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OF THE PATENT COOPERATION TREATY (PCT)

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REFORM OF THE PCT:
PROPOSALS BY JAPAN

Document prepared by the International Bureau

1. The proposals appearing on the following pages were made by Japan in a submission to the International Bureau received on April 6, 2001. Background information appears in document PCT/R/1/2.¹

2. *The Committee is invited to consider the proposals contained in this document.*

¹ The working documents for the Committee's session are available on WIPO's web site at the following address: http://www.wipo.int/pct/en/reform/index_1.htm

JAPAN'S PROPOSAL FOR
REFORM OF THE PATENT COOPERATION TREATY

I. INTRODUCTION

1. *Background of the paper*

The present paper is to introduce Japan's proposals for reform of the Patent Cooperation Treaty (PCT), being invited by the decision made at the September session of the PCT Union Assembly. It also includes Japan's position regarding the US proposals (Annex to PCT/A/29/3). The present paper is neither exhaustive nor conclusive, and Japan may make additional proposals or amendments based on further consideration. Japan's proposals are offered from the following six perspectives:

- Reduction of workload/costs in proceedings of International Searching Authorities (ISAs)/ International Preliminary Examining Authorities (IPEAs);
- Availability of multiple searches and examinations by ISAs/IPEAs;
- Reduction of workload/costs in proceedings of designated Offices (DOs)/elected Offices (EOs);
- Other simplifications and streamlining;
- Enhanced user-convenience and user-friendliness;
- Promotion of worldwide usage of the PCT system.

2. *Current situation of worldwide patent applications*

In response to developments in the expanding world economy, patent applications in the world have been rapidly increasing (see Fig.1). The total number of such applications has increased from about 1.7 million in 1990 to about 5.8 million in 1998.¹ This rapid increase is mostly attributed to the rise in the number of applications filed by foreign residents rather than those filed by domestic residents. The number of patent applications filed by domestic residents has remained almost constant at 700 to 800 thousand since the 1980's. On the other hand, the number of patent applications filed by foreign residents increased five times over the past 9 years, from about 1 million in 1990 to about 5 million in 1998.

The rapid increase in applications filed by foreign residents can be partially attributed to an increase in the number of original applications (i.e. increase in the number of inventions) which are re-filed overseas. Judging from the almost constant number of domestic applications, however, a more reasonable explanation would be an increase in the number of countries in which each application is filed.

¹ The number of foreign applications includes both PCT-route designations and second-country applications under the Paris Convention (Paris-route second-country applications). Although the number of the PCT designations does not directly indicate the number of applications finally entering into the national phase of each country, this trend should not escape our attention.

A more interesting fact is illustrated by the cross-sectional analysis shown in Fig.2 estimated based on 1998 WIPO statistics.² The total number of applications that remain in domestic area (“purely domestic applications”) only amounts to 550,000. On the other hand, the total number of applications which cross national borders (“internationally-filed applications”) is as large as about 5 million. The most striking fact is that these some 5 million internationally-filed applications are estimated to originate from mere 178,000 original applications (“international-oriented domestic applications”). This means that applicants often file applications on one invention to a large number of countries.

Of these 178,000 international-oriented domestic applications, 32% are of US origin, 26% come from EPC member states, another 26% originate in Japan, and the remaining 16% come from other countries. Although not shown in the chart, about 70,000 international-oriented domestic applications result in approximately 4 million PCT designations (about 57 designations per original application). Another 110,000 international-oriented domestic applications result in about 1 million Paris-route second-country applications (about 10 second-country filings per original application).

3. *Needs behind the status-quo of patent applications*

The above-mentioned fact that mere 178,000 original applications multiply to become 5 million internationally-filed applications demonstrates the following strong needs:

- world-wide patent protection which necessitates more efficient world-wide patent obtaining systems as well as more harmonized patent systems;
- reduction of costs currently imposed on applicants who file the same applications to a large number of countries; and
- reduction of workload duplication currently imposed on patent offices who separately conduct searches/examinations on duplicated applications.

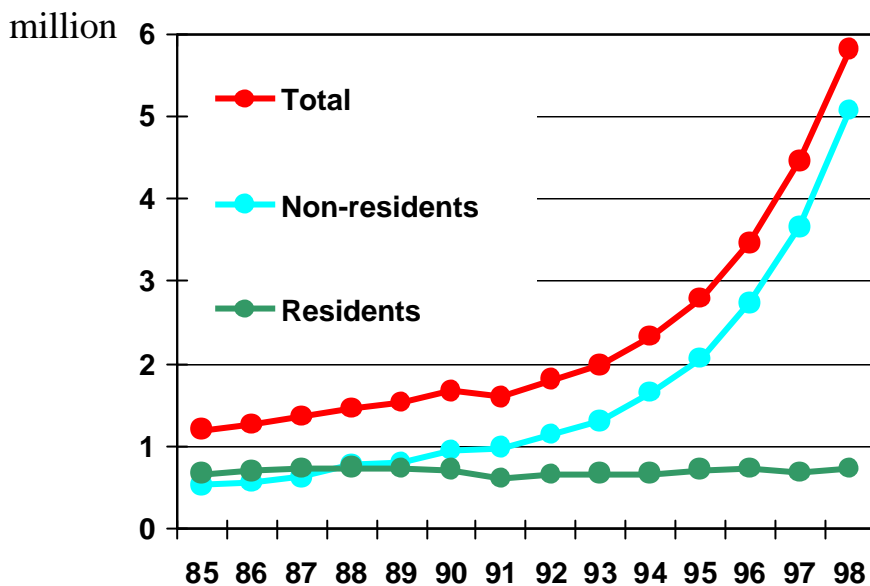
As part of PCT Reform efforts, Japan would like to propose ways to satisfy these needs.

