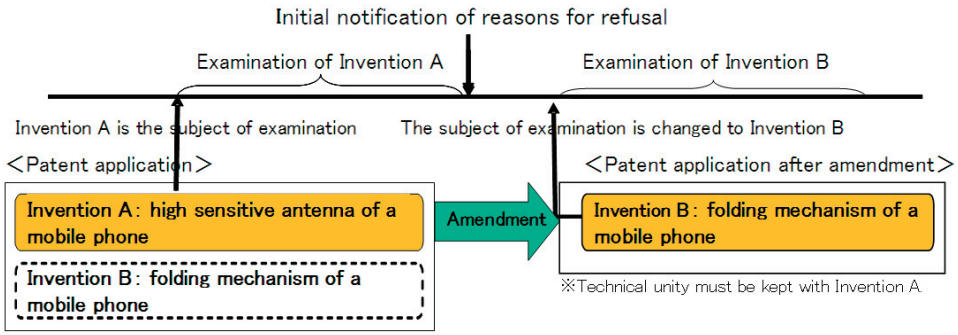
f. Reviewing the Procedure for Application to Avoid Loss of Novelty (Article 4(3) of the Design Act)

The limit to submit the certificates, which was within 14 days from the filing date of the application for design registration, is now 30 days from filing.

2) Protection of Inventions (Amendment of the Patent Act)

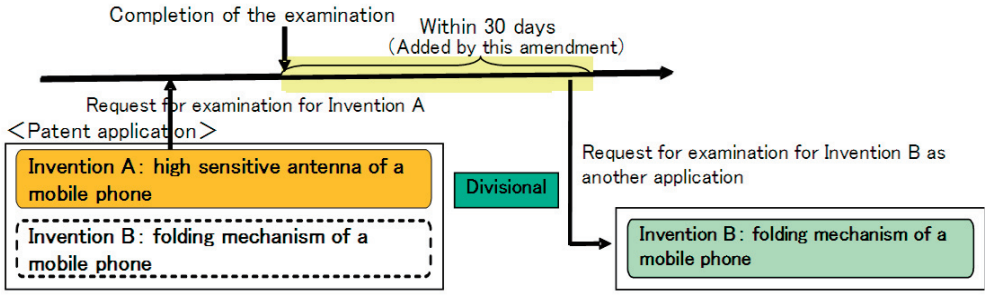
a. Reviewing the Amendment System (Article 17-2 of the Patent Act)

After a notice of reasons for rejection is received, it is restricted to amend claims so as to change the subject matters of claimed inventions to different inventions with different technical features.



b. Enhancing the Divisional Application System (Article 44 of the Patent Act)

It became possible for applicants to divide an application and file a divisional application also within 30 days from the decision to grant a patent or the decision of refusal. Additionally, in order to limit abuse of the divisional application system, the opportunity for amendment is restricted for a divisional application for which the reason for refusal notified in the examination of the original application has yet to be cleared.



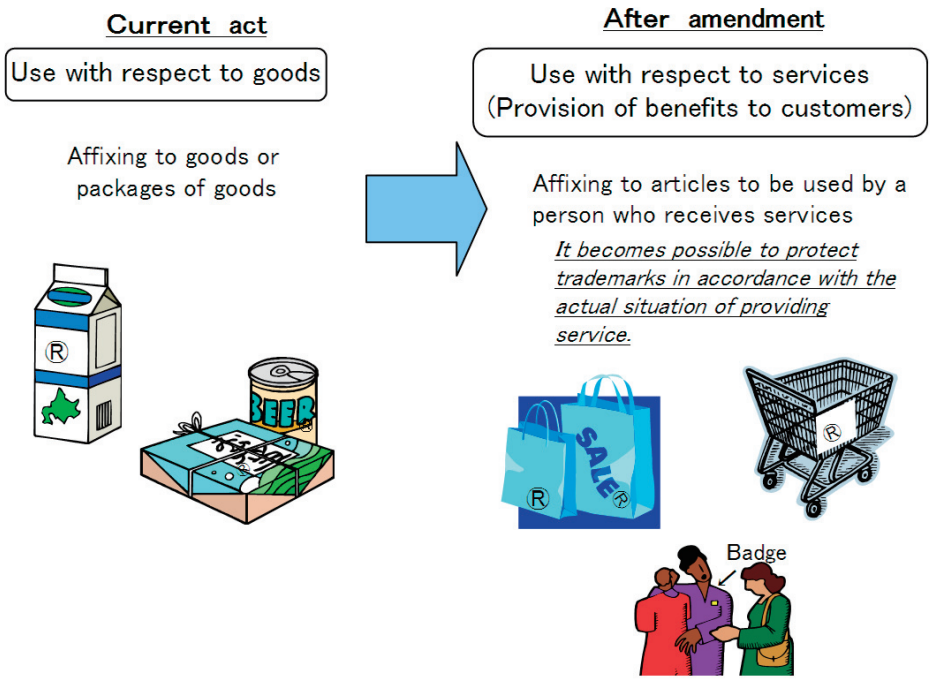
c. Extending the Time Limit to Submitting Japanese Translation Documents (Article 36-2(2) of the Patent Act)

