Enhancement of Attraction of Utility Model System

January 2004

Patent System Subcommittee,
Intellectual Property Policy Committee
Industrial Structure Council

Chapter 1 Desirable utility model system

The utility model system was amended in 1993 to allow accelerated registration without examinations in response to the demand for the earlier protection of rights, and in consideration of an appropriate balance between right-holders and third parties. The number of applications under the new utility model system, however, fell unexpectedly, to approximately 8,000 in 2002. Some have argued that the utility model system should therefore be abolished. The utility model system, however, should be maintained, as it is still necessary to provide early protection to some techniques, and there is still demand for the utility model system in view of its effectiveness. However, the utility model system should be improved, with due consideration of the criticism that the system is difficult to exploit.

Section 1 Current situation and changes in the utility model system

1. Purpose of establishing the utility model system

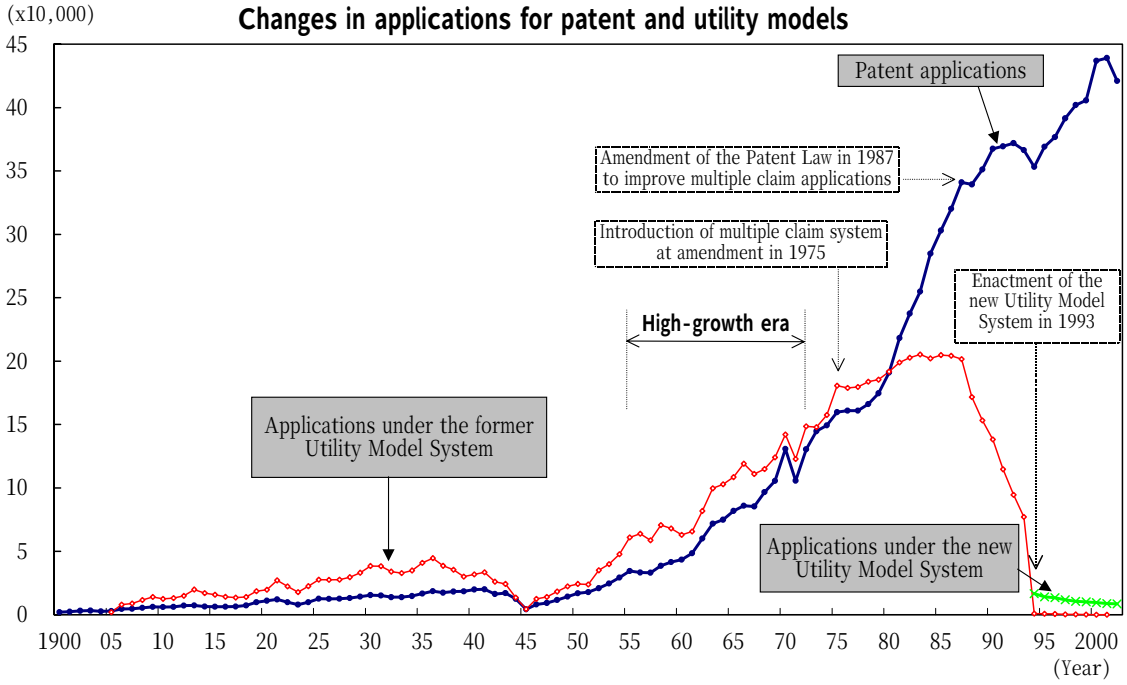
In the early 20th Century, it became necessary to establish an independent system to promote small inventions not covered by the Patent Law under industrial policy, as the technical level of Japan was low, and the focus was on improvement techniques. The utility model system was therefore established in 1905 to meet such needs.

The utility model system was an intellectual property system for technical innovations similar to the patent system, and responsibilities were allocated within the patent system according to the level of techniques concerned. Therefore, there was no major difference in the fundamental structure between the patent system and the utility model system, except for the distinction as to whether a subject was an invention to be materialized into a product and method or a device (small invention; “koan” in Japanese) to be materialized into an article, the term of rights, and the level of inventive steps.

2. Changes of conditions surrounding the utility model system

(1) Increase of patent applications and decrease of utility model registration applications

As the utility model system was established with the objective described above, the growth in utility model registration applications gradually slowed as the technical level of Japanese industry improved following the high-growth era, whereas the number of patent applications has continued to increase. As a result, the difference between the number of applications for protection under the two systems narrowed, and in 1981, the number of utility model registration applications was less than the number of patent applications for the first time since the establishment of the utility model system. The number of utility model registration applications dropped drastically, partially due to the amendment of the Patent Law in 1987 to improve multiple claim applications, and was just 77,000 in 1993.



(2) Relative technical levels in inventions and devices

Whereas the Patent Law defines inventions as “highly advanced creations of technical ideas by which a law of nature is utilized,” the Utility Model Law defines device as “creations of technical ideas by which a law of nature is utilized.” Therefore, under the provisions, the difference between inventions and devices is whether or not they are “highly advanced.” Whereas the Patent Law stipulates that the standard for inventive steps are those that cannot be “easily invented,” the Utility Model Law stipulates that they are those that cannot be “extremely easily devised.”

At the time of the establishment of the Utility Model Law, there was a difference in the levels of techniques that were applied and examined between the patent system and the utility model system. However, the difference “highly advanced” in the provision cannot be graded quantitatively. The trend of applications significantly changed following the enactment of the Utility Model Law, and the essential differences between the techniques to be applied and examined have virtually vanished between the patent system and the utility model system in practice, and so the differences in level of judgment on inventive steps have also disappeared[1].

(3) Accelerated commercialization due to shortening of development lead time and product lifecycle

As technical development accelerates, the technical fields have been expanding for toys, sporting goods, household products, construction materials, etc. which are immediately commercialized and have short product lives, but as the former utility model system adopted the

[1] “Comments: Guideline for Operations of Amended Patent Law and Utility Model Law,” Japan Institute of Innovation and Invention, 1993, ed. Koji Hirayama, Chief of Examination Standards Office, Administrative Affairs Division, JPO

principle of substantive examination before the granting of rights, it took some time from the filing of an application to the granting of rights and therefore providing appropriate protection to the techniques, which were commercialized very early and had a short lifecycle, was limited.

3. Drastic amendment of the utility model system in 1993

The utility model system was amended in 1993 to enable accelerated registration which was difficult under the patent system with its substantive examination principle, with reference to the systems used by the major nations at that time to meet the demand for earlier protection of rights while considering an appropriate balance between the right-holders and third parties.

As a result, the current utility model system has had fundamentally different role from the patent system which adopts the substantive examination principle.

(1) Shift to non-substantive examination registration system

It was necessary to shorten the time until the granting of rights in order to protect techniques that were to be commercialized early. The period from the request for examination until the final decision was about 31 months for patents and about 27 months for utility model registrations in 1991, showing no significant difference. In the amended Utility Model system, in order to make the allotted roles of patents and utility models clearly different, the Patent Office grants the right without examination of the substantive requirements of novelty, inventive steps, etc., and the judgment of whether or not the registered right satisfies the substantive requirements is left to the parties concerned in principle.

The amended law has three provisions: a provision that bans the enforcement of the right until the right-holder has presented the report of expert opinion on registrability of the new utility model (hereafter referred to as the “registrability report”) and issued a warning; a provision that if the enforced right is invalid, the right-holder shall be responsible for providing compensation for the damage caused by the said enforcement of the right unless the right-holder proves non-fault; and a provision that allows correction limited to the deletion of the claims in order to prevent abuse of the right and avoid causing disadvantage to third parties upon adoption of the non-substantive examination registration and system of ex post facto evaluation.

(2) Change of the term of a right

The term of rights used to be ten years from the date of publication after examination (and, not more than fifteen years from the filing date) but has been shortened to six years from the filing date in line with the terms in major nations that use the non-substantive examination and ex post facto evaluation system and the results of survey of applicants in order to protect product techniques that have a short lifecycle. (In Germany, the term is ten years but used to be six years from the introduction of the system until 1986, and in France, it is six years.) Other amendments to the requirements were made to the provisions, and as a result, the utility model system now

has a significantly different character from the patent system, not only in terms of the subjects of protection but also the structure of the system itself.

(3) Conversion of the significance of the shape requirements of articles

In the former utility model system, the subjects for protection were limited to “devices relating to the shape, structure or combination of these in an article” in compliance with the objective of the system, which was to protect small inventions. At the time of the amendment in 1993, the subjects for protection were stipulated to remain the same “devices relating to the shape, structure or combination of these in an article” although the fundamental concept was different because it was judged appropriate to define devices as tangible objects for which third parties could relatively easily understand the content of the rights under a system which allowed early enforcement without substantive examination.

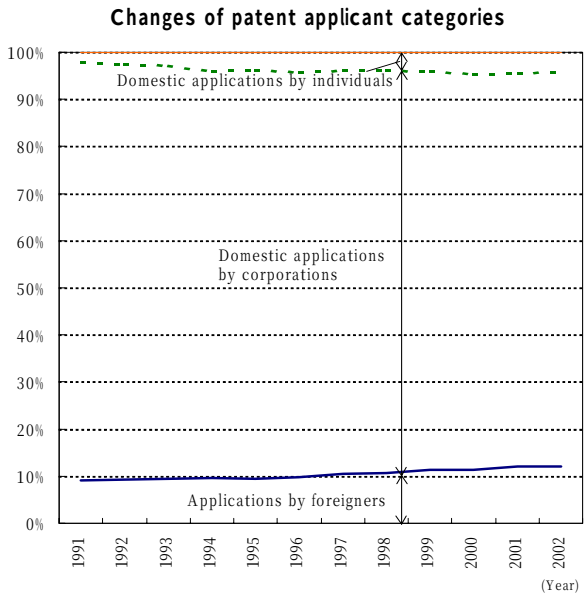
4. Current situation of the utility model system

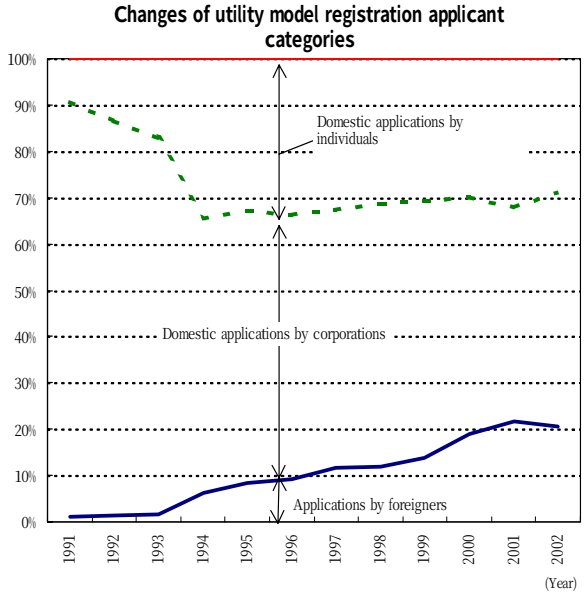
(1) Decrease of applications

The number of applications had been estimated to be in the tens of thousands at the time of the amendment in 1993, but the number under the new utility model system dropped drastically. While the number of applications for utility model registration in the former system in 1993 was about 77,000, the number in 1994 when the new utility model system was enacted was about 16,000. The number of applications for utility model registration has gradually decreased ever since and was approximately 8,000 in 2002.