² Due to unavailability of statistics, the number of international-oriented domestic applications is estimated based on the following presumptions: (1) All international-oriented domestic applications of original countries other than the US are presumed to be always re-filed to the US. This means that the applications filed to the US by non-US residents are the international-oriented domestic applications of those non-US countries. (2) All international-oriented domestic applications originating in the US residents are presumed to be always re-filed to the United Kingdom. This means that the applications filed to (or designating) the United Kingdom by the US-residents are the international-oriented domestic applications of the US. (3) Therefore, the sum of (1) and (2) becomes the total number of international-oriented domestic applications of all countries.

According to the 1998 WIPO Statistics, on the other hand, total number of domestic applications is 728 thousand. Therefore, the purely domestic applications are 550 thousand (i.e., 728 thousand minus 178 thousand).

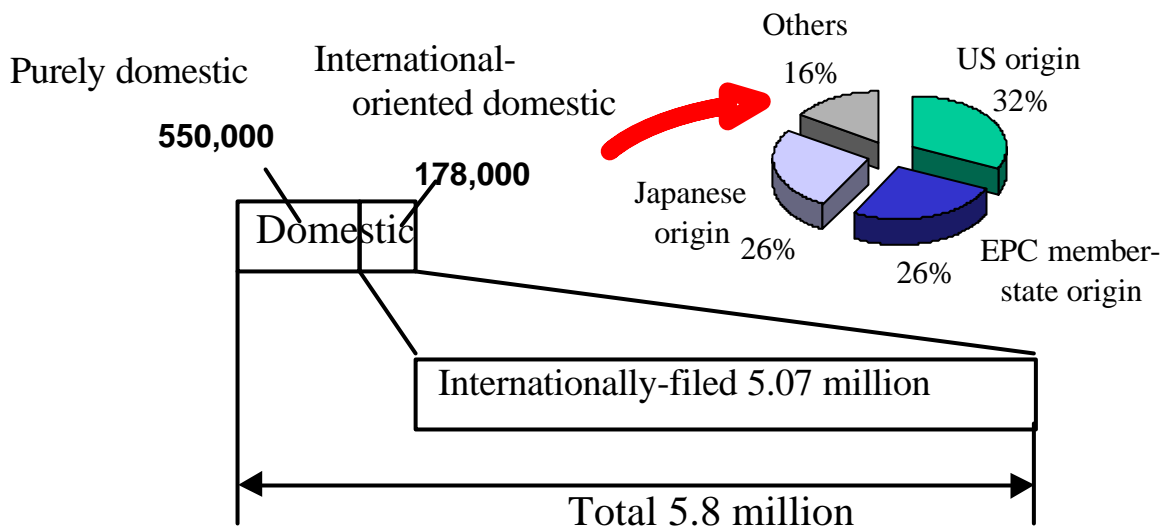
The total number of internationally-filed applications, 5.07 million, can be calculated based on the 1998 WIPO Statistics. To avoid double counts in the EPC context, we counted the number of the designations of EPC Member States rather than the numbers of EPC regional applications and Euro- PCT applications.

Fig.1 Worldwide trend of patent applications



Source: WIPO Industrial Property Statistics 1998

Fig.2 Analysis of patent applications in the world



Estimated based on WIPO Industrial Property Statistics 1998

II. SUBSTANCE OF PCT REFORM AS PROPOSED BY JAPAN

1. *Reduction of workload/costs in Proceedings of International Authorities*

(1) *Modification of 20-month deadline for entry into the national phase*

(a) Item (6) of the US proposal on the First Stage of Reform suggests elimination of the 20-month deadline for entry into the national phase under Article 22(1). Japan supports this proposal for a different reason from the US. In Japan's view, modification of the 20-month deadline would contribute to reduction of the workload of International Preliminary Examination (IPE) as well as to improvement in user-friendliness of PCT operations.

(b) Article 22(1) sets 20 months from the priority date as the deadline for the national entry. Under Article 39(1)(a), however, the period for national entry can be extended up to 30 months from the priority date if a demand for IPE is filed within 19 months from the priority date. Applicants, therefore, tend to file demands for IPE merely in order to extend the deadline for national entry. Those applicants would not file such demands if the 20-month deadline for national entry under Article 22(1) were eliminated and set at 30 months regardless of whether or not demands are filed.

(c) This change could be accomplished by several means. The first alternative is revision of the Treaty to delete Article 22 and revise associated provisions. The second alternative is modification of time limits through the Article 47(2) procedure in which the relevant deadline could be modified by a decision of the Contracting States so that the 20-month deadline is made the same as the deadline under Article 39(1)(a) (30 months at present). The third alternative is a concerted voluntary legislative action by all Contracting States under Article 22(3) which provides that any national law may fix a longer time limit.

The first alternative (i.e. revision of the Treaty) looks most orthodox but might create a complicated legal situation with regard to the relation between revised and original Treaties, as discussed in item III.2. If a solution were not found to this complicated situation, the second alternative would be the best. The third alternative would be effective only if the concerted legislative action to revise national laws is carried out by all Contracting States that would be designated. This, however, does not seem realistic.

