

Patent Appeals and Trials: Effects of Recent Reforms in the JPO Appeal System and of Recent Judiciary Reforms, Including the Establishment of an IP High Court

The proposal to establish a high court specializing in intellectual property, made in the 2003 document “Strategic Program for the Creation, Protection and Exploitation of Intellectual Property,” was aimed at reinforcing dispute resolution and at strengthening the protection of intellectual property rights.

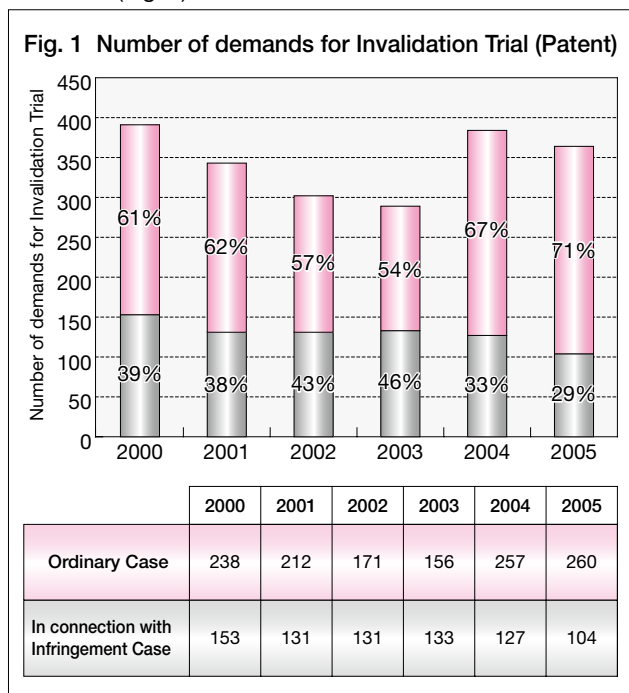
Following the Supreme Court’s *Kilby* decision of April 11, 2000, discussion commenced on reforming the JPO’s appeal system. The result was the amended Patent Law of 2003 and 2004, which, like the establishment of the IP High Court, aimed primarily at reinforcing dispute resolution and at strengthening the protection of patent rights in proceedings at the JPO.

In previous issues of YUASA and HARA Intellectual Property News we introduced our readers to these reforms, including the new invalidation trial system. In this article we present the results of recent changes in the appeal system, with reference to relevant statistics and charts drawn from “Status and Problems of the Appeal System in Japan in 2006,” Appeals Department, JPO, May 2006.

1. Inter-Partes Trials

1.1. The New Invalidation Trial (Patent) in Effect from January 1, 2004.

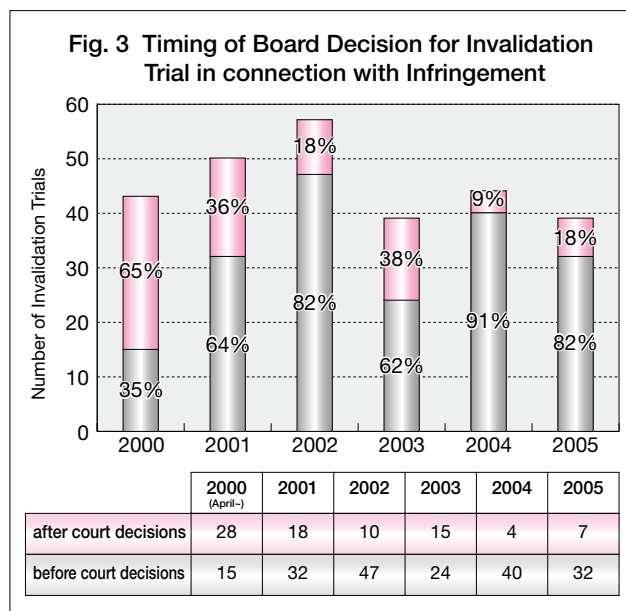
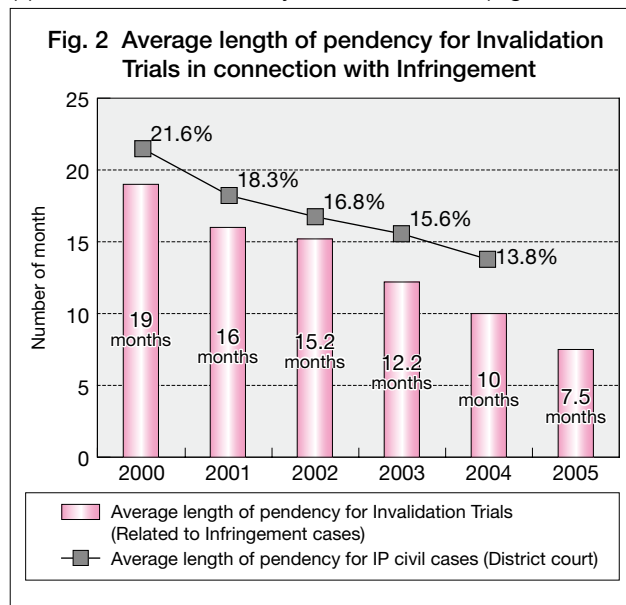
(1) Increase in demands for invalidation trials after the reform (Fig. 1)