(2) Segmentation of applications

While the percentage of applications by foreigners is on the increase in the new utility model system, the percentage of domestic application in the patent system has been stable at



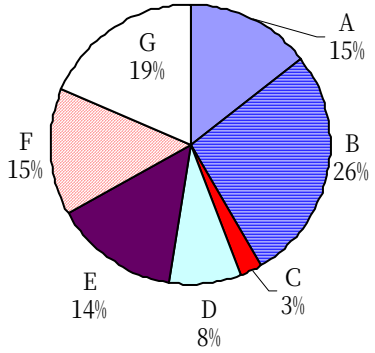


approximately 90%. The breakdown of domestic patent applications shows that about 95% are submitted by corporations and 5% by individuals, while in the new utility model system, about 60% are submitted by corporations (45% are small and medium enterprises) and 40% by individuals.

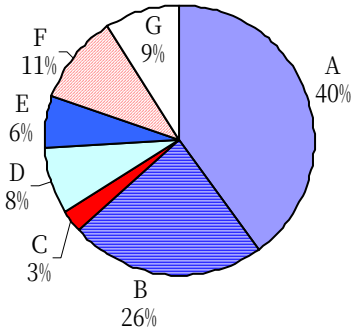
(3) Changes applications in technical fields

Under the former utility model system, the distribution of applications for utility model registration and for patents was diverse, although the clear separation between utility model applications and patent applications was diminishing, but under the new utility model system, the percentage of applications in the field of household products, entertainment and other domestic products has risen to approximately 40% of all applications, which indicates differentiation from the patent system.

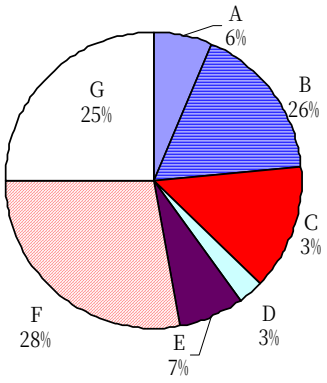
Applications for utility model registration by field under the former system (1990)



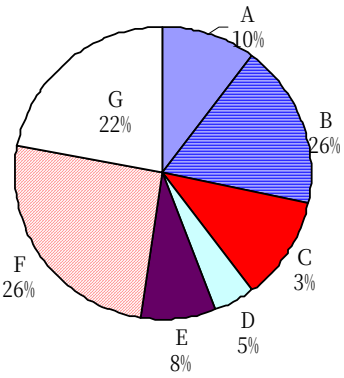
Applications for utility model registrations by field under the new system (2000)



Applications for patent by field (1990)



Applications for patent by field (2000)



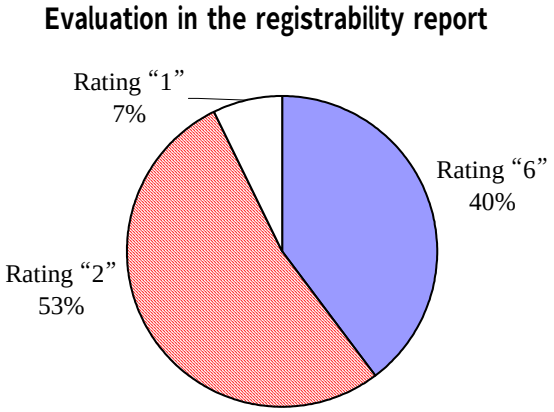
A : Domestic products
B : Processing, operations and transportation
C : Chemistry, metallurgy and textiles
D : Construction
E : Mechanical engineering
F : Physics
G : Electrical engineering

(4) Number of cases of trials for invalidation and infringement suits

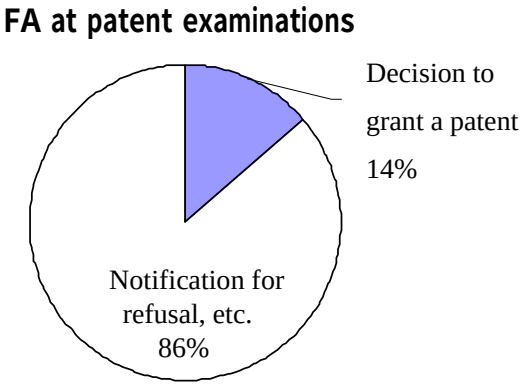
The yearly average number of trials for invalidation concerning the former utility model rights in the period from 2000 to 2002 was 43, and the number of infringement suits at regional courts was 45 (excluding duplicate cases). The yearly average number of trials for invalidation concerning the new utility model rights was 22, and the number of infringement suits was 6 (excluding duplicate cases). The warning required for an infringement suit must be given by presenting the registrability report, but whereas the number of yearly average requests for a registrability report of the utility model (hereafter referred to as "registrability report") during this period was 1,570, the actual number of infringement suits was 6, thus cases of infringement suits were extremely few.

(5) Levels of novelty and inventive steps in the utility models

The percentage of cases where the evaluation in the registrability report made under the new utility model system was "6 (no relevant prior art has been discovered)" for all claims was approximately 30%, and the number of claims rated "6" accounted for approximately 40% of all claims. The number of cases of immediate decision to grant a patent without amendments among the cases for patent examination requests was approximately 14% (2002).



(Remark) 137 cases (515 claims) were extracted from the requests for utility model technical registrability reports in 2002)



(Remark) Values in 2002

* Rating "1" indicates "no novelty" and rating "2" indicates "no inventive step".

Section 2 Review of the contemporary significance of the utility model system

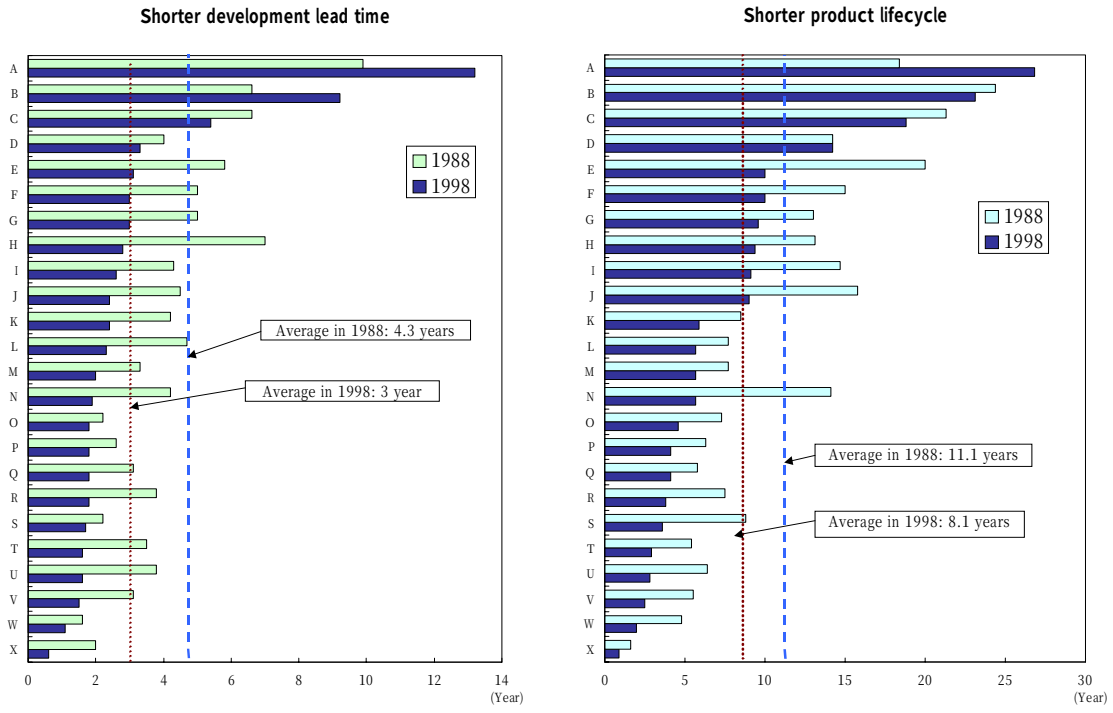
With this background, the Working Group studied whether there was still a demand for the protection of techniques that required earlier commercialization in view of the short development lead time and product lifecycle, which was taken into consideration when the system for protecting techniques with non-substantive examination registration and ex post facto evaluation was introduced with the amendment of the Utility Model Law in 1993, and whether there was any reason or benefit in having both the patent system and the utility model system.

1. Contemporary significance of the utility model system

(1) Accelerated granting of rights

The development lead time at enterprises is becoming shorter with the exception of electricity, heavy electric machinery, and a few other fields, and product lifecycles are also becoming shorter. The examination waiting time for granting of a patent is approximately 24 months (2002), and it is taking even longer to obtain the final decision to grant a patent. Even when the accelerated examinations are filed at application, it takes about 4.7 months for the FA (from the examination request until the first notice of the examination result), and most cases are not granted at FA (approximately 84% in 2002), and it takes even longer until the final decision to grant a patent is obtained. Therefore, the situation still remains in which techniques that need to be commercialized quickly cannot receive prompt protection under the patent system alone.

Source: Federation of Economic Organizations “Fact-finding survey to reinforce industrial technologies”



A : Electricity, gas and nuclear power
B : Heavy electric machinery
C : Engineering
D : Shipbuilding
E : Metal products
F : Pulp and paper
G : Pottery, earth and rock products
H : Steel
I : Industrial machinery
J : Medicines
K : Petroleum refinery and products
L : Construction
M : Detergents, cosmetics and oils
N : Chemical synthesis
O : Automobiles
P : Precision machinery
Q : Textiles
R : Non-steel
S : Information and communication service
T : Semiconductors and devices
U : Foods
V : Rubber products
W : Information and communication devices
X : Household appliances

Under the utility model system, rights are registered in about 5 months after filing because substantive examinations are not conducted. In view of the shorter development lead time and shorter lifecycle for general products, there is a growing need for the accelerated granting of rights to enable earlier commercialization. Therefore, the utility model system of non-substantive examination registration and ex post facto evaluation, which enables the faster granting of rights, has an advantage over the patent system which uses the substantive examination principle.

