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To: Policy Planning and Research Division
General Affairs Department
Japan Patent Office

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Opinions on the Drafts of the Policy Recommendation and Report of the Policy Committee on Innovation and Intellectual Property (PCIIP)[1]

We would like to submit our opinions in response to the invitation by the Japan Patent Office (JPO) for public comments on the materials referred to in the title above.

We would appreciate it if you could take into consideration our opinions stated below when you finalize the policy recommendations and report of the PCIIP, for the purpose of promoting innovation.

We would like to give our active support the debates at the PCIIP. We would be grateful if you would give us the opportunity to hear a detailed explanation and have an exchange of opinions when necessary.

Please note that our opinions stated below are itemized in line with the items in the drafts of the PCIIP policy recommendations and report.

Overall comments

Under the principle of maintaining and enhancing the pro-patent policy and in accordance with the basic idea of reinforcing the pro-innovation intellectual property system, the report advocates 13 specific "policy recommendations for innovative changes" based on the analysis of the present status and the basic goals. We appreciate all of these recommendations as being timely and appropriate from the perspective of strengthening the industrial competitiveness of Japan, the starting point in the effort to make Japan a "country built on intellectual property."

Having finalized the recommendations and report, you will be putting the recommendations into action immediately. In the process of actually implementing any individually recommended tasks, we expect you to make efforts to realize the early

establishment of an intellectual property system that will promote true innovation, while giving due consideration to the requests of patent applicants and patentees, the major users of the patent system.

We also hope that you will ensure cooperation between the departments and divisions of the JPO, recognizing the recommendations as being important not only for patents alone but also for intellectual property in general.

Comments on specific issues

I.1 (4) Enlargement of international cooperation - toward realization of "Virtual Global Patent Office" (page 26 et seq. in the Japanese report; page 25 et seq. in the English report[2])]

Through promotion of work sharing to carry out the examination process among patent offices on a global scale, the patent offices in respective countries will be able to function collectively as a "virtual global patent office" for applicants throughout the world. This idea is conducive to reducing costs and workload and therefore welcome to applicants.

The availability of various options for applicants in the course of obtaining rights, such as the Patent Prosecution Highway (PPH), JP-Fast Information Release STrategy (JP-FIRST)), and New Route, means that applicants can choose one that is most suitable for their inventions on a case-by-case basis. We will emphasize this advantage further to our members. However, there is a concern that the co-existence of many routes would make the procedure for obtaining rights rather more complicated for applicants. Therefore, when promoting work sharing, we would request that the JPO should aim at constructing a more substantial framework of international cooperation which can be referred to as a "Virtual Global Patent Office," while also giving consideration to making it user-friendly.

In particular, with a view to working toward "harmonization of patent quality at a high level," it is important to ensure consistency in the quality of individual patent examinations when applicants intend to obtain global patents. From this viewpoint, we hope for cooperation among patent offices for examination quality management on a global scale.

In particular, in view of the fact that a rapid increase in the number of patent applications has been seen in recent years in China, we would also request that by enhancing examination cooperation among the five Patent Offices (the Trilateral Offices plus SIPO and KIPO), the JPO will encourage the Chinese authorities to take the

necessary measures to improve the quality of patents and promote harmonization with other offices, from the perspective of ensuring the stability of patent rights.

I. 2(2) In order to realize an Examination System Corresponding to Diversifying Needs of Applicants (page 43 et seq. in the Japanese report; page 44 et seq. in the English report)

As before, we have sought a system whereby applicants can obtain rights in a timely manner or at the exact time when they wish to obtain them (if there are corresponding foreign applications, applicants wish to obtain rights almost at the same time in all the countries concerned). We welcome the establishment of a Super Accelerated Examination System which will enable applicants, who have corresponding foreign applications and seek early obtainment of rights both at home and abroad, to obtain rights at an earlier time than the existing Accelerated Examination System allows. We request that the scope of the target applications of the Super Accelerated Examination System will not be limited to those in the field of cutting-edge technology but also include all applications for which applicants seek accelerated examination. Upon the introduction of the Super Accelerated Examination System, we do not have any objection to imposing certain requirements on applicants who use this system, such as payment of additional charges and submission of prior art search reports, from the standpoint of fairness between users of this system and those of the regular examination system.