The integration and unification of the opposition system and invalidation trials caused demands for new invalidation trials in 2004 to increase by more than 30% compared to 2003. The increase is seen as stemming from the abolition of the opposition system.

However, this increase (around 100) in the number of new invalidation trials is still a considerable decrease from the number of oppositions in 2003, which stood at around 3,900. There was no significant change in the number of new invalidation trials in 2005.

(2) Efforts to achieve timely trial examination (Figs. 2 and 3)



To facilitate early settlement of disputes over rights, the Appeals Department is now placing a high priority on cases of Invalidation Trial and Trial for Correction

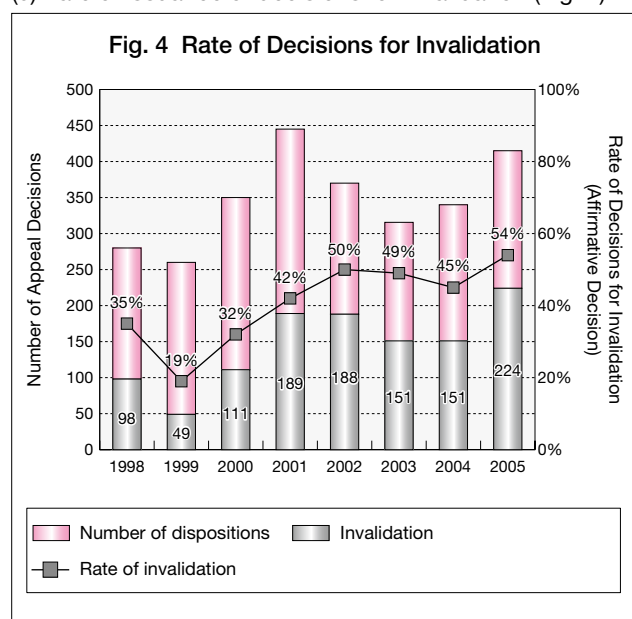
In 2005, the average pendency (from commencement to disposition) of invalidation trials was 10 months, while for cases in connection with infringement lawsuits it was 7.5 months.

Compared to cases in connection with infringement lawsuits in 2002, where pendency was about 15.2 months, average pendency was shortened to almost half of this within a period of just three years.

Average pendency in trials for correction was about 3.7 months in 2005.

Consequently, in cases involving the coexistence of infringement lawsuits and invalidation trials, more than 80% of board decisions were issued before district court decisions. In 2005, oral proceedings were actively used in invalidation trials (187 cases) to improve the quality of trial examinations.

(3) Rate of issuance of decisions for invalidation (Fig. 4)



Due to implementation of strict trial procedures, the percentage of decisions for invalidation has increased dramatically, from 19% in 1999 to 54% in 2005 (Fig. 4).

(4) Rate of decisions reversing invalidation trial decisions (rate of decisions of reversal) by the IP High Court and/or the Tokyo High Court (Fig. 5)

Fig. 5 The Rate of Reversal of Invalidation Trial decisions

Fiscal year	2000	2001	2002	2003	2004	2005
Overall	56.5%	47.0%	39.0% (41/105)	22.6% (28/124)	23.9% (27/113)	22.0% (18/82)
JPO's Decision Invalidating patents	25.5%	22.6%	20.0% (11/55)	12.2% (10/82)	1.5% (1/65)	8.3% (4/48)
JPO's Decision Affirming the validity of patents	75.6%	68.6%	60.0% (30/50)	42.9% (18/42)	54.2% (26/48)	41.2% (14/34)

() : number of cases

The rate of reversal of JPO decisions of invalidation of patents and utility models has been decreasing since 2000. Specifically, the rate of reversal of decisions of invalidation fell in 2004 to below 10%.