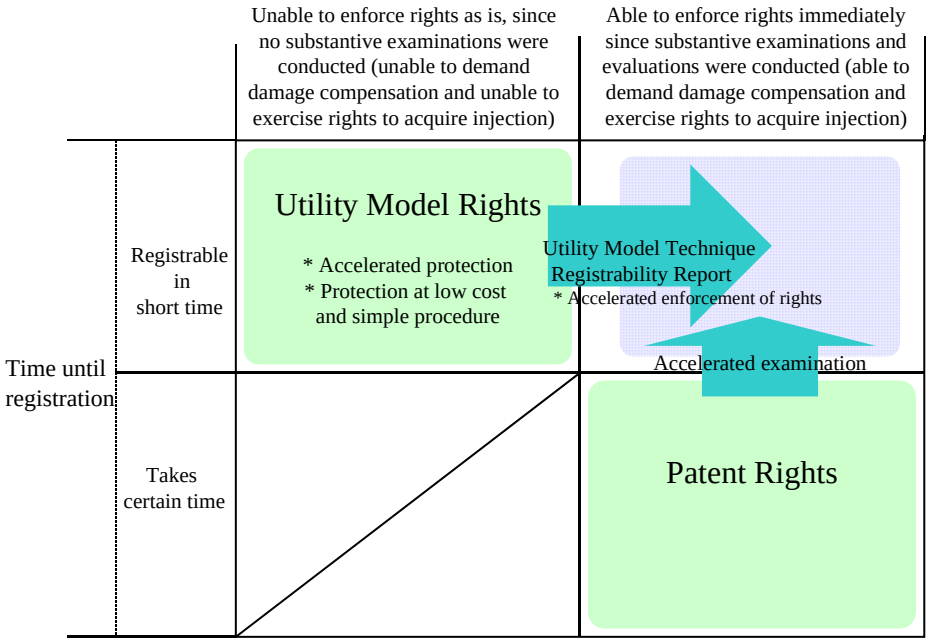
(2) Accelerated enforcement of rights

Under the patent system, it is possible to demand compensation after the registration of rights against damages caused by counterfeits produced by third parties after the publication of application and before the registration of rights. The amount of compensation, however, is equivalent to the licensing fee after issuing a warning, and so does not provide as strong protection as the right to demand damage compensation or the right to require an injunction. Therefore, there is insufficient protection under the current patent system for those cases in which counterfeits are distributed before the start of sales through exhibitions, etc., or for techniques with earlier commercialization or frequent changes of models.

On the other hand, under the utility model system, when the right-holder issues a warning presenting the registrability report after registration, there is protection by the right to require an injunction and to demand damage compensation, similar to the case of a patent, and so it is possible to obtain strong protection after the 3 to 4 months period for making the registrability report[2].

[2] Requests for registrability reports are often made at the filing (37% of all requests (2002)), and in this event the period includes the time for formality examination (invitation to amendment), classification, etc. and thus the preparation period is as described here.

Therefore, the utility model system still has significance in that it enables the earlier enforcement of rights.



(3) Protection at low cost and simple procedure

It is necessary to have the right registered before it can be enforced, but under the patent system, it takes a long time before the right is granted, and there are various costs and works before registration such as the examination request fees, response of argument against the notification of refusal, etc. Therefore, the utility model system, which is simple for techniques where the right is effective only when infringement occurs, or techniques that can prevent counterfeits by registration, is attractive for applicants.

(4) Stability of utility model rights by self responsibility

It has been claimed that instability may arise where infringement is uncertain (confusion in the market) because there are many utility model rights (exclusive rights) with ambiguous evaluation of the relevant prior art (determining whether or not prior art exists) until the registrability report is requested under the new utility model system of non-substantive examination and ex post facto evaluation. The percentage of lawsuits or trials for invalidation, however, is virtually the same under both the new and former utility model systems. Hence, the inappropriate enforcement of rights is limited because the system is self-governing, whereby right-holders are obliged to present the registrability report upon enforcement of the rights, and if the enforced rights become invalid, the right-holders must pay damage compensation liability unless the right-holder can prove non-fault.

(5) Optimization of the distribution of resources in the Invention and Device Protection System

At present, many inventions and devices for which the utility model system would be suitable are exploiting the patent system instead: Greater use of the utility model system would optimize the distribution of resources required for maintaining the entire protection system for inventions and devices and accelerate patent examinations.

2. Questionnaire survey

A questionnaire survey (hereafter referred to as “survey”) was conducted to hear the opinions of large enterprises (capitalized at over 100 million yen), small and medium enterprises (capitalized at less than 100 million yen) and individual inventors on their situation concerning the conditions and amendment of the utility model system. The survey was commissioned to the Intellectual Property Research Laboratory for the period from July 25 to August 20, 2003.

When asked about the co-existence of the patent system and the utility model system in the survey, 75% of large enterprises replied “the patent system alone is sufficient,” but 59% of small and medium enterprises and 71% of individual applicants replied “co-existence of the patent system and utility model system is necessary (including “necessary but needs to be improved”).”

3. Opinions of the Working Group

It has been claimed that the utility model system may not be significant in view of international competitiveness, has completed its historical mission, and should be integrated with the patent system. Others voiced fears of abuse because it does not require substantive examination. Many argued that the utility model system should be maintained because there is strong demand for the acquisition of utility model rights among downstream enterprises that manufacture domestic products by applying fundamental techniques, small and medium enterprises and individual inventors and that the utility model system is an effective countermeasure against counterfeits from overseas.

It was indicated, however, that under the current system, it is sometimes difficult to legally enforce rights because the system was designed to prevent the abuse of rights through the non-substantive examination system. Others argued that the system should be improved to facilitate exploitation since the term of utility model rights is short, the scope of subjects for protection is limited, and there are other difficulties for right-holders under the current utility model system. There was also criticism that the limitation on enforcement of the rights imposed in the utility model system is excessive, since there is an examination in the form of the registrability report.

4. Desirable utility model system

The utility model system should be maintained as there is still demand for the protection of techniques in need of earlier commercialization, and there is strong demand for continued exploitation of the utility model system as it is effective. However, the utility model system should be amended and enhanced as it is difficult to exploit in its current state. However, the abuse of rights, which have been registered without substantive examination, must be prevented.

Various systems, including the utility model system, concerning the protection of inventions and devices must constantly be reviewed to achieve thorough protection of inventions and devices. Therefore, it is necessary to continue to study better systems for protecting inventions and devices by monitoring the effectiveness and impact of the system after it is amended with reference to this report and with due consideration of accelerating the processing of patent examinations.

Chapter 2 Specific Direction of System Amendment

Section 1 Desirable subjects for protection

Under the patent system, inventions can be granted rights regardless of whether they are inventions of products or inventions of methods, but the current utility model system can grant rights only to “devices related to the shape, structure, or combination of these in an article.” It is considered that early protection should be granted to devices outside this scope as techniques diversify and as products increasingly require earlier commercialization or have shorter lifecycles. However, the current requirements should be maintained in view of the possible adverse affects of extending the subjects which can receive protection. The possibility of extending the scope of subjects which can be protected should therefore be reviewed further.

1. Current situation regarding subjects for protection

Under the current utility model system, since the subjects for protection are limited to “those concerning the shape, structure, or combination of these in an article (hereafter referred to as “shape requirement of articles”),” those that do not satisfy the shape requirement of articles cannot be protected by the utility model system even though they need earlier protection. Therefore, such techniques must be protected under other rights (the Patent Law, the Unfair Competition Prevention Law, etc.) or they are not protected at all[3].

Some consider that the utility model system is difficult to exploit because the subjects for which rights can be granted differ in the patent system and the utility model system. For instance, when an applicant selects either an application for a patent or an application for registration of a utility model, the applicant may need to adopt or reject the claims or need to arrange the descriptions of claims upon converting the application,[4] which incurs extra burden.

When asked to the respondents who responded “co-existence of the patent system and the utility model system is necessary but the utility model system needs to be improved” in the survey concerning which subjects should be granted rights, the answers “should be extended” and

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[3] With the progress of technology, computer software (hereafter “software”) related techniques are rapidly being developed. Software, or computer programs are distributed in various forms, including by networks as they are or through memory media such as CD-ROM or other computer-readable media (hereafter “memory media”). Since it is easy to copy such widely distributed computer programs, counterfeits can rapidly enter the market. The computer programs and memory media of such computer programs cannot be granted rights or protected early under the utility model system because they do not satisfy the shape requirement for articles. There is demand for protecting such techniques at present.

[4] For instance, when an applicant wishes to convert an application for a patent to an application for utility model registration, the applicant must remove the techniques that do not satisfy the shape requirement of an article from the scope of claims. Likewise, when an applicant wishes to convert an application for utility model registration to an application for a patent, the applicant must add the techniques that do not satisfy the shape requirement of articles to the scope of claims, which incurs an extra burden.

“should remain as it is” were both approximately 50% among large enterprises and individual inventors. The percentage of small and medium enterprises who responded “should remain as it is” was 37%, and the percentage of “should be extended” was 55%.

2. Subjects for protection in foreign nations

The utility model systems in Korea and China impose the shape requirement on the subjects for protection, similar to the practice in Japan.

The German utility model system imposed the shape requirement (spatial form) of articles on the subjects for protection, but the scope was extended to include “devices of products (including software related techniques)” excluding “methods” when an amendment was made in 1990.

The French utility model system stipulates that the subjects for protection are the same as those under the patent system (“devices of products” and “devices of methods”). France, however, adopted the non-substantive examination principle at the establishment of its patent system.

In the EU directive proposal[5] in 1999 to make the utility model systems consistent among the member nations of the European Union (EU) (hereafter referred to as the “EU Utility Model System Approximation Directive Proposal”), the subjects for protection are products and methods, excluding methods for biological material related inventions, chemical substances and medicines. In the EU Utility Model System Proposal[6] made by the European Commission (EC) in 2001, the subjects for protection are the same for both patents and utility models. In the EU Utility Model System Approximation Proposal and the EU Utility Model System Proposal, the subjects for protection include devices concerning computer programs themselves that are not covered by the provision of the patent system[7].

3. Direction of the review

(1) Specific demand for earlier protection

In case of extending the subjects for protection, it is important to thoroughly consider whether there is a clear demand for the protection of the newly included techniques with the utility model system.

At the time of the amendment in 1993, there was demand for earlier protection for “devices concerning the shape, structure, or combination of these in an article” because the shape of articles was easy to imitate, but there was no clear demand for earlier protection of products and

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[5] “Amended proposal for a EUROPEAN PARLIAMENT AND COUNCIL DIRECTIVE approximating the legal arrangements for the protection of inventions by Utility model” COMMISION OF THE EUROPEAN COMMUNITIES – Brussels, 25. 06. 1999 COM (1999) 309 final

[6] “COMMISSION STAFF WORKING PAPER Consultations on the impact of the Community utility model in order to update the Green Paper on the Protection of Utility Models in the Single Market (COM (95) 370 final)” EUROPEAN COMMISION – Brussels, 26. 7. 2001 SEC (2001) 1307

[7] At the European Commission, it was argued that computer programs should be protected by the utility model system instead of the patent system because computer programs have a short lifecycle, and computer program upgrading is only a slight improvement.

methods that did not satisfy the shape requirement of articles. In view of the rapid progress of information technology, etc. since the amendment of 1993, the scope of techniques that require earlier protection has expanded, but it is necessary to thoroughly consider the scope of specific techniques that require protection under the utility model system.

