

JPO Initiatives for the Realization of an IP-Based Nation

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Photo: JPO



The JPO building in Tokyo

Government Initiatives for the Realization of an IP-based Nation

With the globalization of the world economy, Japan has been exposed to the increasing international competition existing today. Therefore, despite the disadvantage of a declining population, it has been necessary for Japan to improve the nation's productivity for the purpose of achieving sustainable long-term growth.

In a government policy speech in February 2002, Prime Minister Koizumi Junichiro introduced his national vision of Japan as an Intellectual Property (IP)-based nation. Since that time, the entire government has been promoting strong initiatives for the rapid realization of this vision.

Several important initiatives have already been taken. In July 2002, the IP

Strategy Outline was established. In December of the same year, the concept of stimulating the IP creation cycle was introduced under the Basic Law on IP. In March 2003, the IP Strategy Headquarters was created and headed by Prime Minister Koizumi. In July of the same year, the Strategic Program for the Creation, Protection and Exploitation of IP was established. This was followed by successive reviews leading to the establishment of the IP Strategic Program 2006 in June of the same year. Under the initiative for Comprehensive Financial and Economic Reform that was issued by the Council on July 6, 2006, the government emphasized "know-how" or "technology" as the key to Japan's international competitiveness. In order to achieve the necessary changes in Japanese society, the government decided to more aggressively promote the strategic use of IP such as patents.

As a result, the Japan Patent Office (JPO) has become a core institution for making Japan into a nation built on IP. To this end, the JPO has been putting all its energy into promoting the related initiatives. Specifically, the JPO has been striving to achieve the highest international standard for expeditious and accurate patent examination and to steadily carry out the Action Plan, to be discussed in detail below. The expeditious granting of patent rights for inventions, more efficient planning of R&D, elimination of redundant research, and faster commercialization of original inventions are all indispensable for enhancing the international competitiveness of Japanese companies.

Expeditious and Efficient Patent Examination

In recent years, the number of patent applications has increased on a global scale. Accordingly, the time required to

conduct a patent examination has also increased in all countries, and the creation of an expeditious patent examination, which meets the expectations of patent applicants, has become an important matter. The JPO has built the world's most efficient IP system by implementing an online (paperless) application system ahead of other countries and by outsourcing a suitable amount of prior art searches to the private sector. While the number of patent examiners is one third the number of those in the United States Patent and Trademark Office (USPTO) and the European Patent Office (EPO), the number of applications handled by each examiner in the JPO is more than double the number in the USPTO, and four times the number in the EPO. The average combined cost of the application, examination and maintenance fees charged by the JPO is about half of those charged by the USPTO and by the EPO, respectively.

On the other hand, in Japan, 26 months pass from the date a patent examination is requested until the examination is actually begun and then another six months are needed for the examination to be completed. In the USPTO and the EPO, however, only 20-22 months pass before an examination is begun. In recent years in Japan, there has been a sudden jump in the number of requests for patent examination. Previously, the average number of requests for examination totaled about 200,000 each year. In FY 2004, the JPO received 380,000 requests, which jumped substantially to 400,000 in FY 2005.

Based on the importance of expeditiously granting patents for inventions and the current practices in the USPTO and the EPO, in Japan, the period for requesting patent examination has been decreased from seven years to three years for applications filed in or after October 2001.

Therefore, the overlapping of the previous “seven-year” period and the new “three-year” period has created a “tsunami phenomenon” of requesting an examination. Of course, this expected increase of requests for examination was taken into account when the corresponding measure was implemented, and under the IP Strategy Program 2005, the waiting period for the beginning of an examination had to be lengthened slightly to 29 months. However, by 2013 this waiting period will be shortened to 11 months, and eventually the goal is to completely eliminate the waiting period.

In order to achieve the mid-term and long-term targets of the IP Strategy Program by the scheduled deadlines, it has been necessary to introduce measures for increasing the speed at which a patent examination is conducted. Therefore, in December 2005, the Ministry of Economy, Trade and Industry (METI) established the Headquarters for Expeditious and Efficient Patent Examinations, headed by the Minister of Economy, Trade and Industry at that time, Nikai Toshihiro. The headquarters established the Action Plan, as outlined below.

1. Targets to be Achieved

The Action Plan established expeditious patent examination targets that support the achievement of the mid-term and long-term goals of the IP Strategy Program. The efficiency of operations is also to be improved so that the JPO’s limited personnel and budgetary resources can be fully utilized. Recognizing the importance of the use of private-sector outsourcing, a target for better patent examination efficiency was also established. Based on the goal of expanding outsourcing to the private sector for the purpose of improving operational efficiency, mid-term targets, corresponding to a special account for patents indicated in the Important Policies for Administrative Reform (established by a Cabinet decision in December 2005) were established.