When the Super Accelerated Examination System is introduced, as a natural consequence, there will be a delay in obtaining rights for some applications that are not on this examination route. We accept this consequence as unavoidable. In this respect, we would sincerely request that the JPO should develop a multistage examination framework divided into more stages in addition to the above three stages (Super Accelerated Examination System, existing Accelerated Examination System, and regular examination system), and should adopt an indicator to assess whether examinations are being carried out in as a timely manner as applicants wish.

I. 3(2) Promotion of international patent harmonization (page 55 et seq. in the Japanese report; page 60 et seq. in the English report)

Since 2002, we have held Trilateral Industry Meetings with intellectual property-related private organizations in the Untied States and Europe. Through these meetings, we have promoted discussions on the trilateral harmonization of intellectual property systems, taking a stance of achieving this goal step by step by targeting the

possible areas in the order of “One Application→ One Search→ One Examination→ One Patent.” So far, we have had some successes, such as the adoption of a common application format. In the future, in view of the characteristics of the Japanese patent system which position it in between the US system and the European system, we will play an active role in the discussions on patent harmonization at Trilateral Industrial Meetings and other trilateral conferences, so as to encourage a mutual compromise between US and European industries for system reforms.

Considering that it is important for the pubic and private sectors in each country to compromise with each other on the specific issues that require compromise, in harmonization discussions at the B+ meetings, we will also encourage US and European industries to make approaches to their governments for taking the necessary measures for early harmonization, including legal reforms.

I. 4(3) Towards the establishment of the intellectual creation cycle in developing countries - from the viewpoint of linkage between intellectual property and business (page 69 et seq. in the Japanese report; page 77 et seq. in the English report)

We have dispatched delegations to Asian countries and regions to exchange opinions with the government agencies in charge of intellectual property affairs and also with intellectual property-related private organizations, thereby promoting the active efforts these countries and regions are making to improve their intellectual property systems and the operation thereof. We will continue this initiative, through which we deliver the opinions of Japanese industries directly to the relevant government agencies in Asian countries and regions, while encouraging private organizations in these countries and regions to inform government agencies of their opinions on the issues shared with Japanese industries as well. We consider this initiative to be very important as a method for supporting the other route of delivering opinions via the Japanese government.

It is also important to inform industries in developing counties and regions of the best practices (and also examples of failures) that Japanese industries have experienced thus far. We will continue to promote strongly various activities to this end, such as holding local seminars when our missions visit developing counties and regions and dispatching lecturers to seminars held by other organizations.

Europe has a huge market among the trilateral offices, and as the translation problems have gradually been solved since the London Agreement took effect and efforts have been made for further improvement, the European patent system is now becoming more user-friendly for businesses throughout the world. The United States

also has a huge market in North America. Japan compares poorly with these huge markets when it comes to market size on its own. Its market would, however, match the former two if it were combined with the markets in East Asia and Southeast Asia, but such a market consisting of several markets will not be easily accessible to applicants because they would have to submit translations and undergo examination in each country in order to obtain patents. Bearing this in mind, we consider that the JPO should promote the ongoing initiative for trilateral cooperation among the JPO, SIPO and KIPO, and other initiatives to increase cooperation with Asian countries and regions. It will also be necessary, in the short-to-medium term, to provide support for the patent offices in Asia to establish appropriate systems for granting rights depending on their stage of development, including the introduction of a work sharing framework wherein they can use examination results from other patent offices, and in the long term, discuss the idea of creating a uniform patent system covering East Asia and Southeast Asia.

II. 1(4) Revisions of the patent system and practices (page 86 et seq. in the Japanese report; page 98 et seq. in the English report)

The report states that “it is necessary to discuss consistently what the system should be” for patent protection for computer software. However, if protection is guaranteed for mere abstract ideas that lack technical background/, it would be one of the causes of an increased business risk. Therefore, careful consideration will be required when discussing this issue.