(2) Ease of judging the content of a right by third parties

Under the utility model system, the judgment on whether or not a product of a third party infringes a registered right is left to the parties concerned in principle. Therefore, there is concern that when the scope of the rights of subjects for protection is not clear, it may be difficult for third parties who read the utility model gazette to judge whether or not their own products, etc. infringe a utility model right, thus hindering stable business operations.

When a utility model right, whose validity is difficult to judge, is granted and enforced abusively, third parties may become hesitant to commercial their own devices, and the existence of such a right may lead to unnecessary disputes.

Therefore, at the time of the amendment in 1993, the subjects for protection were stipulated as “devices concerning the shape, structure, or combination of these in an article” for which it was easy to judge the content of the right, in view of the fear that it would be difficult to judge the content for “products” and “methods” that did not satisfy the shape requirement of articles.

If the subjects for protection are to be extended, it will be necessary to verify whether this concern remains.

(3) Protection of “products” and “methods” corresponding to the characteristics of a technical idea

What an inventor (creator of a device) invents (devises) is a technical idea, and when the technical idea is to be described in the claims in the patent system, the description is of “products” or “methods.”[8] If a technical idea concerns time lapse, the technical idea may be described as a “product” without time lapse and as a “method” with time lapse. Software related techniques may be technical ideas with time lapse because they process the commands of a computer program successively[9]. It is necessary to consider the subjects for protection by examining whether or not the exclusion of “methods” from the subjects for protection in the utility model system is providing thorough protection for technical ideas with time lapse.

[8] The percentage of applications for patent on “methods” (129,443) among the total applications for patent (421,044) is about 30%. (2002)

[9] The percentage of applications for patent that include “methods” (16,086) in the patent applications for “computer programs” (21,267) is approximately 76%. (2002)

(4) Smooth conversion from patent application to utility model registration application

In the patent system, applicants must select either a request for an examination or a deemed withdrawal, but in the utility model system, applicants may retain the right during the effective period. Therefore, applicants may have the third option of converting to an application for utility model registration and acquire a utility model right. There is surely a need to convert smoothly part of a patent application to utility model registration.

However, upon converting an application for a patent to utility model registration, if the scope of the subjects for protection under the utility model system have been narrower than under the patent system, part of the invention described in claims in the patent cannot be described as a device in claims for the utility model registration. It is necessary to consider whether this hinders the conversion of a patent application to a utility model registration application.

(5) Ease of judging subjects for protection

The utility model system adopts the non-substantive examination system, but as long as an exclusive utility model right is granted, it is not desirable to grant a right to subjects that should not be protected. Therefore, it is a basic requirement[10] that subjects must qualify for protection, and the Patent Office examines whether or not subjects satisfy this requirement before registration, and a reason for invalidation is that a device does not satisfy the requirement.

If it is difficult to judge whether a claim may be the subject for protection, a right is likely to be granted provisionally, and judgment on the validity of the right is left to the discretion of the parties concerned. In this case, the same concern as in (2) above will arise.

Upon examining the basic requirements, when considering the extension of subjects for protection, it is therefore necessary to confirm whether or not it is difficult to judge the shape

[10] Judgment on the basic requirements for the subjects for protection includes judging whether they satisfy the shape requirement of articles and also judging whether they are “devices,” i.e. “creation of technical ideas utilizing a law of nature” in the current system.

requirement of an article[11], whether or not it is a "product,"[12] whether or not it is a "device"[13] and the industrial applicability.[14].

4. Possible options

(1) Option to limit "devices concerning the shape, structure, or combination of these in an article"

In this option, if "articles" are the easiest to forge, they are protected but techniques apart from the articles which strongly require early protection would naturally not be protected.

The judgment of the content of the right by third parties would be easier for "articles" since they may be judged from drawings and other tangible manners. Since this option does not protect "methods," there may be insufficient protection of technical ideas with time lapse, and smooth conversion from a patent application to a utility model registration application may be difficult since the subjects for protection under the utility model system are limited.

Although it may be difficult to judge whether a claim may be the subject for protection for devices or circuits that contain computer program functions, it should be easier in the case of shapes, etc. of articles.

(2) Option to extend to the "devices for products"

This option extends the scope of the subjects for protection to include "devices," excluding "devices for methods." Even if they are not the "devices on a shape, structure or combination of these in an article," they may be granted a right if they are "devices for products." Specifically,

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[11] Under this index, it is relatively easy to judge whether substances, computer programs, methods, fluids and gas may not be the subject for protection, but it is difficult to make a judgment on devices and circuits materializing the functions of computer programs.

[12] Judgment seems relatively easy because it only excludes "methods."

[13] Whether they are "devices" or not is judged by considering whether they are "creation of technical ideas utilizing a law of nature" similar to the case of "inventions" in the patent system. Those that satisfy the shape requirement of articles are deemed as "devices" in principle. It is relatively difficult to judge whether "products" are "devices" in the case of software related devices, etc. It is more difficult to judge whether or not "methods" are "devices" than it is to judge "products," and it is particularly difficult to judge business related methods.

[14] Under the current utility model system, failure to satisfy the requirement of "industrial applicability" is a reason for invalidation but does not fall into the basic requirements. This is because it was judged that there are few devices that satisfy "concerning a shape, structure or combination of those" but do not satisfy the "industrial applicability" requirement, and even if such a device is registered (for example, those that cannot be applied industrially or those that are apparently incapable of being worked), it is impossible for third parties to commercialize such a device and so there should be no problem. However, if the subjects for protection are extended, it is necessary to consider adding "industrial applicability" to the basic requirements. Under the patent system, the specific index cites that the following are not "industrial applicability": a) Methods for surgery, treatment or diagnosis of humans, b) methods that cannot be applied industrially, and c) methods that are clearly impossible to be worked.

software related techniques containing computer programs (excluding “methods”), substances, etc. will be added to the subjects, thus allowing early protection of computer programs, etc.
However, it may be difficult for third parties to judge the content of the right since the new subjects for protection include computer programs, chemical substances, etc. that are difficult to judge from drawings and other external data.

The “devices for products” will contain technical ideas with time lapse (for instance, computer programs and other software related techniques), but this proposal cannot protect them as “methods.” Thus, smooth conversion from a patent application to utility model registration may become difficult since the subjects for protection under the utility model system are limited to “products.”

When judging whether or not they are subjects for protection, judgment of whether or not they are “products” would be easier than that of the shape requirement of articles. On the other hand, the addition of software related techniques will necessitate judgment of whether or not they are “devices.”

(3) Option to extend to the “devices”

This option does not limit the scope of devices to the subjects for protection under the utility model system, similar to the provision in the patent system. As a result, not only “devices for products” but also “devices for methods” will be subjects for protection.

Needless to say, this option covers the widest scope of subjects to meet the specific demand for early protection. Examples of devices that cannot be expressed in “devices for products” but can only be expressed in “devices for methods” include devices for a newly discovered use of a publicly-known substance and “devices for methods to produce products,” but such “devices for methods” may not be suitable for early protection under the utility model system.

However, it may be difficult for third parties to judge the content of the right since they may contain “methods” that cannot be examined from drawings and other external measures.
This option, on the other hand, provides the best protection for “products” and “methods” in accordance with the characteristics of the technical ideas. It will also be easy to convert a patent application to utility model registration since the subjects for protection under the utility model system are the same as those under the patent system.

In comparison with the judgment for “products” (particularly with business methods), it will be difficult to judge whether a claim may be the subject for protection when judging whether with “methods” may be “devices”. This option will require another judgment on whether it may have “industrial applicability”: whether it is “methods for surgery, treatment or diagnosis of humans.”

5. Opinions of the Working Group

There was an argument that not limiting the scope of the subject would increase the monitoring workload for third parties concerning “computer programs” and “methods” since it

would not be possible to identify the scope of rights from external data and would be difficult to determine infringement. Another member argued that even if devices concerning computer programs and business methods were included in the subjects for protection, it would be difficult to judge the existence of infringement on products of third parties at a glance, and so the proposal may not be effective against counterfeits. There was a strong argument that the percentage of patents granted in such fields is low[15], and when registrations of utility models for devices with a high probability of invalidation increase, the monitoring workload and other hazards are likely to increase, and therefore such subjects should not be included as subjects for protection. It was also argued that although abuse of rights by third parties can be prevented by registrability reports, the possibility of granting a right is relatively high even for devices concerning insignificant computer programs or business methods since there is little publicly known prior art regarding computer programs or business methods, and therefore the workload for third parties would be significantly increased. It was also argued that there is no need to extend the scope of subjects to "products" because software techniques can be protected by the utility model system when they are applied in an article. Another member indicated that the borderline is not clear between those subjects that satisfy the shape requirement of articles and those subjects that do not satisfy the requirement, and another argued that extension of the protection of products would significantly affect the field of medicine, etc. and considerably increase the burden on third parties.

For judging the scope of rights, on the other hand, there was an argument that since there are some "articles" which are difficult to judge and some "methods" which are easy to judge, it cannot be generalized that judgment is easy for "articles" and difficult for "methods." Another argument was that such judgments are made daily in the patent system and there cannot be difficult.

Concerning the subjects for protection, there was an argument that diverse protection should be approved for techniques worthy of early protection including "methods," and there is no need to limit the subjects for protection. Another argument was that exclusion of "methods" would deprive protection of small inventions. Another member argued that software techniques and business methods have short lifecycles and require earlier protection, and therefore the subjects for protection should be extended to cover all "devices of products" in order to protect computer programs, as many products now incorporate software techniques. There was another related argument that there is a limit in the patent system for the protection of such techniques.

As the protection of computer programs and business methods began only a few years ago under the patent system, the effect of such protection should be thoroughly monitored, and protection by the non-substantive examination system is premature.

[15] The percentage of business method related inventions which are granted patent is about 17% (2002).

6. Desirable subjects for protection

The Working Group was divided by opinion, with some members wanting the extension of subjects for protection, and others wanting the current scope as described above to be maintained. It was argued that computer programs, substances and other techniques that do not satisfy the shape requirement of articles should be protected by the utility model right, but that the current requirement regarding the subjects for protection should be maintained for the time being because software techniques may be protected by the utility model right if they are described in an article, and there is little need for early protection of substances, etc. whereas there is strong concern about the adverse affects of including computer programs, substances, etc. as subjects for protection in the utility model system. It is therefore necessary to continue reviewing the extension of subjects for protection, with due consideration of the technical development conditions, necessity for protecting computer programs, substances, etc. by the utility model right and of the possible adverse effects.