(1) Target for Expeditious Patent Examination

Recently, there has been a rapid increase in the number of applications awaiting examination. Since international applications are also expected to increase and must be processed in a shorter period of time based on treaty obligations, the JPO forecasts a temporary lengthening of the waiting period for patent examination to approximately 26 months in 2005. Under the IP Strategic Program, the peak waiting period in 2008 is 29 months despite the current conditions. By 2013, the JPO aims to achieve the world’s shortest examination waiting period of 11 months, which will eventually be eliminated completely.

While the number of patent applications has been increasing beyond expectations, the number of examinations being carried out by the JPO is expanding so that the JPO can achieve its mid-term and long-term targets. Companies are also expected to carefully select the inventions for which they file patent examination requests. In addition to its regular patent examiners, the JPO will maximize the use of the limited-term patent examiners that it has been hiring since FY 2004 and will also expand the number of prior art searches outsourced by enhancing the capacity of registered search organizations (RSOs). In addition to the above measures, if the JPO’s action of requesting applicants to review application and examination requests and to consider potentially withdrawing applications is successful, the possibility exists for the number of first actions in FY 2006 to rise to 290,000, which is roughly 20% greater than the 245,000 first actions in FY 2005. Moreover, the waiting period for patent examination in FY 2006 can be held down to 28 months.

(2) Target for More Efficient Patent Examination

In order to achieve the target for expeditious patent examination by fully utilizing the limited personnel and

budgetary resources, the JPO needs to promote greater operational efficiency and more effectively utilize private-sector outsourcing. Based on the Important Policies for Administrative Reform mentioned above, the mid-term targets below have been established with the expectation that the search capacity of registered search organizations, including newly registered RSOs, will be adequately expanded. The JPO will immediately begin implementing the corresponding measures for such expansion.

- Increasing the number of claims examined annually by each examiner from 1,100 in FY 2005 to 1,400 in FY 2010; i.e., a cumulative increase of 30% over the next five years.
- Increasing the number of prior art searches outsourced to the private sector from 190,000 in FY 2005 to 240,000 in FY 2010; i.e., a cumulative increase of 25% over the next five years.
- Reducing the direct costs of examinations (not including indirect costs) from ¥28,000 per application in FY 2005 to ¥22,000 in FY 2010; i.e., a cumulative decrease of 20% over the next five years.

(3) Aiming to Further Improve Examination-Processing Ability

The JPO has created an electronic application and examination system and actively promoted the use of private-sector companies for prior art searches, the first measure of its kind worldwide. In this way, the JPO has been displaying a high level of performance. In the JPO, the number of patent applications examined annually per examiner is two to five times larger than the number in the USPTO or the EPO, and the examination system utilized by the JPO serves as a model for simple and efficient government services. In order to further improve the examination ability of the JPO, instead of simply hiring more examiners or increasing the outsourcing of prior art searches, the skills of all examiners need



The author (right) shaking hands with Dudas USPTO, Pompidou EPO Commissioners

to be enhanced. Training for examiners is being augmented based on this perspective.

2. Cooperating with Industry

In the Action Plan, it is recommended that companies and patent agents take certain actions; in particular, implementing patent application strategies from a global perspective and carefully considering application and examination requests prior to submission. The Action Plan also clarifies the ideal way in which METI can provide support for the Action Plan; i.e., promoting the aforementioned initiatives to companies and patent agents. These request and support objectives are designed to prevent the unintended diversion of technology by having companies and patent agents limit their patent applications to only those inventions for which patent rights are truly necessary. These objectives are also designed to promote patent right acquisition overseas and to improve R&D efficiency by means of proper prior art searches conducted before applying for a patent overseas and at the time that R&D is being planned. As a secondary effect, these objectives enable the JPO to concentrate limited examination resources on only those

inventions for which patent rights are truly required. These measures are expected to speed up the entire patent examination process.

Both METI and companies (and their patent agents) are of the same opinion regarding these issues. In order for Japan to become an IP-based nation, both sides will have to play their parts.

Small and medium-sized enterprises (SMEs) also play an extremely important role in IP creation. Therefore, in order to gain their cooperation, significant consideration has been given to expanding support measures for the SMEs that have limited experience in the area of patents. These measures include patent consultation and guidance, as well as support for conducting prior art searches.

3. IP Strategy for Companies in the 21st Century

Japan is the world leader in the number of patent applications. From the standpoint of encouraging inventions, this high number of applications is certainly not a bad thing. Nevertheless, an excessive number of applications is not ideal when taking into consideration corporate and national IP strategies. Currently, approximately 400,000 patent applications a year are filed with the JPO. However, patent examinations are requested for about half of that total, and patents are granted for only about half of those applications – 100,000 in total. In other words, only one in every four applications results in a patent. In FY 2004, the rate of patent approval for those applications actually examined was 49.5% in Japan. This is low in light of the rates of 61.2% and 55.2% in the

USPTO and the EPO, respectively. This fact gives rise to two concerns.