II. 1(7) Aiming at a patent examination mechanism emphasizing quality and having higher predictability and transparency (page 98 et seq. in the Japanese report; page 112 et seq. in the English report)

For the purpose of reviewing the Examination Guidelines constantly and increasing the stability of examinations, we agree with the idea of establishing a new organization, the “Examination Guidelines Committee (provisional title),” by selecting members from among people dealing with affairs concerning application, examination, appeals and trials, and litigation, as well as specialists in law, economy, and technology. In view of the current situation where the JPO’s trial decisions to recognize the validity of patents are frequently overturned by the courts, it would be desirable for both patentees and third parties if the JPO and the courts determine patentability basically according to the same standards, the Examination Guidelines. This will provide a more transparent and more highly predictable patent examination mechanism, thereby enhancing the predictability of obtaining rights and ensuring the stability of the rights

obtained. Furthermore, if this initiative succeeds, unnecessary workload and costs can be avoided at the stages of patent obtainment and patent enforcement (including patent disputes). We will therefore support this committee by dispatching appropriate persons as committee members and in other roles. From the perspective of ensuring stability, the committee members should include people from the legal profession, or court personnel, if possible. In the process of reviewing Part VII Examination Guidelines for Inventions in Specific Fields, opinions should be gathered from a wide range of people, including specialists and businesses in their respective fields (e.g. software and biotechnology).

We would like to request that the committee should, in line with the concept of "a virtual global patent office" and from the perspective of global standards, aim to develop Examination Guidelines suitable for granting quality patents and globally-harmonized patents (to avoid a situation where the invention patented in Japan is not patented in a foreign country, and vice versa). To this end, the committee should fully take into consideration the trends in technology, industry and society not only in Japan but also across the world.

The report mentions specific measures such as ensuring transparency in the process of formulating the Examination Guidelines and providing a hyper-text version of the Guidelines. There is no doubt about the importance of these measures, but in order to achieve the purposes mentioned above, we find that it will also be important to improve the contents of the Examination Guidelines by making the descriptions in the guidelines more specific and increasing the examples included therein, so as to make the contents more easily understandable for users.

II. 1 (Reference 2) Proper examination (page 104 et seq. in the Japanese report; page 120 et seq. in the English report)

The report states that "It is important to perform an assured examination for every application based on the results of measures for quality management." We completely agree with this idea. In order to ensure patent quality, although it is important to achieve transparency of the examination mechanism (Recommendation 5), we also expect the JPO to promote its efforts stated above, for the improvement of patent quality depends on the accumulation of examination practices for individual applications.

For instance, one of the important tasks for the improvement of quality is to improve the contents and ensure consistency of the statements in the notices of reasons for refusal of applications, with regard to the scope of "designing issues" and "well-known art" as factors required for determining the involvement of an inventive

step, as well as the existence or absence of the citation of publicly known documents, and description requirements (enablement requirement).

II. 2 Anti-patent troll measures (page 108 et seq. in the Japanese report)

We agree with the idea of establishing an "Exploratory Committee on Appropriate Patent Right Enforcement (tentative name)" to study the applicability of the "abuse of right" principle in the context of patent right enforcement and prepare guidelines if necessary. We do not have any objection to the expected committee members. We have also launched a project to tackle this issue and studied cases of abuse of rights. When the JPO inaugurates the committee, we will support the initiative by dispatching appropriate persons as committee members and in other aspects.

When preparing guidelines, we would like to request that the committee should also consider relevant issues such as the exhaustion of rights, presumption of negligence, and distribution of rights through auctions, so that the guidelines will be useful for predicting court decisions on the abuse of rights. To this end, we hope that court personnel will participate in the committee if possible.

It is difficult to define the "patent troll" issue. We recommend that countermeasures should be studied by collecting and analyzing actual cases from various aspects such as: "what is appropriate patent right enforcement," the "abuse of rights" principle, the Anti-Monopoly Act, and the disturbance of innovation.

III. 2(1) Ecosystem for supporting open innovation, and intellectual property business (page 127 et seq. in the Japanese report)

We believe that both public and private parties should make efforts to promote the utilization and distribution of useful intellectual property that will help in strengthening the international competitiveness of Japanese industries. However, the emergence of patent trolls might bring about an adverse effect. Therefore, the issue of how to increase sound and fair players in this field should be studied.