Section 2 Desirable term

The term of the utility model right in the current Utility Model Law is stipulated as six years from the filing date in consideration of the objective of the Law, which is to protect techniques of products with a short lifecycle in particular, but it should be amended to ten years from the filing date, as a patent lasts for twenty years and the current term is shorter than the terms adopted in foreign nations.

1. Current situation regarding term

(1) Current situation and demands for term

The term in the former utility model system, which adopted the substantive examination principle, was ten years (but not more than fifteen years after the filing date) from the registration of the right (publication of examined application).

In the amendment in 1993, the non-substantive examination and ex post facto evaluation principle were introduced to protect the techniques of products with a short lifecycle. The term stipulated in the amended law of 1993 was shortened to six years from the filing date in 1994 because the product lifecycle was expected to become even shorter, instability of the right for a long period of time caused extra monitoring work for third parties, terms under similar systems in foreign nations, and a survey of applicants. No amendment has been made since then.

When those who responded “co-existence of the patent system and utility model system is necessary but the utility model system should be improved” were asked about the term in the survey, 64% of large enterprises, 66% of small and medium enterprises, and 83% of individual inventors responded “it should be amended,” and over 70% suggested a term of ten years from the filing date.

One of the causes of the decline in the number of applications for utility model registration is the fact that its term is six years from the filing date, which is far shorter than that of a patent (twenty years from the filing date), which makes the utility model system less attractive and increases the number of patent applications.

(2) Remaining percentage

The remaining percentage (existing number of cases / total registered cases) in the sixth year from the filing date in the current utility model system is approximately 26%. Under the former utility model system, it was approximately 75% in the tenth year and approximately 25% in the fifteenth year[16]. For patents, it was approximately 97% in the sixth year from the filing date, approximately 90% in the tenth year, approximately 68% in the fifteenth year and approximately 25% in the twentieth year.

[16] The data in the former Utility Model Law were acquired more than ten years ago due to the amendment in 1993.

(3) Product lifecycle

According to the “Survey of the Situation for Reinforcing Industrial Technology” conducted by the Federation of Economic Organizations (1998), the average lifecycle of products in all industrial fields is about eight years. The current term is thus shorter than the product lifecycle, which is a matter of concern.

(4) Terms in foreign nations

The term of rights in the foreign utility model systems that adopt the non-substantive examination system and ex post facto evaluation system is ten years from the filing date in Germany, Korea and China. In Germany, the term had been six years from the introduction of the utility model system until 1986 and was extended to eight years at the amendment in 1987. It was again extended to ten years in 1990. Among the major nations, only France stipulates the same term of six years as Japan. The term stipulated in the EU Utility Model Approximation Directive Proposal and the EU Utility Model System Proposal by the EC is ten years from the filing date.

2. Direction of the review

It is also possible that long-term protection is not essential even though the current term is too short, because the utility model system aims to provide early protection for techniques that are commercialized quickly and have a short lifecycle. Furthermore, the monitoring workload for third parties increases as the term becomes longer. Therefore, we propose the term of the utility model to be “ten years from the filing date.” [17]

3. Opinions of the Working Group

The major reason for the decreasing exploitation of the utility model system was thought to be the short length of the term. Some argued that the term should not be extended because such extension with the rights remaining unstable would increase the monitoring workload for third parties. Most members argued that the term should be extended in consideration of the period required to settle disputes and of the systems of foreign nations. Most members agreed that the specific period should be ten years from the filing date.

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[17] The term in the former Utility Model Law was ten years from the registration of the right (publication of examined application); however, not more than fifteen years from the filing date. Another option would be to stipulate the term to be fifteen years from the filing date because the new Utility Model Law restricts the abuse of rights within a certain scope although it adopts the non-substantive principle since it requires presentation of the registrability report when enforcing the right, the period from filing to the registration of the right is extremely short, and a term equivalent to that under the former Utility Model Law should be granted. There is virtually no difference in the technical levels of inventions for which patents are granted and devices for which utility model rights are granted. Therefore, another option would be to stipulate the term to be twenty years, the same as that for a patent.

4. Desirable term

The term should be extended from the current six years to ten years from the filing date for the utility model in consideration of the demand of applicants and international accord.

Section 3 Desirable coordination with the patent system

Applicants sometimes decide whether to apply for a patent or utility model registration for a certain technique during the period from the filing of the application until the granting of the right because the technical trends or business plans change after the filing of the application. Therefore, a system should be introduced that allows the applicant to apply for a patent for the same technique when the technical trends, etc. have changed after the acquisition of the utility model right. When introducing the system, however, required measures must be provided, considering the workload of third parties and examiners.

1. Outline of the current system

Under the current system, it is permitted to convert an application for a patent to an application for utility model registration[18] for a certain technique, or to convert to an application for a patent after an application for utility model registration has been filed[19], provided that the initial application is still pending. The opportunity for the latter, however, is extremely limited compared to the former because the pending time for an application for utility model registration is short (currently about 5 months from filing of an application to the granting of utility model registration).

2. Demand to establish a patent after the acquisition of utility model rights[20]

Under the system described above, it is difficult to appropriately treat cases where applicants desire greater stability for a right that has been examined due to changes in technical trends or business plans, where applicants desire longer rights, and other cases that require granting of a patent. If such a possibility exists at the time of the application, applicants would apply for a patent instead of utility model registration, and so cannot use the advantage of both the patent system and utility model system, which has led to more patent applications and fewer utility model applications.[21] The survey also showed strong demand for “the opportunity to convert to an application for a patent after the registration” as an improvement required in the utility model system.

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[18] Utility Model Law Section 10-(1). The number of cases of converting patent application to utility model registration application was 110 (2002).

[19] Patent Law Section 46-(1). The number of cases of converting utility model registration application to patent application was 49 (2002), eleven of which had been invited to amend the utility model registration application.

[20] There seems to be no demand to convert an acquired patent (with stable and strong protection) to a utility model right (with unstable and weak protection).

[21] The number of patent applications was 353,301 (1994) → 421,044 (2002), and the number of utility model registration applications was 16,620 (1994) → 8,587 (2002).

There is also demand for the protection of techniques by the utility model system until a patent is granted since such the process takes time. The survey showed strong demand for "protection by the utility model system until granting of a patent" as an improvement required in the utility model system.

3. Patent application system after registration of utility models in foreign nations

In Germany, applicants may apply for a patent for a technique after it has been registered as a utility model for one year after the filing date for the utility model registration.[22] In this event, the utility model right continues. In France, it is not permitted to apply for a patent for a technique after it has been registered as a utility model. In Korea, it is permitted to apply for a patent for a technique after it has been registered as a utility model for one year after the date of registration, in which case the utility model right continues. In China, it is not permitted to apply for a patent for a technique after it has been registered as a utility model.

4. Direction of the review

A system that allows a patent to be granted for a technique even after it has been registered as a utility model should be considered, in order to use the advantages of both the patent system, which protects rights stable for a long period and the utility model system which protects techniques that require early commercialization and have a short lifecycle. If a system is introduced that allows a patent to be granted for a technique after it has been registered as a utility model, applicants can protect their technique with the utility model system until a patent is granted, after which the patent protects it. When reviewing the system, the following viewpoints must be considered.

(1) Workload of third parties

If third parties need to take measures against a patent and utility model right with the same exclusive rights other than term (right to require an injunction and right to claim compensation for damages) for the same technique, their workload will increase. Such workload of third parties must be considered when introducing the system.

(2) Workload of examiners (duplicate examinations)

When a patent and a utility model right are granted for the same technique, patent examination and the creation of a registrability report[23] may be necessary for the same technique. Duplicate examinations for the same technique double the workload of examiners, yet examiners

[22] It is possible as an application for a patent claiming priority based on an application for utility model registration.

[23] The evaluation in the registrability report is not an administrative disposition, but in practice novelty and inventive steps are examined.

are under pressure to accelerate patent examinations to counter the increasing number of examination requests for patents and, to reduce the backlog. However, if registrability reports are used as a substitute for prior art searches in the patent examinations,[24] then such examinations would be delayed since creating of the registrability report has priority over conducting patent examinations. Therefore, care is needed to ensure that the workload of examiners is not increased by introducing a new system.

5. Specific reviews

It is necessary to review the following points in view of the above, in order to minimize adverse effects and to improve convenience for applicants.

(1) Relationship between a patent application based on utility model registration and the underlying utility model right

It is necessary to consider demands for protection by the Utility Model right until a patent is granted and for preventing extra monitoring workload for third parties and so-called double patents. Possible measures concerning the relationship between a patent application based on utility model registration and the underlying utility model right are: (a) to abandon the utility model right when applying for a patent based on the utility model registration, or (b) to abandon the utility model right when registering the patent applied on the basis of the utility model.[25]

(2) Relationship with the patent examination request period

If patent applications based on the utility model registration are allowed at any time with no time limit, it will violate the objective of the 1999 amendment that shortened the patent examination request period from seven years to three years. There is a limit of three years to convert an application for utility model to a patent application,[26] which is similar to a patent application based on a utility model registration.

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[24] In the case of four claims (the average number of claims in utility model registration applications was 3.7 (2002)), the patent examination request fee is 184,600 yen and the evaluation request fee is 46,000 yen.

[25] While system (a) is simple and the monitoring workload for third parties is relatively light, if the right is infringed before the patent examination, no measures can be taken until a patent is granted because the underlying utility model right has been abandoned. In system (b), if the right is infringed before the patent examination, the applicant may take measures with the underlying utility model right by withdrawing the application for a patent based on utility model registration, but as long as the patent application is pending, utility model rights for which evaluation cannot be requested continue and remain after starting the patent examination.

[26] Patent Law Section 46-(1). When the examination request period was reduced in the amendment of 1999, the clause "however, the above clause does not apply three years after the filing date of the said utility model registration" was added.

(3) Request for evaluation for utility model registration after application for a patent based on utility model registration

If there is no restriction on requests for the evaluation of a utility model registration after a patent application based on the utility model registration, it would be possible to request both the creation of the registrability report and a patent examination for the same technique, which would increase the workload of examiners due to duplicate examinations.

(4) Patent applications based on the utility model registration after request for evaluation

1) Request for evaluation by applicants or right-holders

If patent applications are allowed based on the utility model registration after a request for evaluation by applicants or right-holders, it would be possible to use the registrability report as the prior art search before the patent examination, which would increase the workload for examiners.

2) Request for evaluation by third parties

It would be necessary to take measures such as allowing patent applications based on utility model registration for a certain period after the request for evaluation, if requests for evaluation are made by third parties, because it would be unfair to ban right-holders from applying for a patent based on utility model registration due to the actions of third parties.

(5) Patent application based on utility model registration made after appeal for trial for invalidation

At a trial for invalidation, if a patent application is made for the same technique at the stage where it is possible to judge the validity or invalidity of the technique, it would increase the workload for the requesters.