The first concern is redundant R&D. Most of the applications refused in the examination stage are for inventions for which someone else has already filed an application or even received a patent. These situations can usually be avoided when the details of the first inventor's patent application are made public, resulting in the avoidance of any subsequent redundant research by others on the same invention, which is the basis of the patent system. Accordingly, applicants need to conduct thorough prior art searches in advance. When refusing an application, the examiner cites a prior art document as a reason for the refusal. However, the most recent document being cited was actually made public an average of 5.2 years prior to the date of the filing of a rejected application. There are even cases of applications being refused because a division of the company filing the application has already received the patent concerned. If the applicant conducts a proper search for prior art relating to the relevant technologies, redundant R&D and unnecessary patent applications can be avoided. Effective R&D that makes efficient use of a company's precious financial and human resources is an important concern for both companies and the nation.

The second concern is the leakage of Japanese technology to other countries. Patent application information filed in any country can of course be accessed by anyone around the world. Since patent rights only exist in the country in which the application is filed, in view of global competition, it becomes necessary for a company to file applications simultaneously in other countries in order to protect the Intellectual Property Rights (IPRs) corresponding to an invention. The percentage of foreign patents filed by Japanese companies is only 21%, whereas the percentage of foreign patents filed by US and European companies is 44% and 60%, respectively (or 47% when applications filed to the IP offices of different European countries

Photos: JPO

are excluded). Most patents filed in Japan are only filed domestically. This is a problem closely tied to the international competitiveness of Japanese industry, and improvement in this area is necessary.

In order to surpass the competition in the global market, Japan must progress from the catch-up mentality of filing any kind of patent possible to the front-line mentality of promptly obtaining patents for strong new technologies in a range of countries.

Companies need to develop their own optimal IP portfolio from a multifaceted perspective. A company must decide whether to protect the technology produced by the company's own R&D through a patent application, which will publicize the discovery, and if so, choose the countries in which to file for patent rights. On the other hand, the company can retain the technology as a trade secret and properly manage access to the information. Also, instead of filing a patent application, another option is to determine how to secure the right of prior use (the right to regular use of an invention that has been used or prepared prior to any patent application by another party), in order to fend off any patent applications filed by others at a later date. In an advanced nation of the 21st century, these are the kinds of IP strategies that companies should be implementing.

4. Cross-Border Patent System Harmonization and Examination Cooperation

As we begin the 21st century, the traditional patent system is faced with the challenge of rapid globalization. Along with the globalization of corporate operations, the number of patent applications filed by a company worldwide has been increasing. Given this situation, there are a growing number of applicants asking for a reduction in patent application and examination costs. In order to better meet the needs of applicants, the JPO is promoting the harmonization of the patent systems in differ-

ent countries and international cooperation for patent examinations, so that applicants can obtain patent rights worldwide promptly and easily.

The discussion relating to patent system harmonization in the Standing Committee on the Law of Patents at the World Intellectual Property Organization (WIPO) has stagnated due to a dispute between developed and developing countries surrounding the approach to adopt towards IP and economic development. For this reason, a conference of developed countries on patent system harmonization has been held separately from the WIPO, and its members include Japan, the United States, European nations and other leading economies. This group of countries is advancing the discussion of patent system harmonization ahead of the process being conducted under WIPO.

As part of its efforts in the area of cooperation for patent examinations, the JPO has proposed the Patent Prosecution Highway (PPH) which will enable the patent office in one country to promptly receive any applicable patent search and examination results of the patent office in another country. The PPH pilot program between Japan and the United States began in July 2006. In addition to making overseas patent acquisition faster for applicants, this system has the advantage of reducing the burden of the examination work of patent offices in different countries by enabling prior art searches and examination results to be effectively shared across borders by patent offices.

The PPH between Japan and the United States is scheduled for full-scale implementation after the results of the



The author (right) shaking hands with Tian SIPO, Kim KIPO* Commissioners

one-year pilot program have been obtained and analyzed. A PPH between Japan and South Korea is also scheduled to be introduced in 2007. The EPO is also looking into participating in the pilot program. A system including Australia, Canada, Germany and the United Kingdom is also being considered.

Finally, the JPO is promoting examination support in order to make the patent acquisition process in developing countries smoother for Japanese applicants. The JPO is encouraging the introduction of expeditious patent examinations in developing countries by providing its own examination results to these countries. Moreover, the JPO is promoting greater use of the Advanced Industrial Property Network (AIPN), which provides overseas patent offices with machine-translations (Japanese to English) of the search and examination results of the JPO. In developing countries, the JPO has also been providing capacity building programs for IP personnel since 1996. About 2,300 people have been invited to Japan to participate in these programs. **J S**

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*Note : SIPO: State Intellectual Property Office (in China). KIPO: Korean Intellectual Property Office.