Active efforts may also be required to review the system for protecting intellectual property licenses, which is also important for promotion of the utilization and distribution of intellectual property. Recently, due to active business restructuring along with changes to the industrial structure as well as the enhancement of open innovation, intellectual property businesses have diversified, which is accelerating the distribution of intellectual property. However, while there is demand for a license protection system that can respond to such circumstances flexibly, it is difficult to provide adequate protection for licensees under the existing protection system alone,

which requires registration of licenses. In view of the status of use of the existing non-exclusive license registration system and the fact that most non-exclusive licenses are currently not registered in Japan, while the mobility of intellectual property increases, Japan might become a favorable market for patent trolls. The non-exclusive license registration system has been reviewed and will be put into practice in April 2009. However, under the new system, registration should be made per patent right, which will require huge costs and manpower, and whether or not to register the license will depend on the patentee's will, not that of the licensee. This means that licensees will still need to bear a considerable burden under the new system if they wish to take sufficiently protective measures quickly, and it will be unrealistic for them to do so. Furthermore, under this system, licenses under third party beneficiary contracts (e.g. licenses used within business groups) and sublicenses based on the licenses obtained by patent pool agents cannot be duly asserted against third parties unless they are registered. For these reasons, protective measures should be discussed as soon as possible, while taking into consideration the possibility of protecting licenses without registration (e.g. recognizing the validity of licenses based on contracts).

III. 2(2) Treatment of intellectual property in the standardization process, and the application of the Anti-Monopoly Act thereto (page 134 et seq. in the Japanese report)

For the purpose of promoting the development of the conditions for establishing and disseminating forecasts for the market tendency on license fees, we would like to request that the following issues should also be considered.

- Even the license fees that each licensor considers as Reasonable and Non Discriminatory (RAND) could be expensive if they accumulate.
- As the number of functions involved in each device or apparatus increases, patent pools, which were originally established in order to provide one-stop services, now require the pool members to obtain a number of licenses for standard technologies independently. In this case, the accumulated amount of license fees would be large.

III. 3(2) Seamless search environment for promoting innovation (page 146 et seq. in the Japanese report)

The JPO advocates the development of an infrastructure which will enable all engineers and researchers to search and access seamlessly patent information and other technical information (e.g. research papers and books) available at home and abroad, as well as patent prosecution information. This cannot be achieved by the efforts of individual companies or universities. If the technical information retained by the JPO is

combined with the technical information retained by companies and universities and shared among all the parties concerned, and the JPO's information resources and systems are made available to the public, it would contribute to promoting innovative research and development in companies and universities and increase the accuracy of prior art document searches. We would therefore like to request the early implementation of this plan.

This plan poses the problem of restriction under the Copyright Act. For the purpose of reducing unnecessary applications and the JPO's workload by using the results of prior art document searches obtained via such seamless search system, we would like to request that the JPO should consult with the Agency for Cultural Affairs and other relevant authorities from a broad or national perspective so as to realize this system at an early date.

We would also like to request the JPO to take measures quickly to collect and accumulate intellectual property documents in Chinese and Korean and publish Japanese translations thereof. Japanese companies face a growing risk of being sued by Chinese or Korean companies for infringement of their intellectual property rights. In order to discover the existence of Chinese and Korean intellectual property rights that may cause problems to Japanese companies and to "clear" such rights, there is a growing demand for the development of Japanese databases that store information on such local rights.

III. 3(4) Community Patent Review (page 151 et seq. in the Japanese report)

The very existence of an "arms race for patents" and "patent thickets" may be proof of the inappropriateness of the standards for judging an inventive step in the respective technical fields. We would like to request that the JPO should establish a new mechanism wherein the knowledge on technical standards shared among the persons skilled in the art can be appropriately reflected in the judgment standards. Community Patent Review (CPR) can be an additional opinion for prior art document search in the examination process, and we therefore agree with the idea of launching this initiative. However, we should request due consideration to be given to ensure that the reviewers' opinions would not cause any inconsistency in the judgment standards. For example, we would like to request that the JPO should consider implementing CPR only for limited fields, e.g. the fields where it is difficult to search prior art documents required for examination.

III. 5(1) Role of universities in open innovation (page 164 et seq. in the Japanese report)

For intellectual property strategies to realize innovation by using achievements made at consortiums, it is necessary not only to clarify the rights involved and establish portfolios but also to clarify the terms of use or transfer of such achievements depending on the expected characteristics of the achievements and the anticipated state of use. These matters should also be discussed.

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