(2) *Combination of International Search and International Preliminary Examination*

(a) As indicated in item (9) of US proposal on the First Stage of Reform, the separation of search and examination has inefficiencies such as duplicated reading by different examiners at different times. In order to minimize such inefficiency, the ISAs/IPEAs should be able to carry out search and examination together to the maximum possible extent.

(b) The mandatory ISR under Article 15(1) is a fundamental service to be provided to PCT users as well as to designated countries. The demand-based non-mandatory nature of IPE under Article 31(1) is another fundamental right of PCT users to *choose*. This nature also largely contributes to reducing the workload of IPEA. If we were to eliminate inefficiency while maintaining these two Treaty-based systems, as opposed to item (7) of the US proposals on the First Stage of Reform, the following two ideas would be worth examining.

(c) The first idea to eliminate the above-mentioned inefficiency is to give applicants choice among three alternatives; namely, ISR only, separate ISR and IPER, or combined ISR and IPER. This idea could be realized through the following scheme.

(i) The mandatory nature of ISR under Article 15(1) is not changed. By introducing a system of “request for initiating International Search,” however, the applicant is given the opportunity to express his wish as to when the International Search is to be initiated. If the applicant requests initiation of International Search (IS), for instance, within 19 months from the priority date, the ISR is to be prepared within a certain period from the request. If no request is made for the IS before 19 months, the ISR is prepared within 28 months from the priority date, i.e. in advance of an extended national entry.

(ii) The demand-based non-mandatory nature of IPER under Article 31(1) is also maintained. However, the period for demand of IPER is to be limited to 19 months from the priority date. The applicant is allowed to choose between a combined ISR and IPER and a separate ISR and IPER. When the applicant desires a combined ISR/IPER, he is simply required to demand the IPER alone, within the 19 months. A combined ISR/IPER is prepared if the ISR has not yet been prepared. If the ISR has already been prepared, on the other hand, an IPER alone is to be prepared separately. When the applicant desires to have a separate ISR and IPER, he could first request the initiation of IS as mentioned in item (i) above, and demand IPER afterwards, or otherwise could specify to that effect in the request/demand.

In order to realize this scheme, we would have to introduce the concept of “request for initiating International Search,” by which the IS is initiated and ISR is prepared in a subsequent period, to the PCT Regulations. Also, the deadline under Rule 42.1 for preparation of ISR would have to be extended accordingly (for instance, 28 months from the priority date), particularly in case where no ISR request is made within 19 months.

Consequently, an ISR could be prepared after the International Publication. However, no change would be required in Treaty Articles because the simultaneous disclosure of ISR and International Publication is not mandatory in the PCT as permitted under Rule 48.2(g). A new Rule to limit the time period for the demand of IPER as mentioned above (for example, 19 months) should be introduced.

Rule 69.1(b) already addresses the question of combination of ISR and IPER. It would, however, provide further basis for the combination of ISR and IPER when it operates together with the concept of “request,” the extension of the ISR preparation deadline, and the limited period for demand of IPER.

(d) Another more radical but rational idea would be to give applicants only two alternatives: one for having ISR only, and another for having a combined ISR and IPER. This can be done in the following two ways.

(i) One is by simply eliminating the option of separate ISR and IPER from the first idea mentioned in item (c) above; this can be done by stipulating that an applicant who has requested an IS and has received the ISR is no longer allowed to demand the IPER. One could argue against this idea, in that it deprives of the applicant the right to demand IPER.

(ii) The second is a largely different scheme, which extends the deadline for preparation to, for instance, 28 months from the priority date. On the other hand, the time limit for demanding IPER is made, for example, 19 months from the priority date. The above-mentioned concept of a “request for initiating International Search” would *not* be introduced. There would be only two choices between a demand for IPER and a non-demand for IPER. First, if the applicant demands the IPE within 19 months, a combined ISR and IPER is automatically prepared. Second, if the applicant has not demanded the IPE within 19 months, the ISR alone is to be prepared after the expiration of the 19-month period but before 28 months from the priority date. Unlike the scheme shown in item (i) above, this would not deprive the applicant of the right to demand IPER.

For both of items (i) and (ii) above, one could argue that it could eliminate the right of applicants to have ISR and IPER separately. Concerning this “eliminating the chance for amendment” argument, however, Japan can point out that although the Treaty distinguishes the “Article 19(1) amendment” from the “Article 34(2)(b) amendment,” the former can be considered to be included in the latter in its scope.

(e) In the mean time, if we were to eliminate the inefficiencies associated with separate ISR and IPER by means of a mandatory combination of ISR and IPER for all international applications, we would need to revise provisions of PCT such as Article 31(1) so that a combined ISR and IPER is prepared for all international applications in a mandatory fashion.

In that case, there would be two problems to be examined. First, the Treaty revision might create the complication as discussed in item III.2. below. Second, International Authorities would have to cope with an increase in workload. While the demand ratio of IPER would vary among IPEAs,³ the demand-based non-mandatory nature of IPER contributes to reducing associated workload. If the mandatory combination of ISA and IPEA for all international applications is introduced, every IPEA will face an increased number of IPERs which otherwise would not have been demanded.

This increase in workload of IPEA might be mitigated by improved efficiency resulting from merger of international-phase search/examination with national-phase examination if both are conducted by the same Authority, as discussed in item II.1.(3) below. However, the extent of mitigation would be less in an IPEA whose national patent law employs the system of request for national examination because such IPEA must prepare IPER for international applications for which national examination would not have been demanded.