The time limit to submit Japanese translations of applications filed in foreign languages has been extended to 1 year and 2 months from the filing date (from the priority date for applications filed with a priority claim).

3) Protection of Brands (Amendment of the Trademark Act)

a. Enhancing the protection of the Trademarks of Retail Distributors, etc. (Article 2(2) of the Trademark Act)

It has been made possible for marks used in relation to the services by retailers and wholesalers to be protected as service marks in order to improve the convenience for the business operators and to achieve international harmonization of the system.



b. Adding the Entities of Collective Trademarks (Article 7 of the Trademark Act)

Entities eligible for protection of collective trademarks is expanded so that associations established under special legislation, such as Chambers of Commerce and Industry and Associations of Commerce and Industry, have been added to the list of associations to which the protection of collective marks is already applied.

4) Strengthening Countermeasures Against Counterfeits (Amendment of the Four Industrial Property Acts and the Unfair Competition Prevention Act)

a. Regarding Exportation of Infringing goods as an infringement activity (Article 2(3) of the Design Act, Article 2(3) of the Patent Act, Article 2(3) of the Utility Model Act, and Article 2(3) of the Trademark Act)

The act of exporting has been added to the definition's provisions of the terms "working" and "use" of industrial property rights.

b. Deeming Possession of Infringing goods for the Purpose of Transferring as an Infringement Activity (Article 38 of the Design Act, Article 101 of the Patent Act, and Article 28 of the Utility Model Act)

In order to increase the effectiveness of prohibitions on infringing acts, the act of holding goods infringing design, patent or utility model rights for the purpose of assignment or of lease has been added to the provisions on conduct deemed to be infringing. Moreover, the act of holding with the purpose of exporting has been added to the provisions on acts deemed infringing in the four industrial property acts(i.e., Patent Act, Utility Model Act, Design Act and Trademark Act), in line with the addition of "exporting" to the definitions of "working" and "use."

c. Strengthening Criminal Penalties (Article 69 of the Design Act, Article 196 of the Patent Act, Article 56 of the Utility Model Act, Article 78 of the Trademark Act, and Article 21 of the Unfair Competition Prevention Act)

The maximum term of imprisonment for direct infringement of design rights, patent rights and

trademark rights has been raised to 10 years; and the maximum fine has been raised to 10 million yen. While the maximum term of imprisonment for infringement of utility model rights has been raised to 5 years, the maximum fine has been raised to 5 million yen. Further, the maximum term of imprisonment and maximum fine for indirect infringement of industrial property rights have been standardized at 5 years and 5 million yen, respectively. Moreover, the concurrent imposition of a custodial sentence and a fine has been introduced; and the joint punishment provisions for corporations have been raised to a standard maximum of 300 million yen across the four industrial property rights acts. The maximum term of imprisonment and the maximum fine for infringement of trade secrecy under the Prevention of Unfair Competition Act have been raised to 10 years and 10 million yen, respectively; while the maximum term of imprisonment and the maximum fine for assigning goods which imitate the configuration of other person's goods have been raised to 5 years and 5 million yen, respectively. The joint punishment provisions for corporations for both crimes have been raised to fines of 300 million yen or less.

5) Effective Date of the Amended Act

The amended act is to enter into force on the day specified by a Cabinet Order within a period not exceeding one year from the day of promulgation. However, 1) f. and 3) b. are to enter into force on the day specified by a Cabinet Order within a period not exceeding three months from the day of promulgation[1] and 4) is to enter into force on January 1, 2007.

1 September 1, 2006 according to the Cabinet Order Specifying the Effective Date of Part of the Act for Partial Amendment of the Design Act, etc. promulgated on August 9, 2006.