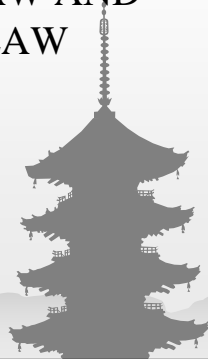


2004/2005 AMENDMENT OF JAPANESE PATENT LAW AND UTILITY MODEL LAW

OCTOBER 8, 2004
Kyowa Patent and Law Office
Hidetoshi KITSUYA



The Bill to amend the Patent Law for
“Expediting Patent Examination”
passed Japan’s Diet on May 28, 2004.
Some parts of the law are already in effect.

Oct 2004

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Objectives of the Amendment

- To Expedite Patent Examination Process
- To Promote Proper Activities of Filings and Requests for Examination by Applicants
- To Reinforce Infrastructure for Expeditious Patent Examination
- To Establish an Environment to Encourage Inventions

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SUMMARY OF THE AMENDMENT

1. Promotion of outsourcing of the prior art search for JPO Examiners
(Effective on **October 1st, 2004**)
2. Reduction of Request for Examination Fee
(Effective on **April 1st, 2005**)
3. Patent publications through the Internet
(Effective on **April 1st, 2005**)

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4. Enhancement of the Utility Model Registration System

Right Term from 6 years to 10 years
(Effective on **April 1st, 2005**)

5. Infrastructure for promoting faster examination procedures in the JPO

(Effective on **October 1st, 2004**)

6. Revision of the Employees' Invention System to balance the need for employer's stable R&D activity and the employees' incentive for new inventions

(Effective on **April 1st, 2005**)

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1. Outsourcing of the Prior Art Search

- Outsourcing of the prior art search for JPO Examiners will be further promoted
- How? By expanding the scope of outside search organizations to "private" search companies.
- This expansion of outside search organizations is expected to accelerate patent examination even further.
- This revision has come into effect on **October 1st, 2004**.

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BACKGROUND OF REVISION

Average pendency (waiting term) until first action: 26 months

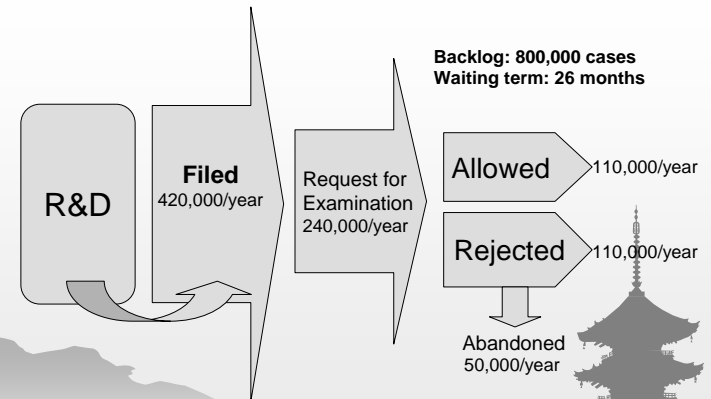
- Backlog : 500,000 cases and will increase up to 800,000 cases in near future.
- The revision is expected spur a speedier reduction in backlog of 800,000.

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PATENT APPLICATION STRUCTURE IN JAPAN



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STATISTICAL COMPARISON OF THREE OFFICES

	JAPAN	US	EPO
Number of Examiners	1126	3489	3157
Number of cases per Examiner	204.2cases	79.3cases	63.4cases

(JP: 2003, US and EPO: 2002)