Another consideration is that the increase in IPER workload could be also justified by possible exploitation of positive IPER as discussed in item II.3.(2) below. If a positive result of IPER made by an IPEA could be fully exploited by other EOs so as to make dispensable entire or parts of national examination of those EOs, and if the applicant could enjoy the benefit of resultant fee reduction in those EOs, the total benefits could surpass the increased burden of the IPEA.

³ In JPO, applicants demand IPER only for about 57% of international applications. Demand ratio is about 67% at the EPO and about 90% at the USPTO.

(f) In the cases described in the above items (c), (d) and (e), fee reductions should be considered for a combined ISR and IPER as opposed to separate ISR and IPER, reflecting expected improvements in efficiency.

(3) *Merger of the international- and national-phase proceedings at ISAs/IPEAs*

(a) As suggested in US proposal item (7) of the First Stage of Reform, a merger between international-phase processing (i.e. preparation of ISRs/IPERs) and national-phase processing (i.e. national examination) would contribute to reducing inefficiency arising from the separation of preparation of ISRs/IPERs and national examination. This inefficiency is of the same nature as mentioned in item (2) above.

(b) Item (7) of the US proposal also suggested that this merger be achieved by eliminating the concept of demands. However, Japan is not in favor of the elimination of this concept as suggested in item (7) because the demand-based non-mandatory nature of IPER under Article 31(1) is a fundamental right of PCT users to choose, and largely contributes to reducing the workload of IPEA. In fact, quite a few of applicants use this right not to demand the IPER. Japan believes that a merger of international-phase and national-phase proceedings could be achieved without eliminating the concept of demands.

(c) This merger could be carried out in the following manner: When an international application enters to national phase of an EO that is an IPEA, the applicant may request that national substantive examination be conducted together with the IPE. Because the IPEA examiner is also the EO examiner, he would conduct, to the maximum possible extent, both the national examination and the IPE at the same time. However, the subject of national examination is different from the subject of IPE. The subject of the IPE is international application in the international phase, while the subject of the national examination is international application in national phase. An amendment under Article 34(2)(b) for the international phase can, therefore, be made (to the international application in the international phase), separately from an amendment under Article 41 for the national phase as well as from subsequent amendments under national law (to the international application in the national phase). Although this might result in different patent claims between IPE and national examination in some cases, the examiners would for the most part gain the benefit of efficiency.

(d) The same kind of merger could be also done, upon request of the applicant, between the ISR and national examination when the DO is the ISA. For greater feasibility, the deadline for preparing ISR should be extended, for example, to 28 months from the priority date so that more applications can be subject to the merged process. In this case too, the subject of national examination is different from the subject of IS. An amendment under Article 19 for the international phase can, therefore, be made (to the international application in the international phase), separately from an amendment under Article 28 for national phase as well as from subsequent amendments under national law (to the international application in the national phase). Although this might result in different patent claims between IS and the national examination in some cases, the examiners would gain the benefit of efficiency in most of the cases.

(e) There is no Treaty provision that restricts the merger of ISR/IPER and national examination. New rules at the Regulation level introducing the requests for mergers would be

needed. A fee reduction for merged cases could be considered in the light of the reduced workload, which could be also preferable to facilitate usage of the new system.

(4) *Worldwide workload sharing by ISAs/IPEAs*

(a) Item (1) of the US proposal on the Second Stage of Reform proposes the “regionalization of current Search/Examination Authorities,” and suggests that greater efficiency and enhanced quality could be realized by “consolidating” the growing number of ISAs/IPEAs.

(b) When considering recent rapid developments in networking and database technologies, however, Japan considers “consolidation” of PCT Authorities would *not* necessarily lead to greater efficiency and enhanced quality. If the PCT Authorities are connected with each other by information network and are able to easily access to each other’s databases, and if they come to have common search tools and common search/examination strategies, then greater efficiency and enhanced quality could be achieved by effectively exploiting resources of other Authorities. In this sense, “virtual consolidation” based on a de-centralized operation would be more important than “physical consolidation” based on a centralized operation.

(c) Regarding the criteria for being qualified as Authorities, Japan agrees to the US suggestion that we migrate from the current quantitative criteria to qualitative one. However, the new criteria should be based upon the potential for “usefulness” rather than the current status of “widespread acceptance” of the work product of the proposed Authority. Also, the new criteria should take into consideration contribution by a new Authority to worldwide workload sharing among PCT Authorities. If new Authorities were to be capable in this regard, the existing Authorities as well as PCT users would benefit tremendously.

2. *Availability of Multiple Searches and Examination*

(a) Despite the efforts being made by the PCT Authorities, it is unrealistic to expect that they can conduct 100% perfect searches and examinations. PCT applicants are, therefore, interested in the availability of multiple searches and examinations from multiple authorities for higher quality and more comprehensive searches and examinations. As suggested in item (5) of the US proposal on the First Stage of Reform, we should be responsive to the needs of PCT users. However, Japan thinks that the appropriateness of multiple searches and examinations should be very carefully examined from the following perspectives.

(i) Firstly, how searches and examinations are different among ISAs/IPEAs should be examined. The Concurrent Search Project conducted by the Trilateral Offices of the European Patent Office, the Japan Patent Office, and the US Patent and Trademark Office revealed that there is 90% agreement in judgements of patentability (i.e. novelty and inventive step). Namely, the Trilateral Offices made the same patentability judgement for 90% of the total claims in question. On the other hand, the Project also revealed only 4% agreement in the cited prior art documents. Namely, three offices cited the same documents in 4% of all cited documents.⁴ The results illustrate that,

⁴ The agreement ratio of documents cited by two of the Offices was 17%. The remaining 79% of the documents were cited by only one Office. “Patent families” were considered to be the same document.

while patentability judgement is similar among the Trilateral Offices, prior art search is considerably different among them, perhaps, due to differences in search tools, etc.