(6) Division and conversion

Some consider that division and conversion should be allowed for patent applications based on utility model registration as in the case of ordinary patent applications. If it is permitted to convert a patent application based on utility model registration to an application for utility model registration, the applicants will have the pending application for utility model registration again even though they have already registered the utility model right, and as a result, the applicants will have the opportunity for amendment and division.

6. Opinions of the Working Group

One member argued that if the term is extended, there is no need to introduce a system to allow patent applications after utility model registration. Many members argued, however, that it is not possible to foresee how products will be commercialized and how they will contribute to profit, and it is preferable to permit conversion to a patent application after utility model registration.

Regarding the timing of requesting evaluation and patent applications based on utility model registration, it was argued that it should be allowed, after a thorough review, to select either the patent or utility model for more appropriate protection based on the evaluation described in the registrability report. It was also argued that the registrability report is used when enforcing the right and so should not be used when selecting protection by a patent or utility model right, and that if the registrability report which is made primarily for patent examination is used as a substitute for the prior art search, patent examinations will be delayed. Another member argued that if requesting an evaluation means indicating the selection of a utility model right instead of a patent, then patent applications should be disallowed after requesting an evaluation. There was another argument that it should not be made more advantageous to go through the utility model system than to file a patent application in the first place.

Another member indicated that the utility model right should not be continued after a patent application based on the utility model registration in view of the ban on double patents and the confusion it would cause.

As for the proposal to allow the utility model right to continue after applying for a patent based on utility model registration, a request for evaluation of the underlying utility model right is not allowed (enforcement not allowed), and a request for evaluation of utility model right is allowed if the patent application is withdrawn before the start of examination, so the utility model right offers protection until the start of the patent examination. It was suggested that the system should be made simple and clear to reduce the monitoring workload for third parties.

Many argued that protection by the utility model system should be deemed abandoned upon making a patent application because there is a period of three years for consideration when making a patent application based on utility model registration, and the decision is made during that period. It was also argued that utilizing the registrability report as a substitute for prior art search before the patent examination would make the evaluation request fee lower than the patent examination request fee, and so the evaluation request fee should be increased to prevent such advantage.

It was argued that division and conversion of patent applications based on utility model registration should be allowed because it is desirable for applicants to treat the patent applications based on utility model registration as equal to patent applications.

7. Desirable patent application system based on the utility model registration

If a new patent application remains pending after the granting of a right, it increases the monitoring workload for third parties but not excessively compared to the case of ordinary patent applications. Therefore, a system for patent applications based on utility model registration should be introduced in consideration of the demand of applicants who wish to apply for a patent in accordance with changes in technical trends even after utility model registration. The following measures should therefore be taken.

(1) Relationship between patent applications based on utility model registration and the underlying utility model registration

A provision should be stipulated to abandon the underlying utility model right when applying for a patent in order to make patent applications based on utility model registration because there is little specific demand for continuing the utility model right that allows requests for evaluation by withdrawing the patent application and also because the monitoring workload for third parties should be reduced by making the system simple and clear.

(2) Time limit for the period from the filing of the application

The period in which patent applications based on utility model registration are allowed should be stipulated as three years after the filing date for utility model registration, as the examination request period in the patent system is three years.

(3) Limitation on requests for evaluation for utility model registration after the filing of the patent application based on utility model registration

Requests for evaluation are permitted in the current system because the current system allows the enforcement of rights (claim for damage compensation, etc.) for the period in which the utility model right existed even after the utility model right has expired. Requests for evaluations for the underlying utility model registration, however, should be prohibited thereafter because if patent applications are filed based on the utility model registration, it may be deemed that the applicant voluntarily selected a patent after three years of consideration, and utilization as a substitute for prior art search before the patent examination should be prevented.

(4) Limitation on patent applications based on utility model registration corresponding to requests for evaluation

1) Requests for evaluation by applicants or right-holders

Patent applications based on utility model registration should be prohibited after requests for evaluation by the applicants or right-holders. Otherwise, it may encourage the use of the registrability report as a substitute for prior art search in patent examinations. Judging whether to apply for a patent based on utility model registration based on the content would be virtually the same as introducing the prior evaluation system for patent applications, and if this increases the number of evaluation requests, it may cause delays in making registrability reports for those who truly need to acquire rights quickly as well as delays in the patent examinations. A request for evaluation should mean that the applicant has chosen to seek protection by the utility model registration rather than by patent.

The fee for making the registrability report is not stipulated as the actual cost in the Law, and is determined in consideration of the fact that the utility model system is used mainly by small and medium enterprises and individual inventors. The fee should therefore remain the same in the amendment because if it were raised, it would place a greater financial burden on users who request evaluations for specific enforcement of a right in

accordance with the primary objective, which might reduce the advantage of the utility model system for reasonable and simple protection[27].

2) Request for evaluation by third parties

After requests for evaluation by third parties, patent applications based on utility model registration should be allowed for a certain period from the date of the requests.[28] If patent applications based on utility model registration are made during the said period, the registrability report should not be made to prevent use of it as a substitute for prior art search.

(5) Limitations on time based on the time of appeal for trial for invalidation

At the proceedings of a trial for invalidation, if a new application for a patent for the same technique is made when the proceedings have progressed to the point of judging the validity or invalidity of the utility model right for the technique, it would waste the efforts of the requesters and examinations at the Patent Office conducted up until that time. On the other hand, it would be unfair for applicants if they are immediately prohibited from applying for a patent based on utility model registration by the appeal for a trial for invalidation by third parties. Therefore, a patent application based on a utility model registration should be allowed for a limited period of time after the appeal for invalidation of a utility model right, and a patent application based on a utility model registration should not be allowed after a certain period of time.

(6) Relationship between devices in an underlying utility model registration application and inventions in patent application based on utility model registration

Under the current system, when an invention for which a patent is applied and a device for which a utility model registration is applied are the same, it constitutes a reason for refusal, and a patent cannot be granted to the application for the same technique unless the right-holder corrects the utility model right. Therefore, in this provision, it is necessary to create exceptions.

(7) Requirements on a patent application based on a utility model registration

The requirements on a patent application based on a utility model registration should be limited to the scope of description in the entire specifications, etc. rather than limiting to the scope of claims in the underlying utility model registration, because the patent application based on the utility model registration should be treated the same as the patent applications made originally. Even if the requirements are limited to the scope of claims in the underlying utility model registration, this could easily be avoided by acquiring the utility model right for an unfairly wide scope, and if the subjects for protection continue to be different, it is not possible to request

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[27] Use as a substitute for prior art search is likely to continue even if the evaluation request fee is raised because the major reason for such usage is the priority given to making of the registrability report over the patent examinations.

[28] It is possible to omit limitation on evaluation requests by third parties, but this limitation is given because it is possible for applicants or right-holders to request evaluation using the names of third parties as dummies.

patents for inventions of “products” and “methods” that do not satisfy the shape requirement of articles, even though there is a description in the initial specifications.

(8) Division and conversion of patent applications based on utility model registration

1) Division

If division is limited, there would be a disadvantage due to the difference in the standard for unity of invention[29] at the time of patent examination and the time of utility model registration. In other words, if a technique deemed to have the special technical feature (A) with claim 1 as A + a and claim 2 as A + b at the time of utility model registration has been proven to be publicly known at the time of patent examinations, then either claims 1 or 2 must be abandoned if they cannot be divided because they do not satisfy the requirement of unity of invention. The division of patent applications based on utility model registration should therefore be allowed to avoid such problems.

2) Conversion

Converting a patent application based on utility model registration to an application for utility model registration should not be permitted because there is no need to allow reacquisition of utility model right by an application having the same content, since the applicant selected protection by patent while abandoning the previously acquired utility model right. If such conversion were permitted, it would allow amendment and division by returning to the state of application for utility model registration, and it is inappropriate to allow something that would not have been previously allowed if the initial utility model right was maintained.

As division can be considered to be amendments and has the same effect, divisional applications for patents based on utility model registration are equivalent to amended patent applications based on the utility model applications, and therefore for the same reason as above, converting to utility model registration should be prohibited for the divisional applications for a patent based on a utility model registration.

[29] Unity of invention is determined based on the relationship with prior art. Although determining of unity of invention is conducted before prior art search when judging basic requirements, it is also conducted after prior art search for patent examinations, and therefore, the standard for unity of invention in patent examinations is stricter than the standard for judging basic requirements.

Section 4 Desirable correction of the scope of rights

It has been pointed out that the current system is difficult to exploit because the scope of a utility model right cannot be substantially corrected after it has been granted. The Law should be amended to allow corrections to reduce the scope of claims, etc. one time only during a specified period after acquisition of the registrability report, etc. in consideration of the non-substantive examination based on the principle of self-responsibility and workload for third parties.

1. Current situation and demands for the correction of the scope of rights

The current utility model system only allows the deletion of claims as corrections in view of the objective of the non-substantive examination principle based on self-responsibility and the mitigation of workload for third parties.

There is demand to relax the limitation on the scope of corrections because sufficient corrections cannot be made if only the deletion of claims is allowed, which is unfair for right-holders. When those who responded “co-existence of the patent system and utility model system is necessary but the utility model system should be improved” were asked about this correction proposal, there was greater preference for “the scope for correction should be expanded” (77% of large enterprises, 78% of small and medium enterprises, and 89% of individual inventors) than “it should remain the same (allowing only deletion of claims)” (23% of large enterprises, 22% of small and medium enterprises, and 11% of individual inventors).

2. Correction of the scope of rights in foreign nations

In Germany, corrections are not allowed at all because there is no provision for corrections in the Utility Model Law. Abandonment of claims, however, has been allowed in judicial precedents. In France, there is a provision that bans the presentation of claims with new scope after the date on which rights have been granted in the Intellectual Property Law (Section 612-13). In Korea, applicants may 1) reduce the scope of claims, 2) correct an error in writing and 3) explain unclear expressions.[30] In China, correction that does not enlarge the scope of claims is permitted when an appeal for declaration of invalidation (appeal for a trial for invalidation) is made (Detailed Rules for Enforcement of the Patent Law Section 68).

[30] The Korean evaluation system is a substantive examination system (similar to the opposition system after granting of rights in Japan before the amendment in 2003), and when a request for evaluation is made, a decision to sustain or decision to annul is given, which are both administrative dispositions (they have trials for appeals and trials for correction as well).

3. Direction of the review

(1) Convenience for right-holders

In many cases, perfect specifications, etc. cannot be made at the time of an initial application since the Utility Model Law adopts the first-to-file system. In most cases, utility model rights are registered with the initial specifications, etc. without amendments since the Law adopts the accelerated non-substantive examination registration system. It therefore seems unfair to right-holders that devices, which should have been protected after an amendment process, are not protected due to imperfect specifications. Therefore, it is necessary to improve convenience for right-holders to overcome the limitations of the first-to-file system and the accelerated non-substantive examination registration system when deciding the scope of correction.

