

JAPAN INTELLECTUAL PROPERTY ASSOCIATION

ASAHI SEIMEI OTEMACHI BLDG.18F
6-1 Otemachi 2-chome
Chiyoda-ku Tokyo, 100-0004, JAPAN



TEL: 81 3 5205 3321
FAX: 81 3 5205 3391
URL: <http://www.jipa.or.jp/>

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Ms. Chandni Raina
Director
Department Industrial Policy and Promotion
Udyog Bhawan,
New Delhi -110011,
India

Dear Ms. Chandni Raina,

Re: Discussion Paper on UTILITY MODELS

We, the Japan Intellectual Property Association, are a private user organization established in Japan in 1938 for the purpose of promoting intellectual property protection, with about 900 major Japanese companies as members. When appropriate opportunities arise, we send our opinions on the intellectual property systems of other countries and make recommendations for more effective implementation of the systems.

Regarding the Discussion Paper on UTILITY MODELS that you have made public through your website in order to solicit opinions, we would like to submit our views on the issues that would greatly affect right holders.

Sincerely,

(Kenji Koumoto)

President

Japan Intellectual Property Association
Asahi Seimei Otemachi Bldg.18f,
6-1 Otemachi 2-chome,
Chiyoda-ku, Tokyo, 100-0004,
JAPAN

Opinions on the Proposed Establishment of a Utility Model System in India **Japan Intellectual Property Association**

We would like to comment on the proposed establishment of a utility model system in India as follows:

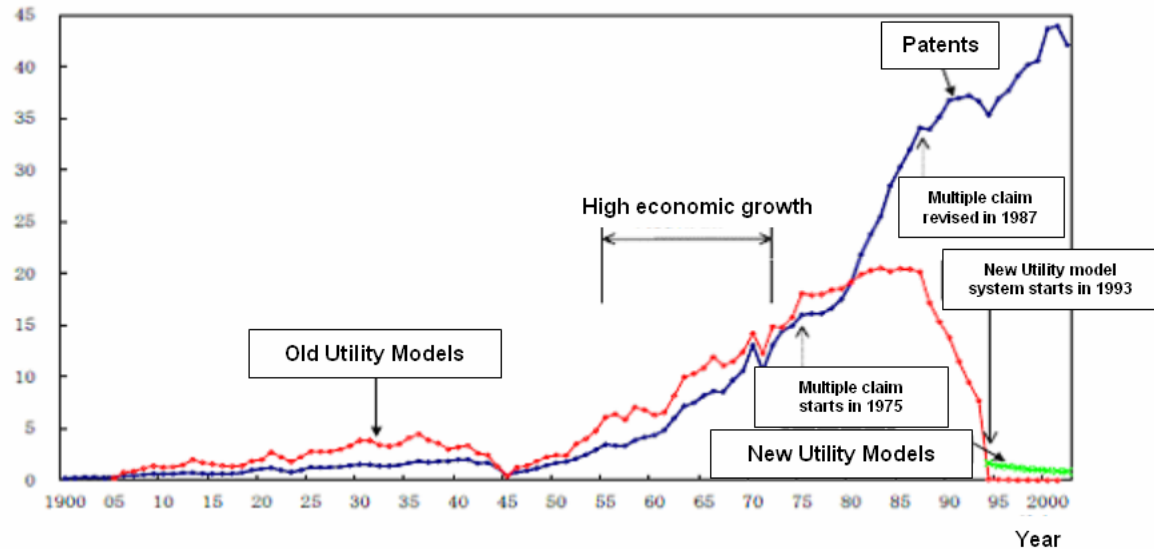
1. Lessons learned from the Japanese utility model system

The history of the Japanese utility model system reveals the roles and limits of a utility model system.