If we were to consider the availability of multiple searches/examinations, therefore, we should first concentrate on multiple searches rather than multiple examinations because the searches would have higher priority for PCT users. In addition, multiple examinations would need much more complicated arrangements than multiple searches, unless search and examination are combined as mentioned above. Moreover, we should evaluate how seriously the multiple searches are necessary. Although applicants would enjoy multiple searches for the purpose of more accurate drafting of amendments to claims in order to avoid prior arts as much as possible, we should consider the fact that, because the Trilateral Offices already have a quite good agreement ratio in patentability judgement, it is highly likely that the applicants would receive the same judgements in any case.

(ii) Secondly, we should consider the possible increase in workload. To have multiple searches and examinations from multiple Authorities requires a great deal of search/examination resources on the part of the Authorities. Therefore, whether and to what extent the increased workload resulted from introduction of multiple searches/examinations could be absorbed by the capacity of the Authorities under the existing or improved PCT scheme should be carefully examined.

(iii) Thirdly, we should consider the nature of public duty is expected of ISAs under the existing PCT scheme. While Article 16(2) provides for the possibility of a single ISA, the current situation recognizes the existence of several ISAs each of which is required by Article 16(3) to meet the minimum requirements in order to be capable of its duties as an ISA. This means that each ISA is expected to adequately conduct International Searches. The primary focus, therefore, should be on upgrading the capacity of ISAs so that they are able to prepare as adequate as possible ISR, if the current quality of ISR is to be improved.

In addition, to give special preference (i.e. multiple searches) only to PCT applications would bring about imbalance with other types of applications such as domestic and Paris-route foreign applications to which patent is granted subject to search made by only one Patent Office. An international search by one ISA should be sufficient for PCT applications as well. Multiple searches, on the other hand, seem beyond the sphere of public service expected of ISAs. These needs might be better satisfied by private-sector search services.

(iv) Lastly, without institutionalized multiple searches/examinations, PCT applicants would be able to obtain *de facto* multiple searches/examinations, for instance, by obtaining one ISR/IPER from one ISA/IPEA and seeking an additional national search/examination from either a DO/EO in the national phase or from the patent office of the original country in the processing of the original application. Those additional national searches/examinations could be obtained at the same time as the ISR/IPER if the applicants so wish. This means that the need for multiple searches/examinations, if any, could be handled even under the current regime. One idea to evaluate the strength and extent of the needs would be to study how frequently such usage is made.

(b) Even if the system of multiple searches were to be introduced, we should consider how such a system can be implemented. Possible options for multiple searches would be the following three. All three options do not consider the possibility of multiple searches being conducted by a single ISA for several times, because it is too redundant and such a need, if any, should be dealt with by the subsequent IPER and national examination. Rather, multiple searches, if introduced, should be conducted by different ISAs.

(i) Additional/supplemental searches subsequently made by another ISA (i.e. multiple searches made by different ISAs in a time-series manner)

When a positive ISR is made by the first ISA, the applicant seeks an additional ISR from another ISA to make sure that there is no prior art. Where a negative ISR is made, the applicant might withdraw the application or might seek another ISR by making an amendment to the claim. In the latter, the second searcher would be unable to use the results of the first search. This would result in a pure increase in workload. In addition, it takes far longer time to complete the all ISRs, comparing to the present.

(ii) Collection and compilation of separate search reports (i.e. multiple searches made at the same time by different ISAs):

The workload would be less than option (i) in that all ISAs can search for the same claim (because of no different amendments) which enables them to share their workload in terms of the scope of the search. Also, the time necessary to complete the entire IS process would be far shorter than option (i).

(iii) A “Super search” conducted by a “Super-International Searching Authority”:

It would take a long time to establish such a physically consolidated “Super-International Searching Authority.” Also, as pointed out above, centralized operation would not necessarily be efficient. If “Super-International Searching Authority” means ISAs which are virtually consolidated by networking technology, it would amount to no more than options (i) and (ii).

(c) Multiple searches as suggested here can be realized without revising the Treaty provisions, particularly in option (i) or (ii). According to Article 16(2), each Receiving Office (RO) shall specify the competent ISA for searching of international applications filed therein in accordance with the applicable “agreement” referred to in Article 16(3)(b). It would, therefore, be sufficient for ISAs and the WIPO-IB to conclude such an “agreement” enabling multiple searches, and for the ROs to specify the additional ISAs that conduct the multiple searches. On the other hand, Rule 35.2, providing for cases where several ISAs are competent, might have to be reviewed. Where international applications are filed in a language other than those accepted by the ISAs that conduct additional multiple searches, the applicant should be required to submit their translation. This can be dealt with by slightly modifying Rule 12.3(a).

3. *Reduction of Workload/Costs in Proceedings of Designated/Elected Offices*

(1) *Accommodate further deferral of national entry*

(a) Item (8) of the US proposal on the First Stage of Reform proposes to modify the 30-month deadline for national entry under Article 39(1)(a) and to introduce the possibility of several deferrals at 6-month intervals from the 30th month for the payment of deferral fees. US proposal (4) of the Second Stage of Reform also proposes further relaxed timing requirements for national entry. This could be in response to the specific needs of particular applicants. In addition, the further deferral of national entry would give the applicant more time to consider its appropriateness, and therefore could be a factor towards reducing the number of international applications that enter the national phase.