(2) Increase of workload for third parties due to non-definition of the scope of right at application

If the reduction of the scope of claims is allowed without limitation, it would be possible to describe an unfairly wide scope of rights in the initial application for utility model registration (for instance, to use the term “word processor” in a claim for a device that improves the keyboard of a word processor) and to correct it later so that the claim includes products of third parties and has no reason to be invalidated by referring to the prior art indicated in the registrability report or at a trial for invalidation. This would increase the number of utility model rights with an unfairly broad scope of rights, as the scope of rights is not defined in the application. In this case, third parties would be forced to predict which actual right is valid within the unfairly broad scope at the initial application, which would increase the search workload. Therefore, it is necessary to restrict corrections to avoid increasing the workload for third parties.

4. Specific reviews

It is necessary to conduct specific reviews on whether or not to allow correction other than the deletion of claims, and if it is allowed, to identify the desirable type of provision for correction.

(1) Scope of corrections

One option is to extend the allowed scope of corrections. Otherwise, the convenience of right-holders would be unfairly limited if corrections other than the deletion of claims are not allowed as under the current system. On the other hand, extension of the scope of rights by corrections would harm the predictability of third parties.

(2) Number of times and timing of corrections

There is a risk that the complete scope of rights may not be defined at the time of the application if the reduction of the scope of claims is permitted. If it is allowed to reduce the scope of the claims even after a request for evaluation or appeal for a trial for invalidation by a third party, then the right-holder may define an unfairly broad scope of rights initially and reduce the

scope after claims are made by third parties. Furthermore, if the reduction of the scope of claims is permitted without limit, the monitoring workload for third parties might increase significantly since the system adopts a non-substantive examination principle in granting registration.

On the other hand, since there is a strong demand by right-holders for reducing the scope of claims, it is important when designing the system to consider a proper balance between the needs of the right-holders and the monitoring workload of third parties by limiting the time period and number of corrections.

(3) Judgment on allowing corrections and judgment on the basic requirements for corrections

If the reduction of the scope is to be allowed, then it is necessary to review how to guarantee the legality of corrections. Although basic requirements are confirmed at the time of registration of a utility model, corrected applications may not satisfy the basic requirements, and so it would be necessary to ensure that basic requirements are always satisfied. It is possible that corrections may be made to two or more devices that do not satisfy the requirement for unity of invention,[31] and this may create an imbalance among applicants and increase the workload for creating registrability reports.

(4) Additions to reasons for invalidity

Since the correction allowed under the current system is only the deletion of claims, corrections are not listed in the reasons for invalidity. However, if the reduction of the scope of claims is allowed, it may be possible to make corrections that do not satisfy the requirements.

5. Opinions of the Working Group

It was argued that it is not necessary to allow the reduction of the scope of claims because doing so would increase the monitoring workload for third parties as the system adopts the non-substantive examination registration. Many members, however, argued that the reduction of the scope of claims should be allowed because banning all substantial corrections is unfair for right-holders. It was argued that if we introduce the system in which right-holders may reduce the scope of claims after receiving the registrability report and subsequently make a request for evaluation again, it would be possible to define the rights by comparing with prior art, which should make the system more convenient.

Many members argued that a provision banning all corrections after a request for evaluation or appeals for a trial for invalidation by third parties is unfair to right-holders and that corrections should be allowed in such cases as well. There was another argument that correction as part of defense should be allowed. There were, however, more members who argued that the

[31] For instance, when claim 1 has the description “automobile A” and claim 2 has the description “tire B of automobile A” in the initial application, if automobile A is publicly known at the time of application, the correction is made to claim 1 as “steering wheel C of automobile A.”

time and number of corrections should be limited in order to avoid increasing the workload for third parties.

It was argued that the correction time should be limited to three or six years from the filing date in order to alleviate the monitoring workload for third parties.

It was also argued that if it is easy to decide the legality of corrections, the decision should be made by the Patent Office.

6. Desirable correction of the scope of rights

The allowed scope of corrections should be extended in consideration of the demands of applicants. It is, however, necessary to set limitations on reducing the scope of claims in view of the possible increase in workload for third parties due to the non-substantive examination system. Therefore, the following amendments should be made.

(1) Scope of corrections

In addition to the currently allowed deletion of claims, the scope of corrections should be extended to include the reduction of the scope of claims, the correction of errors in writing, and the explanation of ambiguous expressions as adopted in the patent system. The addition of new matters and virtual extension and the modification of the scope of claims should be prohibited.

(2) Timing and number of times of corrections

The period during which corrections are allowed should be stipulated as being from the date of the registration of the right until a specified date after a copy of the registrability report to the initial request for evaluation has been sent[32] or the date after a specified period after a copy of the appeal for a trial for invalidation has been sent, whichever comes earlier. Corrections should be allowed only one time throughout the period because there is strong demand for corrections after receipt of the registrability report or after an appeal for a trial for invalidation and because the complete scope of the right may not be defined at the time of applying for utility model registration if substantial corrections are allowed.

No limit should be set on the period from the filing date (ex. three or six years from the filing date), to ensure conformity with the patent system, which has no limitation on the period from the filing date for amendment or correction, and because evaluation requests might otherwise increase with the sole objective of correction which is irrelevant to the enforcement of the right.

The deletion of claims should be allowed at any time without the limitation on the number of times.

[32] When correction is made after acquisition of the registrability report, if a request for evaluation were to be made again, it would mean making the registrability report for claims after correction.

(3) Deciding the legality of corrections and the judgment of basic requirements

As for corrections that do not satisfy requirements (virtual extension of the scope of claims, etc.), they should be excluded from the registrability report because requirements that are comparatively easy to judge among the parties concerned are left to them, and the Patent Office only evaluates the requirements with special technicalities that are not easy for the parties to judge under the utility model system; also, it is relatively easy to decide the legality of corrections by comparing them with the original applications. However, it is necessary to judge whether the corrected utility right registrations satisfy the basic requirements.

(4) Additional reason for invalidity

When extending the allowed scope of corrections, it should be stipulated that corrections which do not satisfy requirements constitute a reason for invalidity (Section 37).

Section 5 Applications for internal priority based on the utility model registration application

It has been suggested that a system should be introduced to allow another application for a patent or application for utility model registration by claiming internal priority based on the utility model registration application in one year from the filing date even after registration because doing so would retain the benefit of the internal priority system. However, the system should not allow internal priority after utility model registration because it would not offer any actual benefit.

1. Current system

The objective of the internal priority system is to allow applications to be submitted for both fundamental inventions and improved inventions in the same application, but it is also permitted to make a new application with revised content while maintaining the valid application date on claims in the initial application, which is very convenient for applicants.

It is possible to use an application for utility model registration as the basis for internal priority before registration under the current system but not after registration.[33] Applicants are unable to take advantage of the internal priority period of one year because the period before registration is short (about five months).

2. Demand for introduction of the internal priority system after registration of the utility model

There is demand to allow utility model registration to be used as the basis for internal priority even after registration so that applicants can take advantage of the internal priority period of one year in order to retain the benefit of the internal priority system for applicants. However, it is also argued that there is no actual benefit in allowing applications to claim internal priority after issuing registered utility model gazettes for prior applications.

3. Direction of the review

When utility models are registered, a registered utility model gazette is issued. Therefore, applications claiming internal priority file their applications after the devices are publicly described in the applications for the underlying utility model registration. It is necessary to review whether there is any actual benefit in allowing internal priority after registration.

[33] Patent Law Section 41-(1)-(v), Utility Model Law Section 8-(1)-(v)

4. Specific reviews

Applications claiming priority generally state the technique A described in the applications for the underlying utility model registration and its improved technique A + α (suppose claim 1 has technique A and claim 2 has improved technique A + α). When applications claiming priority based on applications for utility model registration are allowed even after registration of utility model, it should be deemed that the registered utility model gazette of the applications for the underlying utility model registration (technique A) has been issued. In this case, if technique A was novel at the time of the application for underlying utility model registration, the special technical feature in claim 1 is technique A. However, the special technical feature of claim 2 becomes technique α since technique A has become publicly known by the registered utility model gazette, which means that claim 1 and claim 2 do not satisfy the requirement of unity of invention.[34] Therefore, there is no difference in applying for the protection of the improved technique separately because it is not possible to describe the technique in the earlier application and the improved technique in one application, and there is no actual benefit in allowing applications for utility model registration after registration has been granted, as the basis for internal priority. If technique α does not apply to a special technical feature, the inventive steps in improved technique A + α would be citing by defining technique A in the earlier application that has become publicly known by the registered utility model gazette as the prior art.

5. Whether to introduce the internal priority system after registration of the utility model

As described above, the system should not allow internal priority after registration of the utility model since doing so offers no actual benefit.

[34] Patent Law Section 37. For two or more inventions, if they apply to a group of inventions that satisfy unity of invention by having the technical relationship stipulated in the ordinance of the Ministry of Economy, Trade and Industry, they may be applied for using a single application form.

Patent Law Enforcement Rule Section 25-8

1. The technical relationship stipulated in the ordinance of the Ministry of Economy in the Patent Law Section 37, Trade and Industry means the technical relationship where two or more inventions are linked to form a single, general inventive concept by possessing the same or corresponding special technical features.
2. The special technical features in the foregoing clause refer to the technical features that clearly indicate the contribution of the inventions to the prior art.
3. (Omitted)

Section 6 Damage compensation responsibility of right-holders, etc.

1. Current situation

The current system has a provision that right-holders or exclusive licensees (hereinafter referred to as “right-holders, etc.”) are responsible for damage compensation unless they can prove non-fault when they have enforced the utility model right on infringers, and the invalidation decision has become final. The provision, however, stipulates that it is not necessary to prove non-fault in principle when new prior art has been discovered from the search scope of the registrability report after the right-holder, etc. has enforced the right based on a positive evaluation in the registrability report (Section 29-(3)).

It is possible to delete the provisions on damage compensation responsibility for right-holders, etc., as these make utility model rights less attractive and similar to enforcing a patent, and to allow the damage compensation responsibility of the right-holders, etc. to remain as a general principle. However, it has been argued that this provision on damage compensation responsibility of right-holders, etc. prevents abuse of a right registered with no substantive examination and that deletion of this provision might increase the abuse of a right.

2. Opinions of the Working Group

It was argued that the Utility Model Law Section 29-(3) should be maintained in order to prevent the abuse of a right. There was another argument that the initial objective of Section 29-(3) should be clearly defined as no fault is charged even after invalidation of the right if a certain caution obligation is observed.

3. Desirable damage compensation responsibility of right-holders, etc.

The Utility Model Law Section 29-(3) should be maintained because there is real concern that the rights registered with no substantive examination may be abused, and it is stipulated that it is not necessary to prove non-fault when a positive evaluation is given in the registrability report.