The Japanese utility model system was established in 1905. Around that time, Japan was lagging behind other countries in terms of the level of technology. Most of the new technologies that Japanese companies produced were not advanced enough to be protected by patent rights. The Japanese government found it necessary to establish a utility model system as a means to promote and protect small inventions that were not subject to the Patent Act. It is true, to some extent, that the utility model system has played important roles in promoting technological development. However, since the end of the high-growth period, with the advancement of the technological level of industry, the growth of the number of utility model applications had gradually slowed down, narrowing the gap with the number of patent applications that had been rising steadily. In 1981, the number of utility model applications finally dipped below that of patent applications and continued falling, widening the gap between the two. Since 1995, only a very small number of utility model applications have been filed. (See the following graph.)

Number of Patent Applications and Utility Model Applications in Japan

Unit:
10,000 applications



The history of the Japanese utility model system has taught us the following lessons:

First of all, it should be noted that, under the utility model system that was initially introduced, applications were examined before registration. By carrying out examinations, the government aimed to set a technical level that must be met by applicants and to encourage companies and applicants to raise their levels of technology even though those were small inventions. In other words, the ultimate goal of the initially introduced utility model system was to bring Japanese industry to the next level. Consequently, the policy of government brought the level of technology to the next level as seen in the increase in patent applications, boosting the competitiveness of Japanese industry as a whole.

It is important to recognize that a utility model system would be effective in encouraging companies to develop the habit of pursuing technological growth. However, once such a habit is formed, the utility model system needs to be reviewed.

As indicated by the above-described history of the Japanese utility model system, in order to achieve rapid industrial growth in globalized markets, it would be more effective to promote patent acquisition.

A utility model system that grants rights without examination would

neither set the technological level that the government is trying to maintain nor encourage companies to enhance their technological levels in order to pass the examination. Such a utility model system would cause uncontrolled proliferation of low-level technologies registered without examination. The “right holders” of those technologies would exercise their utility model rights, threatening the stability of the world of intellectual property rights. It is important to realize that there are two types of utility model system: one that helps a nation enhance its technological capabilities and the other that prevents a nation from doing so. In order to create an environment suitable for further technological development, it is important to carefully design the most effective system.

The Utility Model Act that was successfully introduced in Japan was the same as the Patent Act in the sense that both Acts served as an intellectual property system to protect technical ideas. A choice between the Patent Act and the Utility Model Act was made based on the level of the technology for which legal protection is sought. There was not a significant difference between the two Acts in terms of the basic structure of the system. Both Acts were designed to promote technological growth. Minor differences between the two Acts included the length of the effective period of the right and the required level of inventive step and also the fact that the Patent Act was applicable to inventions embodied in products or processes, whereas the Utility Model Act was applicable to devices embodied in articles.

2. Advisable system to protect innovations and technologies

To protect innovations and technologies, it would be advisable to use the patent system as the primary system because it provides protection only to a technology that surpasses a certain technological level.

With the globalization of corporate activities, it is vital for each country to maintain and enhance the level of technology of its industry because the country cannot otherwise nurture global corporations. When domestic companies enter foreign markets, they will find it necessary to obtain legal protection for their innovations and technologies. It would be too late for the government and the companies who want to enter foreign markets to realize the importance of implementing national policies aimed at promoting patent acquisition in order to raise the level of technology. We consider the patent system, which grants rights only after examination, as the primary system to grant exclusive rights to protect innovations and technologies. It would be advisable to primarily promote the use

of the patent system to protect innovations and technologies. If a utility model system is to be introduced in order to supplement the patent system, careful consideration would be necessary to evaluate how the utility model system would contribute to the maintenance and enhancement of the technological level of industry.

3. Concerns about a utility model system that grants rights without examination

We basically oppose the establishment of a utility model system that grants rights without examination and request your further consideration.

As mentioned above, a utility model system that grants rights without examination would neither set the technological level that the administrative body is trying to maintain as a national policy nor encourage companies to enhance their technological levels in order to pass the examination. It is questionable whether such a system would promote technological growth.