(b) As also indicated in the US proposal, the concerns of third parties to monitor the legal status of the application must be kept in mind to avoid the creation of “submarine” application/patents. Japan, therefore, thinks that further deferral of national entry should be permitted only for a single 6-month deferral in addition to the 30 months provided for under Article 39(1)(a) (In other words, 36 months from the priority date is the final deadline.). If a Contracting State wishes to give applicants further deferral beyond this, it should be dealt with by national law by using Article 39(1)(b) under which any national law may fix a time limit longer than that.

(c) If we are to simply extend the deadline under Article 39(1)(a) up to 36 months, it could be done by the Article 47(2) procedure in which the relevant time limit could be modified by a decision of the Contracting States. If we are to introduce the 6-month interval deferral based on a payment, Article 39(1)(a) might have to be revised, which would result in two versions of Acts of the PCT as discussed in III.2. below.

(2) *ISRs and Positive IPERs being more utilized by DOs/EOs*

(a) Item (3) of the US proposal on the Second Stage of Reform suggests giving a legally binding effect to positive results of IPE so that it is adopted by non-Authority Contracting States. Consideration should be given to the following points.

(i) *Exploitation of ISR and fee reduction*

In parallel with the US proposal of utilization of positive IPER, efforts should be made to encourage DOs to fully exploit ISRs and to dispense with national searches that are now conducted in the national phase. To make national searches entirely or partially dispensable would not mean that the DO must prohibit them, but rather that the DO has the discretion to conduct an additional/supplementary national search if considered appropriate. This could lead to reduction of workload in DO which otherwise would have to be undertaken in the national phase. A reduction of fees for additional national searches in favor of applicants must take place regardless of whether the DO conducts additional/supplementary national searches at its discretion.

While aware that this kind of arrangement can be made unilaterally by a State which wishes to reduce duplicated workload by exploiting ISR, Japan considers it appropriate to institutionalize such an arrangement on a bilateral or multilateral basis. Under the institutionalized arrangement, Members would commit themselves to (1) exploiting ISR

to the maximum extent and making national searches entirely or partially dispensable, (2) reducing national search fees by a predetermined amount according to the general/average usefulness of ISR, and (3) making mutual efforts to improve the quality of ISR and to harmonize search practices/tools so as to upgrade the usefulness of ISR.

This kind of arrangement could apply not only between an ISA and a non-ISA that is a DO (“one-way recognition of search results”), but also between ISA Offices when one of them acts as an ISA and the rest act as DOs (“mutual recognition of search results”). An advantage of its institutionalization is that all participants would mutually benefit in terms of workload reduction of the Member patent offices as well as fee reduction on the part of applicants of Member countries. This scheme in the PCT would also form a basis for a Paris-route system in which a search result obtained by another country for a national application is utilized by other offices for corresponding national applications.

(ii) Exploitation of Positive IPER and fee reduction

Japan thinks that US proposal regarding exploitation of positive IPER could lead to the reduction of workload in EOs as well as the reduction of examination fees imposed on the applicant. As opposed to the US suggestion, Japan thinks that, for the purpose of workload/fee reductions, it would be sufficient for the EOs to fully exploit the positive results of IPE in subsequent national patent granting procedures in a similar manner to “modified substantive examination (MSE).” Namely, while additional/supplementary national examination could be left to the discretion of the EO, the EO fully exploits the positive results of IPER as a basis of national examination of the international application in the national phase, provided that the patent claims are the same between the international phase and national phases. It would not be necessary to give the positive IPER a “legally binding effect.”

In addition, although the US suggestion seems to address only to non-Authority Contracting States (“one-way recognition of examination results”), a PCT Authority (when it is an EO) would also benefit in terms of workload/fee reduction from the full exploitation of positive examination result made by another PCT Authority (“mutual recognition of examination results”). Again, such an arrangement can be achieved by unilateral action of a state which wishes to utilize positive IPER for the sake of workload reduction.

With that in mind, Japan considers it appropriate to institutionalize such an arrangement on a bilateral or multilateral basis for the mutual benefit of all participants. Under the institutionalized arrangement, members would commit themselves to; (1) exploiting positive IPER as a basis of the national patent granting with, if necessary, additional national examination (MSE-like scheme); (2) reducing national search/examination fees by an amount predetermined according to the general/average usefulness of positive IPER; and (3) making mutual efforts to improve the quality of IPER and to harmonize examination practices so as to upgrade the usefulness of positive IPER. The most controversial point would be to what extent substantive provisions of national patent laws of Members should be harmonized before committing themselves to such an institutionalized arrangement. The answer to this question would depend on how each Member views the balance of benefits between harmonization and reduction of workload/fees.

(b) Japan is aware that institutionalized arrangements (for exploitations of ISR and/or positive IPER) can be realized by bilateral or multilateral agreements other than PCT. In fact, there exists an agreement between some States and ISA regarding exploitation of ISR and associated national search fee reduction. Similarly, a bilateral MSE-based scheme of exploiting positive IPER results already exists among some States. Nevertheless, this issue would be worth discussing at the WIPO Committee on Reform of the PCT in order to consider the future scheme of the PCT.