On the other hand, the rate of reversal of decisions affirming the validity of patent rights remained in excess of 40% in 2005. Before 2000, the rate of reversal of invalidation trial decisions

was in excess of 60%, and the JPO was consequently criticized for applying overly lenient criteria in determining inventive step and description requirements.

According to the JPO, the recent decrease in court decisions reversing JPO invalidation trial decisions is a result of the implementation of strict appeal and trial procedures in compliance with the principles of the revised Examination Guidelines issued in 2000. A brief discussion of the background follows.

a. Decisions Rendered by Tokyo High Court Concerning Inventive Step

In 1998, the Appeal Department began analyzing court decisions rendered by the Tokyo High Court concerning inventive step. Out of the 56 court decisions issued, a majority consisted of decisions reversing the decision below, and holding that the patent in question was invalid. (Cases reversed by Tokyo High Court). The JPO compiled a brochure in November 1999 showing the results of the analysis, and distributed it to all examiners and appeal examiners for use as an internal reference source. In February 2000, through the Japan Institute of Invention and Innovation (JIII), the brochure was published under the title "Some Points related to Inventive Step which Examiners/ Appeal Examiners Should Take into Consideration."

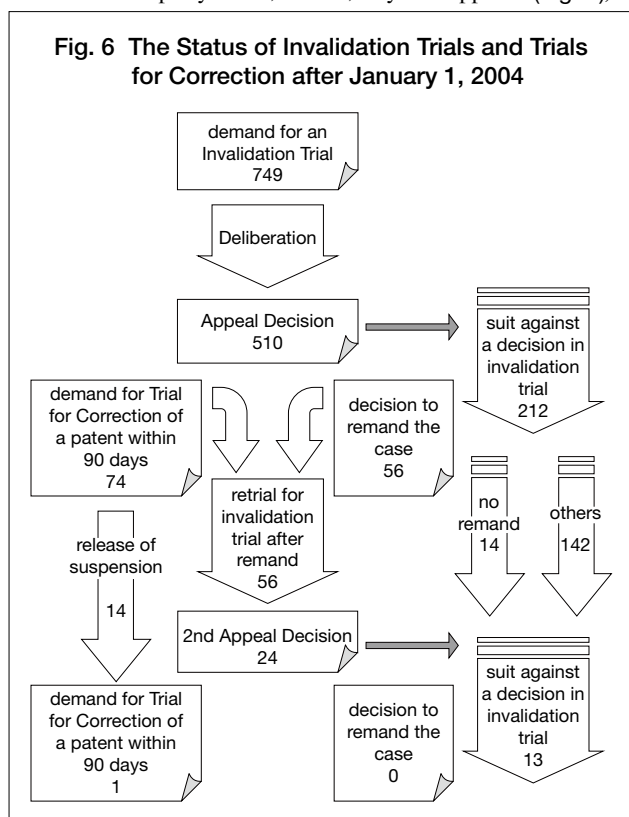
b. Revision of Examination Guidelines in December 2000

In June 1998, the JPO started to revise the Examination Guidelines in response to users' criticism, mainly of the application of relatively lenient criteria in determining inventive step and description requirements. During the revision process, the Examination Department and the Appeal Department cooperated closely in exchanging opinions and ideas, and the new Guidelines were issued in December 2000. These new Guidelines introduced the results of the Appeal Department's analysis of court decisions. Application of the principles of the new Guidelines has led to the recent increase in the number and percentage of decisions of rejections by examiners and also to an increase in the rate of decisions for invalidation in invalidation trials.