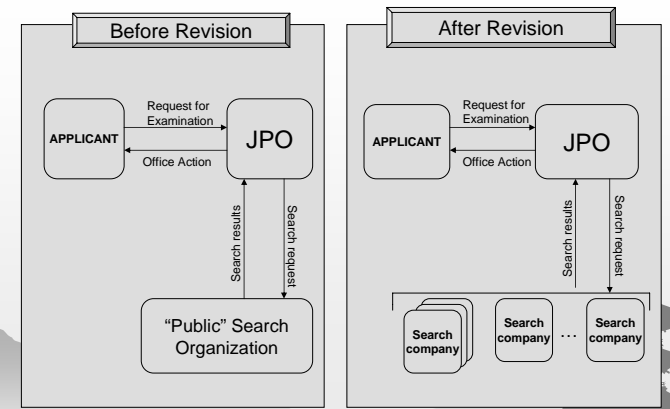
UNDER THE CURRENT SYSTEM:

- JPO Examiners can outsource their prior art search only to a specific “public” search organization.
- At present, IPCC (Industrial Property Corporation Center) is the only organization that is formally designated as a public search organization.

UNDER THE REVISED LAW

- Private search sector firms or companies can also be qualified (registered) search organizations under specific conditions.
- Private sector firms can legally conduct prior art searches in accordance with JPO Examiner’s request from October 1st, 2004.

OUTSOURCING OF SEARCH



2. Reduction of Request for Examination fee

The fee of request for examination fee can be reduced under the following conditions.

Applicants submit their own prior art search report.

The report was prepared by a registered search organization.

The search organization must be selected from among the above-mentioned registered search organizations.

This revision will come into effect on **April 1st, 2005**.

- Amount of Reduction
Not determined yet

- JPO announces to have an explanation to public in December.

3. Patent Publications on Internet

- Currently, patent publications (Official Gazettes) are available on DVD-ROM.

- It usually takes about 7 weeks for the JPO to issue the publication data on DVD-ROMs after the publication data is created.

After Amendment

- Patent publications will be issued through the Internet, in addition to DVD-ROM publication, in order to publish patent publications as quickly as possible.

- Under the new system, patent publications will be available to the public within 4 weeks through the Internet. You can also easily download the publication data through the Internet.

- This revision will come into effect on **April 1st, 2005**.

4. Enhanced Utility Model System

- The examination system for UM application was changed to a non-examination system in 1994.
- The number of UM applications has dropped sharply from about 130,000 cases(1990) to 8,000 cases(2003).
- On the other hand, the number of patent applications has been gradually increasing and currently about 420,000 applications are filed a year.
- JPO would like to encourage an increase the number of UM applications and expects reduction in number of patent applications to be examined.

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- The FIRST revision is:
an extension of the utility model right term, i.e., duration period, from 6 years to 10 years from the filing date (Sec. 15).
- Annual fees are less than those of a patent right.

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- The SECOND revision is:
that you can convert a registered UM into a new patent application, even after registration of the UM, for securing a more stable/complete right (Sec. 46bis).

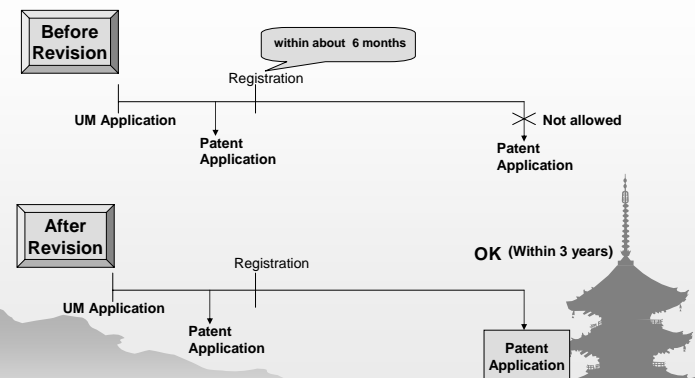
- That is, you can file a patent application based on a registered UM by keeping the filing date of the utility model application. This new patent application can be filed within 3 years from the filing date of the original UM application.

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Patent Application based on Registered Utility Model



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- Thus, the JPO is trying to make the UM system more attractive to users.