This could include the idea that some of the PCT Contracting States conclude a protocol by which its members recognize more the effects of ISR and positive IPER more frequently and promise the reduction of the associated fees. At the very least, discussion on possible multilateral arrangement of exploitation of ISR (not IPER) could be initiated as the first stage of reform. A relevant provision of the PCT Regulations is Rule 16.3 which provides for the refund (reduction) of the ISR fee in the case where an existing ISR of an earlier PCT application can be used for an ISR of a later PCT application. Another relevant provision is Rule 41.1 which provides for the refund (reduction) of the ISR fee in the case where an existing search results other than ISR can be used for the preparation of an ISR. Rule 41.1 more importantly provides for the “obligation to use” the existing search results. These provisions address the exploitation of existing search results for the purpose of conducting IS but not for the purpose of conducting national searches. Based on the similar consideration of reduction of duplicated workload and fees, nevertheless, the same concept could extend to the exploitation of existing search results for the purpose of conducting national searches.

4. *Other simplifications and streamlining*

Japan is in favor of the other US proposals specified in items (11) “*reduction/elimination of formalities review or handling of applications,*” (13) “*electronic international publication,*” (14) “*electronic transmission of search/examination results,*” and (15) “*other PLT-consistent changes*” of the First Stage of Reform. These changes could streamline the procedures in WIPO-IB, ROs, ISAs/IPEAs, and DOs, as well as benefit PCT users.

5. *Enhanced user-convenience and user-friendliness*

(1) *Benefits accruing from the above-mentioned proposals*

Japan thinks that PCT users would benefit from the proposals specified in the above items 1, 3 and 4 which could improve the performances of ISAs/IPEAs, DOs, WIPO-IB and ROs. The multiple searches and examinations suggested above would, if introduced, also benefit particular sectors of PCT users with specific needs.

(2) *PLT-consistent changes*

Japan considers it important to give the PCT conformity with the PLT for the convenience and user-friendliness of PCT users. In this regard, Japan agrees to US proposals items (3) (“conform filing date requirements to those in the PLT”), and (4) (“conform “missing part”-type requirements to PLT procedures”) of the First Stage of Reform. However, the timing of the reform should be examined in relation to the status of ratification/accession to the PLT by the PCT Contracting States. In this regard the proposed PLT-consistent changes of PCT might have to be examined in a separate track.

(3) *Elimination of Article 64(4)*

(a) By the reservation allowed under Article 64(4), the US maintains the national practice which differentiates the prior art effect of international application filed outside of the US from that of application filed in the US. This is based on the unique case law of the US (so called the “Hilmer Doctrine”) that differentiates between the actual filing date in the US and the filing date outside US (i.e. the Paris Convention priority date).

(b) A non-US applicant usually files his international application with RO of his home country (i.e. countries other than US), with designating the US. Afterwards, the applicant enters into the national phase in the US. In the US, the prior art effect of his international application takes effect at the time of national entry, not the time of filing of the international application. In case where a US applicant files another application in the US claiming the same invention disclosed in the application of the non-US applicant, the non-US applicant cannot defeat the application of the US applicant, even if the non-US applicants filed his international application earlier than the US applicant (i.e. even if the international filing date of the non-US applicant is earlier than the filing date of the US applicant). This is obviously disadvantageous for non-US applicants.

(c) Japan thinks that equal treatment should be given to PCT users by deleting Article 64(4). By this deletion, the PCT would prohibit different treatment between international filing and actual national filing, which is already provided for under Article 11(3). This will serve for user-convenience and user-friendliness.

(d) As a result of Article 64(4) and US reservation, non-US applicants are forced to choose between the PCT route and the Paris route national filing to the US, by weighing concerns regarding prior art effect in the PCT route against concerns about costs in the Paris route. Complications arising from this dilemma between these two alternatives are staggering, and should be eliminated. In this sense, the deletion of Article 64(4) would be for the purpose of simplification, and would also be a modest change to the PCT. This has the same objectives as the US proposals of the First Stage of Reform.

(4) *Fee reassessment*

Japan fully agrees to item (10) of the US proposal on the First Stage of Reform. All PCT fees, including fees payable to the WIPO-IB, should be reassessed so as to be commensurate with services rendered and to reflect streamlined and reduced functions as a result of simplification and electronic processing. This would largely benefit the PCT users.

(5) *Deferred time limit for submission of translation*

Japan would like to propose discussion of deferred deadlines for furnishing translation provided in Articles 22(1) and 39(1)(a). Those Articles provide that the translation of international applications shall be furnished no later than at the expiration of 20 months or 30 months, respectively, from the priority date. When a translation is needed, therefore, the applicant must decide on whether to enter the national phase well in advance of the national entry deadline so as to allow sufficient time for preparing the translation. On the other hand, when a translation is not needed, the applicant can fully enjoy the entire time period before the national entry deadline to decide on whether to enter the national phase.

One idea is to allow applicants to make a deferred submission of translation after the national entry (for example, two months after national entry), while not changing the deadline of national entry. This would be appropriate in that applicants are given an equal length of time for consideration, regardless of the necessity of translation. There is also a need on the part of attorneys to defer the time limit to furnish the translation. This margin of time (e.g., two months) after the national entry could be used to prepare translation when an applicant's decision to enter the national phase is made at the very end of the period for national entry. Even in such a case, an attorney who receives a last-minute request of national entry would have sufficient time to prepare the translation. Resultant higher quality translation could benefit not only applicants and attorneys but also DOs and EOs. In this regard, Articles 22(3) and 39(1)(b) that entitle Members to extend the deadline should be examined to determine whether or not they are flexible enough to accommodate national legislation for such needs. It would be appropriate, for the sake of the applicants, that as many Members as possible take concerted national legislative action to extend the deadline of submission of the translation.