Furthermore, the JPO considers valuable the revision of Article 168(3)-(6) under the 2004 amendment of the Patent Law, allowing an Appeal/Trial Board to request a court handling infringement litigation to provide the Board with relevant materials submitted to the court (those related to invalidation defense pursuant to Article 104-3). By gathering evidence under these provisions, as well as instructing parties to complete arguments and cases through oral proceedings, Appeal/Trial Boards have been able to make more precise and well-reasoned decisions, such that they are affirmed by the IP High Court in suits filed against invalidation trials.

1.2.

The status of invalidation trials and trials for correction between January 1, 2004 and March 30, 2006 (Remand order under Article 181(2) of the Patent Law (see YUASA AND HARA Intellectual Property News, vol. 12, July 2003 pp. 4-5 (Fig. 6))



The remand provision under Article 181(2) was established to address the “playing catch phenomenon,” the time consuming and wasteful practice of passing back and forth between the Patent Office and the IP High Court (or previously, the Tokyo High Court) a patent dispute involving the same patent.

During the relevant period, 14 of 74 cases were not remanded, meaning that the court did not automatically allow a request for a remand order. That is, the court considered that correction was not likely to be permitted by the Appeal Board. According to the practice of the IP High Court, when a party requests a remand order, the court is required to hear the opinion of the other party. Therefore, the parties’ viewpoints will be factors to be considered.

On June 15, 2006, the JPO announced a change in practice. When an appeal for correction is filed within 90 days from the issuance of a second appeal decision after remand, the Appeal Board will not suspend deliberation of the appeal for correction, and will issue a decision as soon as possible. The change in policy, implemented as of July 6, 2006, is to avoid both lengthy argument of cases in which exhaustive arguments are pursued and the “playing catch phenomenon.”

2. Ex-parte Appeals

2.1. Appeals against Examiner’s Final Decision of Rejection

(1) Trend in Appeal Denial Rate in Appeals against Examiner’s Final Decision of Rejection

The rate of decisions denying an appeal decision (appeal denial rate) has increased dramatically—from about 21% in 1997 to about 52% in 2005.

In contrast, the rate of patent grant (allowance rate) in examination has decreased from about 65% in 1998 to about 49% in 2005.

According to the JPO, measures have now been taken to ensure that stricter and more adequate appeal examination and trials take place, based on court decisions on patentability, such as level of inventive step in decisions of suits against appeal or trial decisions—in other words, in compliance with the principles of the new Guidelines of 2000. (See A 1 (4) above)

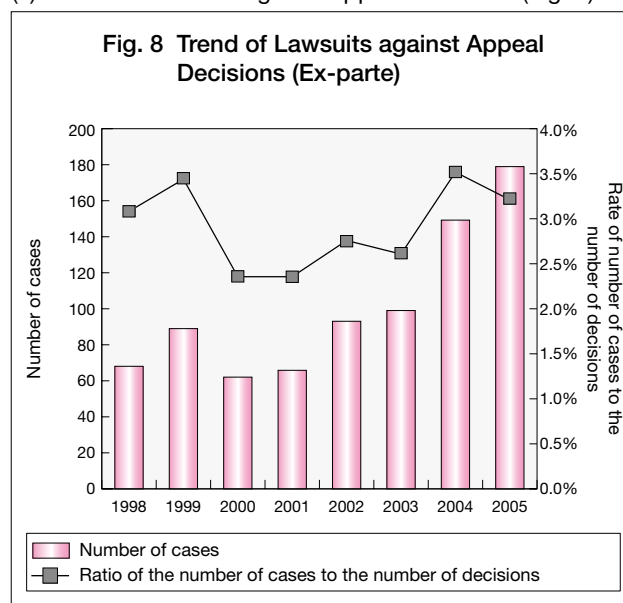
Among the different technical fields, the ratio of affirmative decisions issued in the chemical fields is higher than that in others due to the unpredictable effects of a combination of factors. (Fig. 7)

Fig. 7 Ratio of Affirmative Decisions in Technical Fields (Patent) in 2005

Technical fields	Ratio of Affirmative Decisions
Physical fields	48.1%
Mechanical fields	46.0%
Chemical fields	59.8%
Electrical fields	42.2%
Mean	48.2%