- This revision will come into effect on **April 1st, 2005.**

5. Infrastructure Reinforcement

- Infrastructure for expediting examination process in the JPO, including workforce development, will be reinforced.
- A new public organization for IP-related information and training will be founded. Personnel training will also be reinforced.
- JPO plans to increase fixed-term Examiners by 100 per year within five years. This means that totally 500 more Examiners will be added in five years.

- Actually, JPO requested an increase of 98 examiners in the fiscal 2004 budget plan.

- This revision has come into effect on **October 1st, 2004.**

6. Compensation for Employee's Inventions

- Purpose : To improve the balance between the employer's stable R&D activity and employees' incentive for new inventions.
- Under the Japanese Patent Law, if a patent right of an employee's invention is to be automatically transferred to an employer in accordance with a contract, the employee is entitled to obtain reasonable remuneration/compensation (Sec. 35).

- This “reasonable compensation” is to be determined in consideration of the profits that the employer makes from the invention and the degree of the employer’s contribution to the completion of the invention.

Problems :

- Difficulty in determining “reasonable remuneration /compensation” voluntarily between the employer and the employee.
- In general, the amount of compensation for the employee’s invention has been determined by the employer in advance, in most cases in accordance with internal regulations, contracts and the like.

- This is one of the causes of inventors’ complaints about the small amount of remuneration for successful inventions and recent lawsuits raised by ex-employees.
- On the other hand, the employer faces difficulties in estimating the overall cost for R&D activities. Thus, the employer’s R&D activities become quite unstable.
- This situation is not beneficial for either the employer or the employee.

Solutions

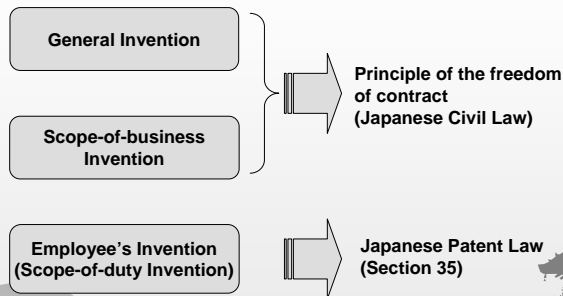
- First,
if a contract regarding compensation made between the employer and the employee is not “unreasonable”, the contract is covered under the concept of “reasonable compensation” defined in Section 35 of Japanese Patent Law.

- Second,
 - (a) if there is no contract between the employer and the employee, or
 - (b) if the contract made between the employer and the employee is “unreasonable”,
 then the amount of compensation is to be decided in a lawsuit in consideration of the profits which the employer made from the invention and the degree of employer’s contribution to the completion of the invention.
 This decision on the amount of compensation will include how the employee is treated by the company.

- Third,

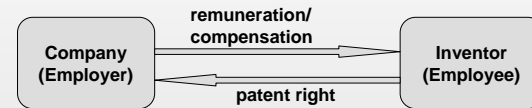
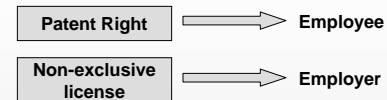
the judgment as to whether the compensation contract is “unreasonable” or not must be made in consideration of whether the contract is made through due process. This due process includes mutual discussions/consultations held between the employer and the employee, disclosure of the criteria for compensation, and feedback from the employee.
- This revision will come into effect on April 1st, 2005.

3 TYPES OF INVENTIONS MADE BY EMPLOYEES

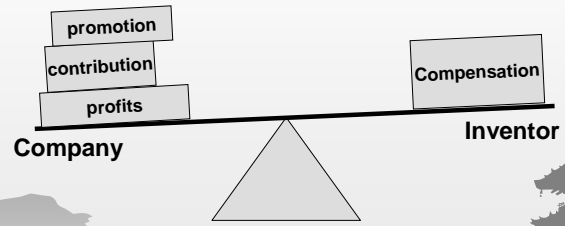


MUTUAL RELATIONSHIP ON EMPLOYEE'S INVENTION

Who is the original owner?



How to balance?



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THANK YOU

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