6. *Promotion of worldwide usage of the PCT system*

(1) *Elimination of concept of designation*

Item (1) of the US proposal on the First Stage of Reform to eliminate the concept of designation could be understood as an attempt to promote worldwide use of the PCT system, because it would result in the filing of an international application automatically constituting the filing of an international application to all PCT Contracting States. Japan supports this direction in general, but the method of implementing this proposal would require careful deliberation. If automatic designation of all States is introduced, the workload of communication under Article 20 would largely increase on the part of IB as well as DOs, when considering the fact that most of the applications do not designate all States at present. This might be mitigated to some extent by the introduction of electronic means, which would justify to do away with designation fees as suggested by the US. However, workload would still take place to manage unnecessary electronic data which otherwise would not be communicated. An idea to minimize the workload would be to require the applicants to select States to which they wish to make national entry. This would be no more than a slight change from the present scheme of "all designations," "confirmation" and "withdrawal" under Rule 4.9(b) and (c). Another idea would be to prescribe in the Regulations that communications under Article 20 be done not by the IB, but by applicants, who can determine the States in which they wish to enter into the national phase. This notion is already expressed to some extent in the first sentence of Article 22(1) under which applicants themselves could furnish a copy of the application to a DO before the Article 20 communication. In this case, the zero designation fee would be justified although the needs of applicants on the benefit of zero fee vis-a-vis the burden of communication by applicants should be examined.

(2) *Elimination of all residency and nationality requirements*

- (i) Item (2) of the US proposal on the First Stage of Reform to eliminate all residency and nationality requirements could be also interpreted as aiming at promoting worldwide use of the PCT system. The US proposal enables nationals/residents of non-Contracting States to use the PCT system. Although Japan agrees with promoting worldwide usage of the PCT system, the US proposal would introduce inequality into the PCT system in that nationals/residents of Contracting States could not enjoy the

benefits of the PCT in non-Contracting States because they could not file an international application designating the non-Contracting States. Also, it might be a disincentive for the non-Contracting States to join the PCT, while one could argue that it could be an incentive in a long run for non-contracting party to join the PCT because it will raise PCT-awareness and understandings of advantages of PCT. Therefore, Japan could not support this particular US proposal unless it brings about positive effects that prevail over disadvantages.

(ii) It is unclear whether item (2) of the US proposal suggests *not* changing the current competency rule of ROs, which stipulate that nationals/residents of a Contracting State are permitted to file international applications only to pre-determined competent ROs. Japan thinks that a change of the existing competency rule might create unpredictable international shifts of workload among ROs. Another plausible problem would be “RO-shopping” by which an applicant chooses a RO which resides in the latest time zone in order to gain an advantage in terms of establishing a filing date.

(3) *Elimination of distinctions between national and international applications*

Item (2) of the US proposal on the Second Stage of Reform to eliminate distinctions between national and international applications could be also interpreted as aiming at promoting worldwide use of the PCT system. It is understood that, according to the US proposal, a subsequent PCT international application can be effected merely by indicating, *at anytime*, that the first national application should be considered an international application. Japan supports this US proposal. To implement this notion, considerations would be needed regarding (i) common formalities between national applications and international applications, based perhaps, on PLT-conformity, (ii) how to give status of “regular filing” to the “second application” under PCT Treaty provisions, and so on.

(4) *Reenergize technical assistance under PCT Articles 51 and 56*

Japan supports item (12) of the US proposal on the First Stage of Reform, because it could contribute to promoting much wider use of the PCT system by applicants in developing countries as well as to developing their patent systems.

III. HOW TO IMPLEMENT THE NOTIONS OF PCT REFORM

Japan believes the following two considerations essential for the idea of PCT Reform to be materialized.

1. *Comprehensive, not piecemeal approach*

PCT reform should be pursued in a comprehensive manner, not only because one change could connect with other potential changes, but also because the proposed changes should be addressed as a whole in order for all the participants to accommodate different conflicting interests in the context of a global picture of the future PCT system.

2. *How to change the Treaty and its Regulations*

Japan agrees to the necessity of changing not only Regulations but also Treaty provisions to greatly simplify the PCT system. However, if revision of the Treaty results in two Acts of the PCT, namely the original Act and the revised Act, the migration by all Contracting States from original Act to new Act would take a long time. This would create a situation where some States are bound by the revised Act and others are bound by the original Act. This would greatly complicate administration of the PCT because the application of particular provisions must be differentiated depending on what is the nationality of applicants and which State is designated or elected, and so on. This is the case particularly for the proposed re-arrangements of search and examination in that ISAs/IPEAs will have to differentiate their IS/IPE operations depending on the applicability of either Act. We should therefore explore how to change the Treaty provisions in such a way as to avoid the existence of two Acts of the PCT and enable quick migration of Contracting States.

At the same time, we should examine methods of PCT reform by means of “modification of time limits (Article 47(2))” and/or “amendment of Regulations (Article 58(2)),” both of which would not lead to complication because they bind all Contract States equally at the same time. Because the provisions of the PCT are sufficiently flexible, most of the US and Japan proposals could be accommodated by “modification of Treaty” or “amendment of Regulation” rather than “revision of Treaty.” In this case, the “revision of Treaty” would be minimal, with exceptions that would not cause great complication. An example of such a revision would be to conform the PCT to PLT filing date requirements or PLT “missing part”-type requirements, because the relief by these PLT-based requirements would not be invoked so frequently. Another example would be the deletion of Article 64(4).

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