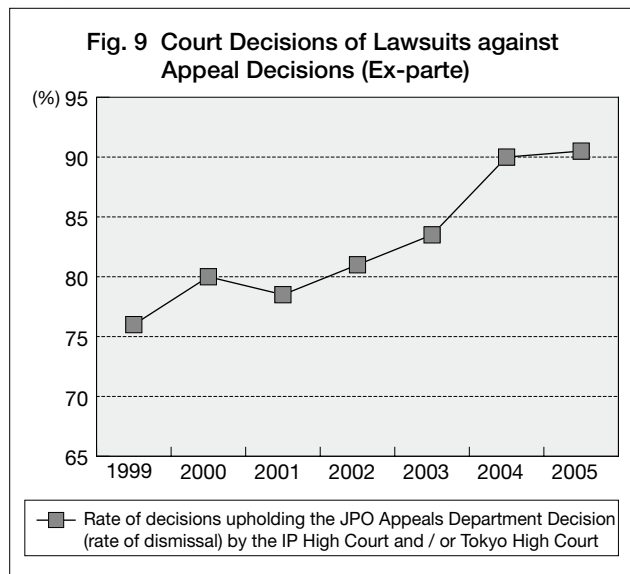
(exclusion of abandonment)

(2) Trends of lawsuits against appeal decisions (Fig. 8)



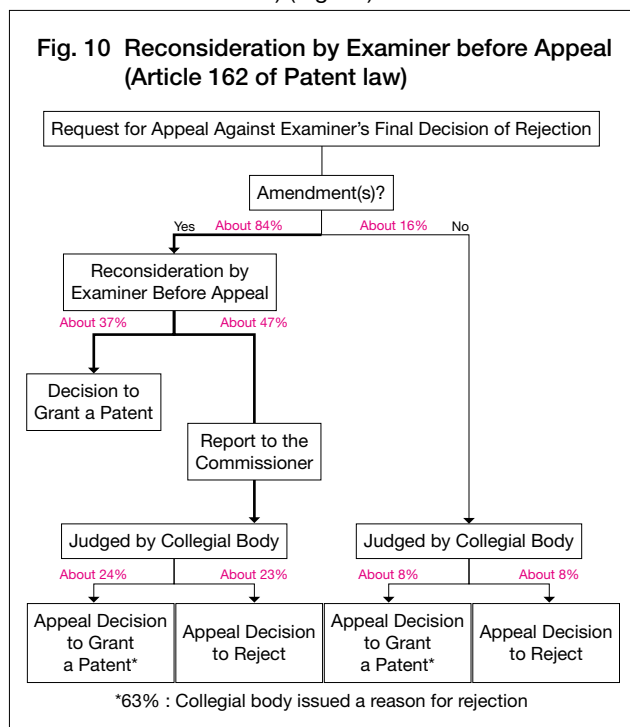
Although the number of cases brought to the IP High Court (or Tokyo High Court) has been increasing, the percentage of suits filed against appeal decisions has remained relatively stable (3.0-3.5%).

(3) Rate of affirmance of decisions of the JPO Appeal Department by the IP High Court (or Tokyo High Court) (Fig. 9)



The rate of affirmance of decisions of the JPO Appeals Department has increased from about 76% in 1999 to about 92% in 2005; in other words, the rate of reversal of decisions did not exceed 8% in 2005. Accordingly, the rate of success at the IP High Court in challenging decisions issued by the JPO Appeal Department is quite low.

(4) Reconsideration by an Examiner before Appeal (Article 162 of the Patent Law) (Fig. 10)



The JPO announced a policy that opportunities would no longer be readily granted to amend claims, a specification or drawings during an appeal against an examiner's final decision of rejection. (See YUASA and HARA Intellectual Property News, Vol.18, November 2005, pp. 9-11)

Looking at the results of reconsideration by an examiner before appeal in 2005, the number of applications for which the original decision was cancelled and a decision to grant a patent was rendered (the percentage of applications patented in reconsideration proceedings) has decreased (37%) as compared to the percentage of reconsideration reports made to the JPO Commissioner (47%).

Since 63% of applications were granted patents in 2005 after issuance of a reason of rejection by Collegial Bodies, in order to reduce the burden on applicants and the JPO, the Appeals Department is making efforts to promote obtaining patents at the stage of reconsideration by an examiner.

In this regard, on November 16, 2006, the JPO announced that as of December 1, 2006 it would indicate claims for which an Examiner does not find reason for rejection in a final decision of rejection.

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