Furthermore, the establishment of a utility model system that grants rights without examination would result in the proliferation of unstable exclusive rights whose scope of rights cannot be reasonably determined and would therefore hinder the healthy development of Indian industry.

It is true that Japanese companies use a utility model system to gain early registration and protection for their intellectual properties in an effort to combat counterfeiting. However, only a very small number of utility model applications have been filed by Japanese companies under the new utility model system, which grants rights without examination. The number of utility model applications is only 2.6% (on average for the past five years) that of patent applications.

4. Anticipated spread of unnecessary disputes in India

As described in Section 3 above, we are concerned that the establishment of a utility model system that grants rights without examination would result in the proliferation of unstable exclusive rights, increasing business risks for companies such as a risk of being involved in unnecessary disputes.

Under a utility model system that grants rights without examination, if the enforcement of a utility model right is permitted unconditionally, companies would be forced to defend themselves in infringement lawsuits or other disputes despite the facts that the validity of the right is questionable in the first place and

that the right is likely to be invalidated.

Since involvement in such allegations would prevent companies from concentrating on their business and R&D activities, it would cause great losses to them.

If a huge number of utility model rights have been registered without examination, it would become impossible for companies to conduct a prior search on all of them. This means that companies would be constantly unprepared for possible allegations for infringement. Even if data on the registered utility models were made available for prior search, the high search costs would deter some companies from conducting a prior search and undertaking new business projects. Furthermore, utility model applications filed by non-Indian companies such as Asian companies would increase, raising concerns about possible abuse of rights by foreign right holders. The establishment of a utility model system could increase the business risks that domestic companies face, rather than increasing the competitiveness of domestic industries.

The low frequency of the use of the Japanese utility model system is probably attributable to the understanding shared by applicants that it is wasteful to file useless applications. Applicants have come to this understanding based on the long-accumulated JPO decisions made at invalidation trials on the validity of rights.

5. Multi-perspective measures to protect small inventions

We request the implementation of multi-perspective measures to protect small inventions.

As mentioned in the Discussion Paper, a utility model system has been established in many countries and used by companies around the world to protect their innovations.

However, it is necessary to carefully analyze and examine whether companies in each country have benefited from the utility model system from the perspective of innovation protection or have, on the contrary, suffered from the system because it increased their business risks.

Besides the establishment of a utility model system, there are many other ways to encourage individual inventors and small/midsize companies to make innovations, such as reduction or exemption of patent acquisition costs including patent application fees, patent examination fees, and maintenance

fees, and the provision of tax benefits or grants of research and development.

For India, the establishment of a utility model system should not be the only measure to promote innovative activities. It would be necessary for India to consider other measures that would be effective in nurturing innovators and raising the level of innovation.

6. Utility model system designed to serve its ultimate purpose without increasing business risks

As mentioned above, in order to establish a utility model system that will serve its ultimate purpose, it would be indispensable to check and review the design of the system from the perspective of business risks posed to domestic companies. Business risks would be posed not only to Indian companies but also to non-Indian companies that have invested in India or that have entered or plan to enter into the Indian market. Therefore, we would appreciate you having thorough exchanges of opinions with various industries and companies around the world before establishing a utility model system.

The features that we would like implemented in India's utility model system are as follows: a clear definition of the matters subject to protection under the system (e.g., protection is provided only to articles), strict requirements (e.g., absolute novelty is required; an inventive step is required.), a clear definition of the obligations that the holder of a utility model right must fulfill when exercising the right (e.g., the right holder is obliged to present a report of Utility Model Technical Opinion by the Patent Office or to undergo a substantive examination; the right holder is prohibited from obtaining both a patent right and a utility model right on the same invention), and enhanced the Information Retrieval System for easily searching utility model application information (e.g., a database is searchable in English; the database allows easy viewing of drawings of a utility model application.). We find these features very important and would appreciate your kind consideration.