Section 7 Amendment of the registration fee upon extension of the term

1. Current situation and demand

It is necessary to amend the registration fee when the term is extended (Section 31). There is demand to lower the registration fee for the first to third year which is paid when making an application, in order to reduce the burden on applicants.

2. Opinions of the Working Group

It was argued to lower the registration fee or to stipulate paying the registration fee only for the first year in order to minimize the burden of applying for utility model registration.

3. Desirable registration fee

The registration fee for the first to third year, which is paid at the filing should be reduced when amending the registration fee due to extension of term.

Section 8 Other system amendment items

1. Standard for inventive steps

It was argued to amend the term “very easy” to “easy” in the provision for inventive steps in accordance with the actual conditions. There was another argument that the granting of exclusive rights to techniques with a low level of inventive steps would prevent the development of more advanced techniques. However, it is necessary to review the inventive steps of the utility model system from a larger perspective, because some consider that the term “highly advanced” in the definition of an invention should be reviewed at the same time when the provision on inventive steps is amended to be the same as the provision in the Patent Law. Furthermore, the difference in provisions of inventive steps may not actually cause any problems. Therefore, the standard for inventive steps should be reviewed further, including the desirable definition of an invention.

2. Release of the creation of the registrability report to the private sector

It was argued that the creation of registrability reports should be subcontracted to private-sector search agencies since evaluation of the registrability reports is not an administrative matter. Many members, however, argued that the quality of registrability reports should be kept high to prevent abuse of the utility model right. It is considered premature to release the creation of registrability reports to private-sector search agencies because the public feel that private-sector search agencies do not offer the same fairness and trust as the prior art searches by the examiners of the Patent Office. Therefore, it is necessary to review whether to subcontract the creation of registrability reports to private-sector search agencies.

3. Time limit for evaluation request

In order to make the utility model system stable and to remove the difficulty in exploitation of the system, it was argued that a right which is not requested to be evaluated in a fixed period (3 years, for example) should be deemed to have been abandoned, as is practiced in the provision on the examination request period in the Patent Law, because the utility model system requires registrability reports to be presented upon enforcing the right and does not have the non-substantive examination principle in actuality.

However, when introducing a system in which the utility model right itself is lost if the creation of a registrability report is not requested within a certain period, the request for the creation of a registrability report would have the same status as a request for a patent examination, which would negate the prerequisite that places the priority on the Patent Office to process the making of registrability reports. This might make it impossible to meet the demand for the early protection of rights even though the utility model system is intended to protect techniques with early commercialization and a short lifecycle, as the average waiting time for the granting of a patent is as long as 24 months. The holders of a utility model right would be required

to judge whether to enforce the right or not in the future within a specified period, but this might significantly cause inconvenience for right-holders, whereas the objective of the examination request system when applying for a patent is to confirm the intention for acquiring of the right, and it does not require confirmation of the intention to enforce the right. This might delay the creation of registrability reports for those who truly need early enforcement of the right and even delay patent examinations, because it would lead to more evaluation requests that are not immediately needed and would increase the work of creating registrability reports at the Patent Office. Therefore, a time limit for requesting evaluations should not be stipulated.

4. Expansion of the information submission system

The current utility model system has a system that anyone may submit information to the Patent Office on publications with regard to devices publicly known by publications, which are the subjects of registrability report, concerning applications for utility model registration or utility model registrations (Utility Model Law Enforcement Rules Section 22). In the patent system, on the other hand, it is possible to submit information on reasons for refusal and reasons for invalidation other than publicly known publications (Patent Law Enforcement Rules Section 13-(2) and Section 13-(3)). Therefore, it should be permitted to submit information on the reasons for invalidation other than the publicly known publications in the utility model system.

Section 9 Measures through operations

1. Precision of the evaluation and improvement of the ease of understanding

(1) Prior art searches

Registrability reports are objective judgments of novelty and inventive steps of utility model rights that have been registered without substantive examinations, and the content of a subject registrability report is important for enforcing the right. Therefore, it is important to prevent unnecessary disputes on utility model rights by continuing efforts to focus on prior art searches and by giving precise evaluations on the novelty and inventive steps of devices.

(2) Granting opportunities for presenting arguments

Applicants should be allowed to present arguments when requesting evaluation in order to enable a registrability report to be made after the examiner has precisely understood the device in question by referring to the argument of the applicant (explanation of the difference between device and prior art, etc.).

(3) Description of the logic of the examiner

Judgment (logic of the examiner) on novelty and inventive steps in registrability reports similar to the notification of reason(s) for refusal (or international preliminary examination reports) in patent examinations should be described in the registrability reports so that the right-holders and third parties can precisely understand the opinions of the examiner.

2. Shortening the time from filing to registration

It is particularly important to grant utility model rights early because the objective of the utility model system is the early protection of devices. Efforts should be continued to accelerate the process from filing to registration and to shorten the average time from filing to registration. The period during which an amendment is allowed should be shortened as needed when the period from filing to registration has been shortened because the currently stipulated period of two months from the filing date (Utility Model Law Section 2-(2) and Utility Model Law Enforcement Rules Section 1) was determined assuming that the period from filing to registration was approximately six months.[35]

[35] "Section-by-Section Explanation of Industrial Property" [Version 16] edited by the Patent Office, Japan Institute of Innovations and Inventions (2001) pp. 674-676

3. Thorough understanding of the utility model system, which is a non-examination registration system

Under the utility model system, rights are registered early without substantive examinations and enforcement of a right requires a registrability report. As a result, a right-holder who does not know the system might give a warning on a utility model right without presenting the registrability report, forcing third parties to take cumbersome procedures. All parties must be made fully aware that the proposed amended Utility Model Law will require presentation of the registrability report after correction. If the utility model system is made more attractive by the amendment, the system should also be made more widely known to increase its use, so the contents of the utility model system should be well publicized.

Chapter 3 Summary

1. Law amendments

The utility model system should remain because there is still demand for protection of techniques that require early commercialization, and there is strong demand to effectively exploit the utility model system even though the number of applications is on the decline.
The utility model system should be amended as follows to enhance its attractiveness based on the advice received and to prevent the abuse of rights registered without substantive examination because there is criticism that the current utility model system is difficult to exploit.

(1) Extension of term

The term of the utility model right should be extended to ten years from the filing date.

(2) Patent application system based on utility model registration

A patent application system based on a utility model registrations should be introduced, while taking the following measures.

1) Relationship between a patent application based on a utility model registration and the underlying utility model right

   A provision should be stipulated that an underlying utility model right should be abandoned when applying for a patent based on the utility model registration.

2) Time limit from filing

   The period in which patent applications based on utility model registration can be made should be stipulated as three years from the filing date for utility model registration.

3) Limitation on request for evaluation for utility model registration after application for a patent based on utility model registration

   Requests for evaluating a utility model registration after applying for a patent based on utility model registration should be prohibited.

4) Limitation on patent applications based on utility model registration accompanying a request for evaluation

   Applications for a patent based on utility model registration should be limited to those submitted before the request for evaluation by applicants or right-holders. After requests for evaluation from third parties, applications for a patent based on utility model registration should be allowed for a specified period from the request for evaluation. When an application for a patent based on utility model registration is filed within the specified period, the registrability report should not be made, in order to prevent abuse of the prior art search in the registrability report.

5) Time limit based on the time of appeal for a trial for invalidation

   Applications for patent based on utility model registration should be allowed only for a specified period after the appeal for a trial for invalidation of a utility model right; applications

for a patent based on utility model registration should not be allowed after expiration of the specified period.

6) Relationship between devices concerning the underlying utility model registration and inventions concerning an application for a patent based on utility model registration

When an invention in the application for a patent is the same as a device in the application for a utility model registration, it constitutes a reason for refusal, and applications for a patent for the same techniques are not allowed unless the right-holder corrects the utility model right in the current system, and in such cases, an exception should be provided.

7) Requirements for an application of a patent based on utility model registration

It should be stipulated that applications for a patent based on utility model registration must be within the scope of the specifications, claims, and drawings attached to the request for the underlying utility model registration.

8) Division and conversion of an application for a patent based on utility model registration

Division of the application for a patent based on utility model registration should be granted. Converting an application for a patent based on utility model registration and its divisional applications to an application for utility model registration should be prohibited.

(3) Expansion of allowed scope of correction

1) Scope of correction

The scope of correction should include the reduction of the scope of claims, correction of errors in writing, and explanation of ambiguous expressions, in addition to the currently allowed deletion of claims, in the same manner as stipulated in the patent system, and the addition of new matter and virtual expansion or changes of the scope of claims should be prohibited.

2) Timing and number of times of correction

Reduction of the scope of claims, etc. should be permitted for a specified period after a copy of the registrability report for the initial request for evaluation has been sent or for a specified period after a copy of the appeal for a trial for invalidation has been sent, whichever comes earlier, and it should be allowed only once during the entire period. Correction by deletion of claims should be allowed at any time without limitation on the number of times.

3) Decision on the legality correction and judgment of basic requirements on correction

Judgment of whether or not corrections satisfy requirements should not be the subject of the registrability report. Whether or not basic requirements are satisfied should be judged when corrections are made.

4) Additional reason for invalidation

Corrections that do not satisfy the requirements should be stipulated to constitute a reason for invalidation.

(4) Amendment of fee

The registration fee for the first to third year to be paid upon application should be reduced when amending the registration fee due to extension of the term.

(5) Expansion of the information submission system

Methods of submitting information on other reasons for invalidation, in addition to publicly known publications for utility model registration, should be provided.

2. Measures through operations

(1) Improvement of precision and ease of understanding of registrability report

1) Prior art search

Unnecessary disputes concerning utility model rights should be discouraged by continuing efforts to focus on prior art searches and precisely evaluating the novelty and inventive steps of devices.

2) Granting opportunities for presenting arguments

Applicants should be allowed to present their arguments when requesting evaluation.

3) Description of the logic of the examiner

The registrability report should carry the judgment on novelty and inventive steps (logic of the examiner) as practiced in the notification for reason(s) of refusal (or international preliminary examination reports) in the patent examination system.

(2) Shortening the time from filing to registration

Efforts to accelerate the process from filing to registration should be continued, and the average period from filing to registration should be shortened in consideration of the intention of applicants.

(3) Thorough understanding of the utility model system as a non-substantive examination registration system

All parties should be made fully aware of the content of the utility model system.

3. Issues to be reviewed further

(1) Expansion of subjects for protection

Expansion of the subjects for protection should be reviewed further with due consideration of the conditions to develop the techniques, the necessity for protecting computer programs, substances, etc. with the utility model right, and the adverse effects of such protection.

(2) Standard for inventive steps

The standard for inventive steps, including the desirable definition of an invention, should be reviewed further.

(3) Release of the creation of the registrability report to private sector

The release of creating of registrability reports to private-sector search agencies should be reviewed further.